

| REPORT TO            | ON               |
|----------------------|------------------|
| Governance Committee | 26 November 2019 |



| TITLE   | REPORT OF                        |
|---|----------------------------------|
| Audit Plan Progress Report 2019/20 April - October 2019 | Interim Head of Shared Assurance |

|                              |    |
|------------------------------|----|
| Is this report confidential? | No |
|------------------------------|----|

### PURPOSE OF THE REPORT

1. To provide the Governance Committee with a summary of Internal Audit work undertaken for South Ribble Council and the Shared Services element for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> October 2019.

### RECOMMENDATIONS

2. Members are asked to consider and note the content of the report.

### EXECUTIVE SUMMARY

3. Governance Committee are required to be informed of and review Internal Audit work as part of their review of the Council's internal control environment and overall Governance arrangements. To that end the Appendix to the report outlines the progress of work to 31<sup>st</sup> October 2019 and the status of planned and ongoing work.
4. The detailed information in regard to progress against individual areas of work / auditable areas has been provided at Appendix 1.

### CORPORATE OUTCOMES

5. The report relates to the following corporate priorities: *(tick all those applicable)*:

|   |          |
|---|----------|
| Excellence, Investment and Financial Sustainability | <b>X</b> |
| Health, Wellbeing and Safety                        |          |
| Place, Homes and Environment                        |          |

Projects relating to People in the Corporate Plan:

## BACKGROUND TO THE REPORT

6. This is the progress report of work undertaken for the 2019/20 Plan, which was previously agreed with the Governance Committee.

## PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

### Audit Plan Progress

7. This is the report in respect of the period 1<sup>st</sup> April 2019 – 31<sup>st</sup> October 2019; it includes those items carried forward from 2018/19, that are now completed, progress against the 2019/20 plan and the status of individual auditable areas. The appendix outlines the actual time spent against the planned time for each area and the assurance opinion where work is completed.
8. A number of reviews have been commenced in the previous month due to staffing issues being addressed (this is outlined below in a separate paragraph). The Audit reviews that have commenced are:-
- Ethical Culture Review
  - Environmental Health
  - Environmental Enforcement –Fixed Penalty Notices
  - Tree Inspections and Maintenance
9. A number of reports are at Draft Report stage and are awaiting review by the Acting Principal Auditor and / or the Interim Head of Shared Assurance. These are outlined below:-
- GDPR Compliance Review
  - Credit Cards
  - Car Park Management / Enforcement
  - NFI Data Matching Reviews
  - Shared Services Review of Accounts
10. The following table outlines the main pieces of work undertaken and completed in the last period:-

| Audit Area  | Assurance Rating | Comments   |
|---|------------------|--|
| Performance Management Information (see paragraph 11 below) | <b>Limited</b>   | Audit originally completed in 2018/19, however, additional work was requested from Interim Chief Executive, additional work was completed and identified significant issues in the definitions, calculations, retention of supporting documentation and reporting of Performance Indicators across a wide sample. Actions arising are being agreed with Leadership Team, these will then be implemented, a revised Data Quality Policy has been produced and includes data quality review and sign off by Senior Leaders to ensure indicators are clearly defined, accurately calculated, evidence retained and accurately |

|   |            |   |
|---|------------|---|
|   |            | reported. A follow up will be undertaken in 3-6 months in line with Audit practice.   |
| Review of Independent Reference Group / Annual Governance Statement | <b>N/A</b> | A review was undertaken of the actions taken against recommendations arising from the IRG; this was completed and a report prepared. The findings arising will be reported to a future Governance Committee meeting as part of the review of the Annual Governance Statement. |

