

REPORT TO	ON
Governance Committee	30 May 2019



TITLE	REPORT OF
Internal Audit Annual Report 2018/19	Interim Head of Shared Assurance Services

Is this report confidential?	No
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PURPOSE OF THE REPORT

1. The purpose of this report is to:-
 - i) summarise the work undertaken by the Internal Audit Service from April 2018 to March 2019;
 - ii) provide an opinion on the adequacy and effectiveness of the Council's framework of control; and
 - iii) to provide an appraisal of the Internal Audit Services performance throughout the period

RECOMMENDATIONS

2. That the Committee notes the Internal Audit Annual Report for 2018/19

CORPORATE PRIORITIES

3. The report relates to the following corporate priorities:

Excellence and Financial Sustainability	✓
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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EXECUTIVE SUMMARY

4. The Public Sector Internal Audit Standards require the Head of Shared Assurance to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement are agreed with Senior Management and overall progress is reported to the Governance Committee on a quarterly basis. As can be seen in the final progress report attached at Appendix 1, 2 service areas have been awarded Limited Assurance in regard to the areas reviewed; the issues are further explained in the report at paragraph 6.4. However, a number of reviews have been awarded with the rating of Substantial Assurance.

Risk Management – the Council's arrangements were further strengthened during 2018/19 by the development of Project Risk Registers for all Corporate Projects, specific training related to identifying risks and controls and scoring the likelihood and impact of risks. The Corporate Risk Register is reported to Cabinet on a quarterly basis and is monitored via Leadership Team and Member meetings. Further work in regard to embedding risk within the Council will continue into 2019/20.

Governance – a range of actions have been taken during 2017/18 to strengthen the Council's governance arrangements. The Annual Governance Statement Action Plan for 2019/20 includes details of actions to further strengthen Council's governance arrangements.

The 2018 AGS has been produced following a rigorous assessment process, an action plan has been produced and this will be monitored throughout 2019/20.

As there are a number of areas that have been awarded Substantial / Full Assurance and Limited has only been awarded in 2 cases, it is the opinion of the Interim Head of Shared Assurance, that Council's overall control environment can be classed as being that of providing **Adequate / Full Assurance**, based on those areas reviewed during the 2018/19 financial year. It should be noted that there are significant areas of good practice and substantial controls being in place, however, there are some areas of Limited Assurance which require further improvement works, this is recognised by Leadership Team and work has already begun in those areas to make improvements.

BACKGROUND TO THE REPORT

5. The Public Sector Internal Audit Standards require that the Head of Audit provide an opinion on the overall control environment of the organisation and to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

At South Ribble this is the responsibility of the Interim Head of Shared Assurance. In order to form that opinion a number of areas are reviewed including the work undertaken by Internal Audit during the preceding financial year, in this case 2018/19, the review of the governance framework undertaken as part of the Annual Governance Statement work and the embedding of Risk Management within the Council.

These factors then come together to provide evidence to support the opinion of the Interim Head of Shared Assurance.

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

6. *Audit Plan*

- 6.1 Appendix 1 provides a detailed view of the individual audits undertaken in 2018/19, each audit has been assigned an individual audit opinion of the control environment and includes notes in regard to actions / progress.
- 6.2 The Appendix identifies that 78% of the planned work for 2018/19 was completed within the year. This is identified in the first 2 pages of the appendix, this also identifies where work was completed in excess of the days allocated and those completed under the days allocated. The allocation of days is not an exact science and it is only when the audit commences that the Auditor understands what the key risks are in each specific area and they then audit accordingly. It further shows that whilst 22% of the work is carried forward, these reviews have been carried forward in the main due to fundamental reviews being undertaken of the service are to be audited and the audit would not have added value at that time. These areas, My Neighbourhoods, Project Management and ICT Review will be completed in 2019/20.
- 6.4 The appendix outlines the assurance opinion for each piece of work and as can be seen the majority of areas were assigned either a Substantial / Full Assurance rating. There are two areas assigned a Limited rating and an explanation of those is outlined below:-

Property Repairs & Maintenance

Towards the end of 2018/19, a new Leadership Team member was appointed in this area, his initial action was to have an independent external review of the service undertaken in order to identify areas for improvement and compile an action plan, this was undertaken and an improvement action plan with 76 improvement recommendations was provided by the independent examiners, this has now been incorporated into a technical compliance programme of work with priority ratings applied and timelines assigned for each improvement area. Internal Audit reviewed the work done and are satisfied that the review and subsequent action plan will address the risks in that area and controls will be implemented. Internal Audit will review the progress of the Improvement Plan throughout 2019/20.

