INTERNAL AUDIT QUARTERLY UPDATE

1.0 Summary of progress 2015/16

1.1 19 of the 28 items on the original plan are currently in progress. This is approximately 68% and compares with 69% for the same period in 2014/15.

2.0 Internal Audit 2015/16 second quarter activity update

Title	Position
Contract Procurement	In progress
National Fraud Initiative	In progress
Licensing	Complete
Icon cash receipting	Complete
Benefits	In progress
Technical Services	Complete
Community Infrastructure Levy	Complete
Leisure	In progress
Council Tax	In progress
NNDR	In progress
Customer Services	In progress
Grounds maintenance	In progress
Refuse and Recycling	In progress
Creditors	In progress
Debtors	In progress
Main Accounting	In progress
Treasury Management	In progress
Payroll	In progress
Post SFIS arrangements	In progress

Summary	
Work complete	4
Work in progress	15
Work not yet commenced	9
Total	**28**

3.0 Assurance rating system

3.1 This report records the level of assurance provided by Internal Audit's work. The following categories are 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.

3.2   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.

3.3   Internal Audit's role is to evaluate and improve the effectiveness of risk management and control processes.

3.4   It is important to recognise that the scope of the work in each area examined defines the limits of the assurance which can be provided and to give context to the assurance provided each piece of work is summarised in the reports set out below.

4.0   Assurance reports:

4.1.1   LICENSING

Licensing are responsible for the licensing and control of around 420 taxis and Private Hire Vehicles, charitable collections, lotteries and amusements, street traders and the licensing of 385 premises for alcohol and entertainment.

4.1.2   Objectives

Testing of taxi and licensed premises licensing applications to ensure records maintained are accurate and complete, appropriate monitoring and inspection takes place and that controls on income are adequate, particularly the chip and pin facility introduced since the previous audit. Examine progress on the review of taxi licensing fees.

4.1.3   Observations

- An adequate inspection and monitoring routine was in place. With the exception of one application which had the wrong fee applied, testing indicated that applications were dealt with promptly, details were documented accurately and income was correctly recorded and posted to the General Ledger.

- The Council is currently reviewing costs included in (locally set) licence fees to confirm that they do not include ineligible costs.

4.1.4   Assurance

This Internal Audit work provides **substantial** assurance that the system for licensing taxis and licensed premises is operating satisfactorily. Work has commenced on the review of licensing fees. The review, with input from

Accountancy and Legal, is scheduled to be completed before the start of next financial year.

4.2.1 <u>COMMUNITY INFRASTRUCTURE LEVY</u>

The Community Infrastructure Levy (CIL) was introduced nationally in 2010. It allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used for commissioning and maintenance of infrastructure required to support new development, for example, transport schemes or green spaces. This is "generic" funding available in the local community as opposed to the earmarked funds for specific projects from Section 106 agreements. The CIL runs alongside Section 106 rather than replacing it.

4.2.2 Objectives

Examine procedures for calculation, collection, retention and disbursement of CIL monies and arrangements to secure objectives through the application of funds collected.

4.2.3 Observations

- The Exacom system calculates CIL to be charged based on parameters and case specific information. CIL charges are recorded on the Land Charges Register and removed once all payments have been made or the applicable clawback period or planning permission has expired. The system keeps a running total of all monies, and how these have been apportioned and spent. Parish Councils report each December on expenditure on infrastructure projects meeting the requirements of the CIL regulations. The Exacom system allows the Council to monitor progress on individual projects.

- The system for identifying and monitoring CIL chargeable developments was found to be effective with robust procedures in place and a comprehensive computer system designed to automatically calculate payments due and track developments and projects. The most onerous aspect of the administration of the scheme is the on-going monitoring of exempt developments to ensure they do not become liable as a result of disqualifying events occurring during the clawback period.

- A definitive retention and disposal plan for the information stored by the Exacom system is still being explored. All paper documentation, receipts and correspondence are shredded once scanned onto the system.

4.2.4 Assurance

Subject to the observation that there is little activity to examine this early in the system's life-cycle this Internal Audit work provides **substantial** assurance that the systems in place for the administration of CIL are adequate and effective. Consideration needs to be given to implementing a retention and disposal regime to satisfy data protection requirements.

5.0   Update on significant issues from previous reports

5.1   Revenues reconciliations

The lack of reconciliations of NNDR and Council Tax to Icon postings and the General Ledger following the implementation of the Northgate revenues system have been the subject of regular reports to this committee.

Internal Audit work in revenues this year confirms that adequate reconciliation procedures are now in place for Council Tax and NNDR and reconciliations are being completed regularly on a timely basis.

Internal Audit will keep reconciliations under review during regular audit work but this issue is now resolved and will not be included in future updates.

5.2   Payroll – variations to pay

The 2014/15 payroll audit provided only limited assurance in relation to the system for initiating payroll variations. An action plan to address this was agreed with management and has been implemented.

The revised system was scheduled for review as part of 2015/16 audit work' however it will now be substantially amended again during the year as part of the implementation of "payroll self-service" which will migrate submission and authorisation of many forms to an electronic system.

Rather than review a system with a limited lifespan Internal Audit will review controls on variations to pay in the new "self-service" system during the implementation.

6.0   Conclusion

6.1   Progress against the 2015/16 plan to date is satisfactory and it is anticipated that internal audit coverage in the year will be sufficient to enable an adequate assessment of the adequacy and effectiveness of the Council's overall framework of governance, risk management and control.