11. The Performance Management Audit was initially completed in April 2019, the opinion of the control environment was classed as Adequate, however, on presenting the piece of work to the incoming Interim Chief Executive for review he raised concerns that the original piece of work indicated that there may be an issue with systems / processes in place and that the opinion assigned did not correlate with the findings, in that, the opinion should have been Limited. In order to verify the extent of the issue and to clarify the opinion of the control environment relating to Performance Management Information, the Interim Chief Executive required further testing to be undertaken. The further testing identified that there are issues within the systems / processes relating to Performance Management Information and that these issues and weaknesses in control have resulted in the opinion of the control environment being classified as **Limited**. Management Actions are to be discussed and agreed with Leadership Team as part of the review of the Annual Governance Statement.
12. Work has been ongoing during the latest period in respect of the investigations / issues arising primarily undertaken by the Interim Head of Shared Assurance, however, some support has been required from the Acting Principal Auditor and one of the temporary members of staff due to other issues arising in respect of work that is required for the Annual Governance Statement.
13. Following the last Governance Committee meeting, further resource of a second temporary auditor has been appointed with a contract to the 24<sup>th</sup> December 2019; the first temporary auditor's contract has been extended to the 31<sup>st</sup> March 2020. A member of the substantive audit team is acting up to the Principal Auditor role, this will continue whilst temporary arrangements are in place. Further the investigation work is coming to a close, however, the Interim Head of Shared Assurance will be required to focus on the control issues arising and the effects the findings have on the Annual Governance Statement and the Governance of the Council. Further reports will be produced with Management Actions to ensure the issues arising will be addressed.
14. The '% of audit plan completed' for South Ribble for this period is 28% for planned work and 57.6% for planned and unplanned work, however, there are a significant number of days been spent on the investigation work which has impacted on the planned work and the work undertaken for Chorley Borough Council. Whilst overall the total number of days of audit work for SRBC is 292 days, this does not equate to 85% of the audit plan being completed. This is the impact of the investigation work which currently totals 117 days plus 45 days for the IRG / AGS work.
15. The level of completion of the audit plan is being closely monitored and reviewed by the Interim Head of Shared Assurance. This impact will lessen as the benefit of the temporary arrangements put in place comes to fruition. The completion of some major pieces of work including Creditors and GDPR Compliance review will aid with the lessening of the current impact.

## AIR QUALITY IMPLICATIONS

16. No implications

## COMMENTS OF THE STATUTORY FINANCE OFFICER

17. The unplanned work particularly in relation to the investigation has impacted on the planned audit work in the period to October. Interim staffing arrangements have been put in place to mitigate this, including the employment of temporary staff. This additional cost has been funded from underspends within the overall shared services budget.

## COMMENTS OF THE MONITORING OFFICER

18. Under the Accounts and Audit Regulations 2015 the Council is required to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. This report provides an update to the Committee for consideration and noting. There are some exceptional circumstances this year which has resulted in a significant amount of unplanned work.

## OTHER IMPLICATIONS:

|               |  |
|---------------|--|
| <p>► Risk</p> | <p>The matters raised in the report are cross cutting and impact upon those individual services reviewed and the Internal Control environment of the Council.<br/>Failure to report the progress of the Audit Plan to the Governance Committee would result in the lack of awareness of those charged with the responsibility for the Governance of the Council of issues in regard to the Council's overall control environment. This could result in financial, legal and / or reputational harm to the Council.</p> |
|---------------|--|

## BACKGROUND DOCUMENTS

South Ribble Internal Audit Plan 2019/20  
Shared Financial Services Audit Plan 2019/20

## APPENDICES (or There are no appendices to this report)

Appendix 1 – SRBC Internal Audit Plan 2019/20 Progress April – October 2019 for SRBC and Shared Services

Janice Bamber  
Interim Head of Shared Assurance

|  |                 |                                |
|--|-----------------|--------------------------------|
| Report Author:   | Telephone:      | Date:                          |
| Janice Bamber, Interim Head of Shared Assurance Services | 01772<br>625272 | 11 <sup>th</sup> November 2019 |