Commercial Properties

The work undertaken in this area focussed the completeness and accuracy of the Councils' Asset Register, and establish that suitable process are in place and have been applied to review Commercial Properties rental income. The Audit identified a discrepancy in the asset information held in comparison to the land registry data; lack of regular review / update of the asset register, a lack of clarity in regard to responsibility for maintaining the register and asset clarification. Management actions have been agreed which will address weakness in control and mitigate risks in this area.

Audit Days

- 6.4 The Internal Audit Plan for 2018/19 was based on an overall resource of **340 audit days for South Ribble Council**; this was based on resource in place at the time of Audit Planning in March 2018; following agreement of that plan a number of resource issues have arisen within the service that have reduced the number of days available to

undertake audit reviews, there are currently 2 vacancies within the Internal Audit team, one of which is at a key level, the other is a part time role, further long term sickness and a bereavement of a parent has impacted on the service. Despite this the actual planned work has been completed with the exception of 3 audits previously identified. There has however, been an impact on the proactive work normally undertaken by Internal Audit and this can be clearly seen in page 3 of the appendix, the lack of involvement of Internal Audit in these areas is not a cause for concern as advice and support has been provided by the Interim Head of Shared Assurance as and when required.

Key Performance Indicators

6.5 In 2018/19, Internal Audit have completed 78% of the Internal Audit Plan and achieved 100% acceptance rate for recommendations.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

7. Progress Reports are provided to Governance Committee on a quarterly basis.

FINANCIAL IMPLICATIONS

8. There are no financial implications in regard to this report

LEGAL IMPLICATIONS

9. There are no legal implications of the report

COMMENTS OF THE STATUTORY FINANCE OFFICER

10. There are no comments from the Statutory Finance Officer.

COMMENTS OF THE MONITORING OFFICER

11. There are no issues that need to be raised by the Monitoring Officer

OTHER IMPLICATIONS:

<p>▶ HR & Organisational Development</p>	<p>Resources have been allocated as per resources in place.</p>
<p>▶ ICT / Technology</p>	<p>Technology is utilised as required for carrying out the function of Internal Audit & reporting</p>
<p>▶ Property & Asset Management</p>	<p>N/A</p>
<p>▶ Risk</p>	<p>The failure to form an opinion on the control environment may lead the Council open to challenge from External Audit and could result in reputational harm</p>
<p>▶ Equality & Diversity</p>	<p>N/A</p>

BACKGROUND DOCUMENTS

Governance Committee quarterly reports.

APPENDICES

Appendix 1 Progress Report

Janice Bamber
Interim Head of Shared Assurance

Report Author:	Telephone:	Date:
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**INTERNAL AUDIT PLANS 2018/19
SOUTH RIBBLE COUNCIL**

WORK AREA	RISK	QTR	EST (Days)	ACT	BAL	C/F	REVIEW STATUS	ASSURANCE RATING	STATUS
AUDIT PLANNED WORK									
RESOURCES & TRANSFORMATION									
Legal, Democratic & HR Services									
Licensing Service	MAJOR	1	15	13.2	1.8	0	COMPLETED	SUBSTANTIAL	Completed
Payroll / HR System Data Testing	N/A	4	5	0	0	0	COMPLETED	SUBSTANTIAL	Completed
Policy, Communications, Customer, Digital & Strategic Asset Management									
Performance Management Information	CRITICAL	4	10	13.4	(3.4)	0	COMPLETED	ADEQUATE	Testing is completed, Draft Report produced by 8/03/19
Project Management	CRITICAL	3	15	2	0	13	C/F 2019/20		Audit has been delayed due to a review of programme board and review of project management, to be completed in 2019/20
Council Tax	CRITICAL	3	10	9.7	0.3	0	COMPLETED	FULL	Audit review initially classified Council Tax systems as Substantial, however, implementation of the Management Actions has resulted in a revised Assurance Rating.
Non-Domestic Rates (NDR)	CRITICAL	3	10	10.8	(0.8)	0	COMPLETED	FULL	Audit review initially classified NDR systems as Substantial, however, implementation of the Management Actions has resulted in a revised Assurance Rating.
Housing Benefits	CRITICAL	2&3	10	11.1	(1.1)	0	COMPLETED	FULL	Report is completed, Management Actions implemented prior to completion of audit work
Sundry Debtors	CRITICAL	3	10	9.5	0.5	0	COMPLETED	FULL	Report is completed, Management Actions implemented prior to completion of audit work.
ICT Review	CRITICAL	2&3	15	0.4	0	14.6	c/f to 2019/20		Significant changes to ICT, audit work to be carried forward into 2019/20
REGENERATION & GROWTH									
Neighbourhoods & Development									
Health & Safety	CRITICAL	2&3	10	12.1	(2.1)	0	COMPLETED	ADEQUATE	Audit work included a review of risk assessments in specific areas and a H&S Questionnaire. Results from that questionnaire reported to Leadership Team 03/06/19 for action
Refuse Collection & Recycling Contract	CRITICAL	2	10	11	(1)	0	COMPLETED	SUBSTANTIAL	Completed
My Neighbourhoods	MAJOR	3&4	10	1.3	0	8.7	c/f 2019/20		A functional and executive review of My Neighbourhoods and how the service is being delivered is being undertaken by Officers and Members. Work will be completed in 2019/20.
Planning & Property									
Property Repairs & Maintenance	CRITICAL	3	15	5.9	9.1	0	COMPLETED	LIMITED	An independent external review was undertaken in order to produce an improvement action plan, this identified 76 improvement recommendations which have been incorporated into a comprehensive technical compliance

