
INTERNAL AUDIT QUARTERLY UPDATE

1.0 Summary of Progress against the 2018/19 plan.

Progress against the plan to date is satisfactory with 16% of audits commenced, similar to the position reported in 2017/18 when it was 17%.

Title	Position
General Data Protection Regulations	Work not commenced
Contract and Procurement	Work in progress
Off Street Parking	Work not commenced
Main Accounting	Work not commenced
Treasury Management	Work not commenced
Payroll	Work not commenced
Property Management	Work not commenced
Service Now	Work not commenced
Home Care Link	Work in progress
Business Rates	Work not commenced
Sustainable Organisational Review	Work not commenced
Anti-fraud review	Work in progress
Insurance	Work not commenced
Risk Management	Work not commenced
Sheltered housing	Work not commenced
Housing Rents	Work not commenced
Performance indicators	Work in progress
ICT	Work not commenced
Benefits	Work not commenced
Creditors	Work not commenced
Debtors	Work not commenced
Cashiers - Income Management	Work not commenced
Council Tax	Work not commenced
Right to Buy Sales	Work not commenced
Caretaking	Work not commenced
Homefinder	Work not commenced
Commercial waste	Work not commenced
Civic bulky collections	Work not commenced
National Fraud Initiative	Work in progress
Annual Governance Statement	Work not commenced
Money Laundering Reporting Officer	Work not commenced
Summary	
Work complete	0
Work in progress	5
Work not commenced	26
Total	31

2.0 Assurance rating system

- 2.1 This report records the levels 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.

- 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 in each area examined defines the limits of the assurance which can be provided and to give context to the assurance provided work is summarised in the reports set out below.

3.0 Assurance reports:

3.1 Council Tax

BTLS Revenues and Benefits Service administer council tax on behalf of the Council. They are responsible for delivery of all aspects of its day to day administration from billing through to collection and recovery.

3.1.1 Objectives

To examine systems, procedures and records relating to the billing and collection of Council Tax. To test a sample of 60 accounts to confirm bills are correct, transactions have been processed and recorded accurately and daily reconciliation is performed in accordance with approved procedures. That Discounts and exemptions are supported by corresponding documentary evidence and refunds and write offs are made in line with Financial Regulations and the Scheme of Delegation.

3.1.2 Observations

The review concluded that there are appropriate controls in place for the collection of council tax. The individual accounts examined had transactions processed and recorded correctly. Some minor issues were identified to management and addressed at the time of the review.

3.1.3 Assurance

This Internal Audit work provides **substantial assurance** that appropriate procedures are in place for the administration of council tax and that the Northgate system is operating effectively in this area.

3.2 Business Rates

Non-domestic rates (business rates) are administered and collected by BTLS Revenues and Benefits Service through the Northgate system.

Changes to pooling arrangements nationally are increasing the significance of business rates collected to the Council.

3.2.1 Objectives

Review the effectiveness of processes for maintaining the property database and records of liable parties by testing 60 accounts selected at random from the VOA website and ensuring that the liability was calculated correctly and that any reliefs and exemptions have been applied correctly.

To identify the method of data collection and calculation for performance indicator BTLS R3 and confirm the accuracy of the figure

To review the latest reconciliation for NDR- Northgate system / Icon Cash Receipting System / General Ledger

3.2.2 Observations

All the accounts tested had liability calculated correctly.

Reliefs granted were supported by appropriate evidence.

Processes supporting the production of performance indicator BTLS R3 operate effectively.

Routines for reconciliation of the Northgate system to ICON and the General ledger are operating satisfactorily.

There were only two accounts included in the sample with exemptions applied. These were both supported by evidence obtained at the time of application. There was no evidence of subsequent review of continuing eligibility

One account not in the sample was reviewed due to its links to an account within the sample and was found to have had an exemption applied in 2010 for which supporting evidence could not be located on the system.

Following discussions with BTLS and the client service it has been agreed that Internal Audit will carry out a targeted review of exemptions as part of in the 2018/19 audit.

3.2.3 Assurance

This Internal Audit work provides **substantial** assurance that the procedures in place to maintain records of property and liable parties, calculate and report Performance Indicator BTLS R3 and to reconcile the NNDR system to feeder systems and the General Ledger operate as intended.

4.0 **Update on 2017/18 planned work.**

There were 24 work streams identified in the 2017/18 Internal Audit Plan.