**INTERNAL AUDIT PLANS 2019/20  
SOUTH RIBBLE COUNCIL**

| WORK AREA  | RISK   | EST (Days) | ACT         | BAL          | REVIEW STATUS       | ASSURANCE RATING | STATUS  |
|--|--------|------------|-------------|--------------|---------------------|------------------|---|
| <b>AUDIT PLANNED WORK</b>                            |        |            |             |              |                     |                  |   |
| Areas of work to be identified                       |        | 60         | 0           | 60           |                     |                  |   |
| <b>CORPORATE</b>                                     |        |            |             |              |                     |                  |   |
| Corporate Complaints                                 | Medium | 10         | 5.2         | 4.8          |                     |                  | Review of Complaints ongoing as part of investigation work  |
| <b>RESOURCES &amp; TRANSFORMATION</b>                |        |            |             |              |                     |                  |   |
| <b>HR</b>  |        |            |             |              |                     |                  |   |
| Absence Management                                   | Medium | 10         | 0           | 10           |                     |                  |   |
| <b>Democratic Services</b>                           |        |            |             |              |                     |                  |   |
| Ethical Culture Review                               | High   | 10         | 0.2         | 9.8          | <b>Commenced</b>    |                  | Audit scope agreed with Service Lead  |
| <b>Customer &amp; Digital</b>                        |        |            |             |              |                     |                  |   |
| ICT Review   | High   | 20         | 3.3         | 16.7         |                     |                  | Meeting with MIAA to agree areas to be reviewed and assessment of audit work previously undertaken within ICT                                       |
| GDPR Compliance Reviews                              | High   | 10         | 26.1        | (16.1)       | <b>Draft Report</b> |                  | Draft Report completed and with Interim Head of Shared Assurance for review.  |
| Council Tax  | High   | 5          | 0           | 5            |                     |                  |   |
| NNDR   | High   | 5          | 0           | 5            |                     |                  |   |
| Housing Benefits                                     | High   | 5          | 0           | 5            |                     |                  |   |
| <b>Finance</b>                                       |        |            |             |              |                     |                  |   |
| Income Collection & Receipt                          | High   | 25         | 0           | 25           |                     |                  |   |
| Credit Cards   | High   | 10         | 19.2        | (9.2)        | <b>Draft report</b> |                  | Draft Report complete; with Interim Head of Shared Assurance for review   |
| <b>REGENERATION &amp; GROWTH</b>                     |        |            |             |              |                     |                  |   |
| <b>Neighbourhoods &amp; Development</b>              |        |            |             |              |                     |                  |   |
| My Neighbourhood Processes                           | High   |            | 0           | 0            | <b>Deleted</b>      |                  | Not required as Member & Officer working group to review My Neighbourhoods following changes to areas.  |
| Environmental Health                                 | High   | 20         | 0.2         | 19.8         | <b>Commenced</b>    |                  | Increase days taken from My Neighbourhoods to as a number of areas are being reviewed.  |
| Environmental Enforcement – Fixed Penalty Notices    | High   | 5          | 0.2         | 4.8          | <b>Commenced</b>    |                  | Additional audit to replace My Neighbourhoods, specific area in respect of Fixed Penalty Notices to be reviewed following discussions with Director |
| Leases / Licences to Community Centres etc.          | High   | 10         | 0           | 10           |                     |                  |   |
| <b>Parks &amp; Neighbourhoods</b>                    |        |            |             |              |                     |                  |   |
| Car Park Management / Enforcement                    | High   | 10         | 8.8         | 1.2          | <b>Draft Report</b> |                  | Audit Work completed and Draft Report prepared. File and Report with Acting Principal Auditor for review  |
| Tree Inspections & Maintenance                       | High   | 10         | 0           | 10           | <b>Commenced</b>    |                  | Scope agreed  |
| <b>TOTAL PLANNED WORK</b>                            |        | <b>225</b> | <b>63.2</b> | <b>161.8</b> |                     |                  | <b>28% of planned work completed</b>  |
| <b>UNPLANNED WORK</b>                                |        |            |             |              |                     |                  |   |
| Performance Management Information (additional work) |        | 0          | 21.5        | (21.5)       | <b>Completed</b>    |                  | Further work completed, reported to Leadership Team and management actions to be agreed as part of Annual Governance Statement work                 |

|   |  |            |              |               |                  |  |  |
|---|--|------------|--------------|---------------|------------------|--|--|
| Review of IRG / AGS                         |  | 0          | 45           | (45)          | <b>Completed</b> |  | Work undertaken to review IRG recommendations and action taken against those actions for inclusion in and review of Annual Governance Statement. |
| <b>Total Unplanned Work</b>                 |  | <b>0</b>   | <b>66.5</b>  | <b>(66.5)</b> |                  |  |  |
| <b>TOTAL WORK (Planned &amp; Unplanned)</b> |  | <b>225</b> | <b>129.7</b> | <b>95.3</b>   |                  |  | <b>57.6% of work plan completed (Planned &amp; Unplanned)</b>  |

