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## INTERNAL AUDIT QUARTERLY UPDATE

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### 1.0 Summary of progress

- 1.1 Due to publication requirements this report is compiled in early September and the Audit Manager will update members verbally on progress as at the date of the meeting.
- 1.2 10 of the 26 items on the original plan are currently in progress. This is approximately 38% and compares with 44% for the same period in 2013/14.

### 2.0 Assurance rating system

- 2.1 This quarterly report is in a revised format recording the level of assurance provided by internal audit work. The following categories will be used to record the level of assurance.

**Full assurance:**

there is a sound system of internal control designed to secure objectives and controls are being consistently applied.

**Substantial assurance:**

there is a generally sound system of internal control in place designed to secure objectives and controls are generally being applied consistently. Some weaknesses in the design or operation of the controls put the achievement of particular objectives at risk.

**Limited assurance:**

weaknesses in design or inconsistent application of controls put the achievement of objectives at risk.

**No assurance:**

weak controls or significant non-compliance with controls could result (or have resulted) in failure to achieve objectives.

- 2.2 No system of internal control can eliminate every possible risk and increasing the level of control in a system frequently increases costs. Balancing risk appropriately against the costs of control is management's responsibility.
- 2.3 Internal audit's role is to evaluate and improve the effectiveness of risk management and control processes.

- 2.4 It is important to recognise that the scope of the work and the area examined define the limits of the assurance and for this reason some context will be provided for each piece of work in the form of a summary report. The first of these is set out below

### **3.0 Matters arising from internal audit work**

#### 3.1 Summary report

#### **LCC/BTLS CONTRACT PERFORMANCE MONITORING**

Procedures for compilation of LCC/BTLS contractual performance indicators for all current contractual indicators as identified from the report for April 2014.

##### OBJECTIVES

- To examine all contractual indicators currently applicable to WLBC functions administered by LCC/BTLS and the base data used to compile each.
- Follow the significant steps for each indicator to identify that an adequate audit trail exists.
- Establish the accuracy of reported indicators.
- Confirm adequate documentation is retained to verify the processes for production of the indicators.
- Establish any proposals to amend definitions or targets and whether there are any issues with the operation of the current suite of indicators in use.

##### PERFORMANCE INDICATORS EXAMINED:

###### Benefits

- NI181 – Average number of days to process all items (New claims and changes of circumstances)
- Recovery of housing benefit overpayments (payments received)
- Benefits local authority error overpayments – lower threshold YTD based on initial estimate for 14/15
- Number of benefit fraud sanctions and prosecutions

###### Council Tax and NNDR

- % of Council tax collected for current year
- % of Council tax collected for previous years arrears
- % of NNDR collected for current year

###### Sundry Debtors

- Cash collected and write offs

##### OBSERVATIONS

- Each reported indicator was verified by recalculation and walk-through testing:

- The systems and procedures used to compile the base data for each indicator were examined and an adequate audit trail identified for each.
- Adequate documentation is being retained to verify the processes followed for the production of all the indicators.
- The client had no concerns about the operation of the current suite of indicators. Targets for some of the indicators were under review. One of these is the sundry debtors indicator where consideration was being given to changing to a reportable percentage rather than a monetary value.
- There were no recommendations.

#### ASSURANCE

There is a generally sound system of internal control designed to secure accuracy of reported figures and controls are being applied consistently. The client carries out limited verification of the figures supplied by LCC / BTLS.

This Internal audit work provides **Substantial** assurance that the service objectives for performance monitoring of LCC/BTLS activity will be met by the systems in place.

### **4.0 Action Points Outstanding From Previous Updates**

#### **4.1 Revenues and Benefits reconciliations**

It was previously recommended that robust reconciliation procedures should be put in place. A solution has now been implemented and will be reviewed as part of 2014/15 audits of revenues and benefits which are currently underway.

#### **4.2 Benefits processing**

An increase in the volume of errors in benefit processing was brought to the attention of this Committee in previous internal audit updates. BTLS's Director of Revenues and Benefits attended a previous meeting to report on proposals to improve performance in this area. Internal audit work on benefits has not yet been reported but the early indications are that improvements have been secured.

#### **4.3 Delays to work on Revenues and Benefits**

Improvements to the quality and speed of responses to audit queries in this area have been sustained and this item will be omitted from future reports.

## Internal Audit Second Quarter Activity Update

<b>Title</b>	<b>Position</b>
Benefits	Work in progress
Contract Audit	Work in progress
Performance Monitoring System (BTLS)	Work complete
Community Safety (CCTV)	Work in progress
National Fraud Initiative	Work in progress
Home Care Link	Work in progress
Council Tax	Work in progress
Debtors	Work in progress
NNDR	Work in progress
Creditors	Work in progress

<b>Summary</b>	
Work complete	1
Work in progress	9
Work not yet commenced	16
<b>Total</b>	<b>26</b>

### Conclusion

Progress against the 2014/15 plan to date has been maintained at satisfactory levels and it is anticipated that internal audit coverage will be maintained at levels which will enable an adequate assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.