4 of these related to non-assurance work not intended to result in a report

5 items from the plan were not completed in the year as follows:

- Homelessness – planned work carried out in the year with no significant issues identified to date however the report cannot be finalised until further work is completed in 2018/19 to examine changes implemented to reflect new legislation.
- Rent and Money advice – to run in conjunction with the above.
- Leisure – This item was included at the request of the then Director of Leisure and Wellbeing Services and had not been utilised prior to the introduction of the new management structure.
- Performance Indicators – This covers a wide range of systems used to produce performance indicators corporately. The work identified some issues which will be explored further as part of the planned 2018/19 work.
- Customer Services – as implementation of a new system did not take place in the year the planned work could not take place. It has been included in the 2018/19 plan (under the title Service Now).

The remaining 15 items on the plan will all result in Substantial (or better) assurance reports to this committee.

5.0 Other matters of note.

5.1 Update in relation to Property Services engagement of a contractor.

A report was brought to the last meeting summarising issues identified during an audit examination of Property Services arrangements for the engagement of a contractor and the management of the subsequent contract. Members requested to be kept up to date with progress against the actions planned to address the issues identified.

The updated plan is attached and the Audit Manager will be in attendance at the meeting to brief the Committee on the current position

Action Plan

	<u>Issue</u>	<u>Action</u>	<u>Responsible</u>	<u>Timescale</u>
1.	Lack of adequate documentation of the procurement process.	Since the procurement process referred to in this report the Council has implemented an e-procurement system. The system records all steps in procurement exercises administered through it. Its use is now mandatory for all contracts over £50,000 under the Council's current Contracts Procedure Rules.	Procurement Executive	Complete
2.	Failure to comply with Contracts Procedure Rules and Financial Regulations and to record transactions adequately.	Non-compliance cannot be corrected retrospectively. Further training will be provided for staff in property services on the requirements of Contract Procedure Rules, Financial Regulations and in relation to transaction processing to clarify requirements for clearing invoices and to ensure that staff understand the conditions for exceptions to established creditor payment procedures.	Director of Housing and Inclusion	Ongoing
3.	Failure to seek authority to make changes to financial systems.	All staff to be reminded that changes should not be made to financial systems without consultation with internal audit (and where necessary the approval of the Borough Treasurer)	Borough Treasurer	Complete
4.	Absence of a signed agreement governing the arrangement.	Non-compliance cannot be corrected retrospectively. Internal Audit will carry out a review comparing property services expenditure over the threshold at which a contract is required to agreements held by legal services to evidence levels of compliance in other contracts.	Internal Audit Manager	Ongoing

5.	Non-compliance with Council's Document retention requirements.	A corporate programme of review and cataloguing of records is in progress. It has been agreed that Property Services will be included early in the programme to ensure appropriate document retention criteria are developed and implemented.	Information Asset Owners in consultation with Data Access and Storage Governance Project Officer	In progress
6.	Establish transparency and accountability in payment procedures adopted.	All officers authorising payments to be instructed that no invoices including "premium payments" to third parties are to be authorised and any presented for payment are to be referred immediately to the Internal Audit Manager	Borough Treasurer	Complete
7.	Issues relating to transparency and accountability due to alternative payment procedure adopted.	Internal Audit to carry out a programme of checks to identify whether this practice has been employed on any other existing contracts in property services.	Internal Audit Manager	Complete
8.	To establish that there are no other unauthorised amendments to established creditor payment procedures in use.	Examination by internal audit of payments made by property services through creditors (including the D100 process) to ensure these comply with corporate requirements.	Internal Audit Manager	Complete

5.2 Update on Management of Electronic Records

The Council's Annual Governance Statement approved by this Committee identified the management of electronic records as a significant governance issue for the Council in the light of the volume of information currently held on systems. It also made reference to the development of an action plan to improve governance in this area.

The current position has been updated in the notes to the current Annual Governance Statement elsewhere on this agenda

Monitoring of the key risks associated with the project will continue through the Council's regular risk assessment process.

5.3 Update on review of conformance with Public Sector Internal Audit Standards (PSIAS)

There is a requirement for internal audit's conformance with the PSIAS to be externally assessed every five years. In February 2017 Council agreed budget provision to commission an assessment from an organisation providing such services on a commercial basis.

The Chartered Institute of Public Finance and Accountancy was engaged as the assessor to carry out the work.

The fieldwork for the review is now complete and the results of the assessment will be reported back to the July meeting of this Committee.

6.0 **Conclusion**

- 6.1 The new internal audit structure is proving capable of satisfying the Council's duty under the Accounts and Audit Regulations 2015 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 and the service is in a position to be able to deliver adequate coverage in relation to the 2018/19 plan.