| <b>ONGOING WORK THROUGHOUT THE YEAR</b>   |         |           |             |              |                        |                 |  |
|---|---------|-----------|-------------|--------------|------------------------|-----------------|--|
| <b>CORPORATE AREAS</b>                    |         |           |             |              |                        |                 |  |
| Annual Governance Statement               | N/A     | 20        | 13.1        | 6.9          | <b>Ongoing</b>         |                 | Work was completed on initial AGS, following issues arising from investigations and IRG review, AGS is to be reviewed so further work is required  |
| Assurance Mapping                         | N/A     | 10        | 4.5         | 5.5          | <b>Ongoing</b>         |                 | Work is being undertaken to map all sources of Assurance across Council to complement Audit Planning process and ensure work Internal Audit undertake complements any other assurance work rather than duplicates. |
| Anti-Fraud & Corruption                   | N/A     | 10        | 0           | 10           |                        |                 |  |
| NFI                                       | N/A     | 5         | 0.5         | 4.5          | <b>Ongoing</b>         |                 | Preparation for the Council Tax Single Person Discount / Electoral Register exercise later this financial year   |
| Governance Committee                      | N/A     | 10        | 3           | 7            | <b>Ongoing</b>         |                 | Preparation of reports for Governance Committee  |
| <b>Total Corporate Areas</b>              |         | <b>55</b> | <b>21.1</b> | <b>33.9</b>  |                        |                 |  |
| <b>PROJECT SUPPORT</b>                    |         |           |             |              |                        |                 |  |
| HR and Payroll system update              | Project |           | 0.2         |              | <b>Project Support</b> |                 | Advice re risk and controls re enhancement to HR systems   |
| InPhase Development                       | Project |           | 4.6         |              | <b>Project Support</b> |                 | Advice re risk and controls re implementation of improved Project Management System.   |
| <b>Project Support Total Days</b>         |         | <b>20</b> | <b>4.8</b>  | <b>15.2</b>  |                        |                 |  |
| GDPR Implementation                       | Project | 5         | 4           | 1            | <b>Project Support</b> |                 | Increased Audit presence within project group  |
| <b>Project Support Totals</b>             |         | <b>25</b> | <b>8.8</b>  | <b>16.2</b>  |                        |                 |  |
| <b>TOTAL ONGOING WORK</b>                 |         | <b>80</b> | <b>29.9</b> | <b>50.1</b>  |                        |                 | <b>37% of Ongoing work completed</b>   |
| <b>OTHER WORK</b>                         |         |           |             |              |                        |                 |  |
| <b>Residual Work from 2018/19</b>         |         |           |             |              |                        |                 |  |
| Commercial Properties                     | N/A     |           | 4.6         |              | <b>Completed</b>       | <b>Limited</b>  | Follow Up Quarter 4  |
| Health & Safety                           | N/A     |           | 9.9         |              | <b>Completed</b>       | <b>Adequate</b> | Actions implemented to improve culture   |
| <b>Residual Work Total Available Days</b> |         | <b>10</b> | <b>14.5</b> | <b>(4.5)</b> |                        |                 |  |
| <b>GENERAL Areas</b>                      |         |           |             |              |                        |                 |  |
| GRACE System Administration               | N/A     | 10        | 0           | 10           |                        |                 |  |
| Post Audit Reviews                        | N/A     | 5         | 0.3         | 4.7          |                        |                 | Review of previous 2 years management actions to determine if implemented or status of implementation, results will be reported to Governance Committee.   |
| <b>General Areas Total Available Days</b> |         | <b>15</b> | <b>0.3</b>  | <b>14.7</b>  |                        |                 |  |