									programme with priority ratings and timelines for implementation. The action plan will be followed up by Internal Audit during 2019/20.
Commercial Properties	MAJOR	2&3	15	9.1	5.9	0	COMPLETED	LIMITED	The Audit identified a number of issues in regard to the maintenance and the accuracy of the Council's Asset Register and the undertaking of lease and rent reviews. Management Actions will address issues in those areas. These will be followed up in 2019/20 by Internal Audit.
TOTAL PLANNED WORK			160	114.5	10.8	52.1			78% Completed Work carried forward 36.3 days = 22%
Actual Plus Balance Sub Total					125.3				
Note									
The work completed plus the balance is actual days overall, as can be seen from the report some audit reviews went over the allocated time and some reviews came in under. The remaining works will be completed in 2019/20, both Neighbourhoods and Project Management have been subject to and are continuing to be subject to major reviews of the way in which the services are delivered.									

ONGOING WORK THROUGHOUT THE YEAR									
CORPORATE									
Annual Governance Statement	N/A	1&4	20	14.8	5.2	0	Completed	N/A	2017/18 AGS Completed
Anti-Fraud & Corruption	N/A	ALL	10	1.7	8.3	0	Ongoing updates	N/A	Ongoing policy updates, fraud alerts circulated during 2018/19
National Fraud Initiative (NFI)	N/A	ALL	15	18.7	(3.7)	0	Data Sets submitted	N/A	Data Sets submitted, CTAX / Elec Reg. SPD results returned & being investigated Further results for other data sets available from end of January results reported to Gov. Cttee. 2019/20
PROJECT GROUPS									
Legal, Democratic & HR Services									
GDPR Implementation	N/A	1	5	15.9	(10.9)	0	Project Support	N/A	GDPR Implementation group meets weekly to update on progress. Ongoing advice & support provided re policies and procedures
Planning & Property									
City Deal	N/A	ALL	5	1.3	0	0	COMPLETED	N/A	Project Group Audit role advice & support completed
Investment Strategy	N/A	ALL	5	0.4	0	0	COMPLETED	N/A	Project Group Audit role advice & support completed
Housing Development	N/A	ALL	5	0.3	0	0	COMPLETED	N/A	Project Group Audit role advice & support completed
Neighbourhoods & Development									
Health, Leisure & Wellbeing Campus	N/A	ALL	5	0.5	0	0	COMPLETED	N/A	Project Group Audit role advice & support completed
TOTAL ONGOING WORK			70	53.6	(1.1)	0			
WORK OUTSIDE AUDIT PLANNING PROCESS									
GENERAL									
Residual Work from 2017/8	N/A	1	20	7.1	0	0	COMPLETED	N/A	
GRACE System Administration	N/A	ALL	20	20.6	0	0	COMPLETED	N/A	
Business Continuity	N/A	ALL	30	0.9	0	0	COMPLETED	N/A	
Post Audit Reviews	N/A	ALL	10	1	0	0	COMPLETED	N/A	
Contingency / Irregularities	N/A	ALL	15	19.6	0	0	COMPLETED	N/A	
Governance Committee	N/A	ALL	15	7.4	0.6	0	COMPLETED	N/A	
TOTAL WORK OUTSIDE PLAN			110	56.6	0.6	0			
SUB TOTAL									
Ongoing Work & Work outside plan			180	110.2	0.6	0			
TOTALS			340	224.7	11.4				
TOTAL									
Actual Plus Balance (over / under)					236.1				Overall Plan 69% Complete
Note	Work outlined above is ongoing work throughout the year and project support work, some of these pieces of work required more time to be input than originally planned due to the nature of the pieces of work, these were generally pieces of work were key risks existed for the Council and required Audit input.								