| <b>Contingency / Irregularities</b>  |  |            |              |                |                    |  |   |
|--|--|------------|--------------|----------------|--------------------|--|---|
| Contingency / Consultancy  |  |            | 5.1          |                | <b>Ongoing</b>     |  | Advice / Support from Internal Audit in respect of issues arising, fraud awareness, scam emails received etc. |
| Investigations / Irregularities  |  |            | 112.6        |                | <b>In Progress</b> |  | Ongoing investigation work by Interim Head of Shared Assurance primarily regarding current issues.            |
| <b>NB.</b> Investigation work / reports / outcomes will be reported to Governance Committee at the appropriate time, any reporting at this time may hamper / hinder any ongoing process. |  |            |              |                |                    |  |   |
| <b>Contingency/Irregularities Total</b>  |  | <b>10</b>  | <b>117.6</b> | <b>(107.6)</b> |                    |  |   |
|  |  |            |              |                |                    |  |   |
| <b>Total Other Work</b>  |  | <b>35</b>  | <b>162.3</b> | <b>(127.3)</b> |                    |  |   |
|  |  |            |              |                |                    |  |   |
| <b>TOTALS</b>  |  | <b>340</b> | <b>292</b>   | <b>48</b>      |                    |  |   |
|  |  |            |              |                |                    |  |   |

**INTERNAL AUDIT PLANS 2019/20  
SHARED SERVICES**

| WORK AREA  | RISK   | EST<br>(Days) | ACT         | BAL           | REVIEW STATUS       | ASSURANCE<br>RATING | COMMENTS  |
|--|--------|---------------|-------------|---------------|---------------------|---------------------|---|
| <b>AUDIT PLANNED WORK</b>  |        |               |             |               |                     |                     |   |
| Creditors  | High   | 20            | 15.7        | 4.3           | <b>Ongoing</b>      |                     | Testing ongoing, expected completion November 2019  |
| Financial Systems;   | High   | 20            | 0           | 20            |                     |                     |   |
| Procurement  | High   | 30            | 0           | 30            |                     |                     |   |
| Money Laundering   | High   | 20            | 0           | 20            |                     |                     |   |
| NFI Data Matching Reviews of Financial Matches inc. Creditors / Payroll / Housing Benefits | Medium | 10            | 10.2        | (0.2)         | <b>Draft report</b> |                     | Work undertaken on Creditors & Payroll matches re: employees, Draft report with Interim Head of Shared Assurance for review |
| <b>Total Planned Work</b>  |        | <b>100</b>    | <b>25</b>   | <b>75</b>     |                     |                     |   |
| <b>UNPLANNED WORK</b>  |        |               |             |               |                     |                     |   |
| Shared Services Review of Accounts   |        |               | 7           | (7)           | <b>Draft report</b> |                     | Report is with Interim Head of Shared Assurance for review  |
| <b>Total Unplanned Work</b>  |        |               | <b>7</b>    | <b>(7)</b>    |                     |                     |   |
| <b>OTHER WORK</b>  |        |               |             |               |                     |                     |   |
| <b>General Areas</b>   |        |               |             |               |                     |                     |   |
| GRACE System Administration  | N/A    | 5             | 0.2         | 4.8           |                     |                     |   |
| Post Audit Reviews   | N/A    | 5             | 0           | 5             |                     |                     |   |
| <b>Total General Areas</b>   |        | <b>10</b>     | <b>0.2</b>  | <b>9.8</b>    |                     |                     |   |
| <b>Residual Work from 2018/19</b>  |        |               |             |               |                     |                     |   |
| Cash & Bank  |        |               | 12.1        |               | <b>Completed</b>    | <b>Substantial</b>  |   |
| Treasury Management  |        |               | 1.1         |               | <b>Completed</b>    | <b>Substantial</b>  |   |
| Payroll  |        |               | 2.9         |               | <b>Completed</b>    | <b>Limited</b>      | Management Actions agreed; Limited assurance opinion due to issues in respect of Contract extensions re Payroll contract    |
| Main Accounting  |        |               |             |               | <b>Completed</b>    | <b>Substantial</b>  |   |
| <b>Total Residual Work</b>   |        | <b>5</b>      | <b>16.1</b> | <b>(10.1)</b> |                     |                     |   |
| <b>Contingency / Irregularities</b>  |        |               |             |               |                     |                     |   |
| <b>Total Contingency / Irregularity Work</b>   |        | <b>5</b>      | <b>0</b>    | <b>5</b>      |                     |                     |   |
| <b>TOTALS</b>  |        | <b>120</b>    | <b>48.3</b> | <b>71.7</b>   |                     |                     | <b>40% of plan work completed (including unplanned work)</b>  |
|  |        |               |             |               |                     |                     |   |
|  |        |               |             |               |                     |                     |   |