

INTERNAL AUDIT QUARTERLY UPDATE

1.0 Summary of Progress against the 2018/19 plan.

Progress against the plan to date is satisfactory with 26% of audits commenced, falling in the range between the positions reported in June and September 2017, 17% and 38% respectively.

Title	Position
General Data Protection Regulations	Work not commenced
Contract and Procurement	Work in progress
Off Street Parking	Work in progress
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 in progress
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 in progress
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	8
Work not commenced	23
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 Creditors

The Creditors process consists of the ordering, approving and receiving of goods and services as requested by the originating departments and the payment for such goods and services in accordance with financial rules and regulations.

The Council's revenues and benefits service (provided by BTLs) is responsible for the processing of supplier invoice payments on behalf of the authority.

3.1.1 Objectives

To examine systems, procedures and records relating to a variety of payments made through the creditor system administered by BTLs Revenues and Benefits.

To ensure system access permissions are current and up to date and that performance is being reported correctly. To confirm supporting guidance, procedures and policies are appropriate and up to date and creditor records comply with the Council's retention and disposal schedule.

3.1.2 Observations

The review concluded that there are appropriate controls in place for the payment of creditor invoices. The transactions examined had been processed correctly. Some minor issues were identified to management and an action plan was agreed to address these

3.1.3 Assurance

This Internal Audit work provides **substantial assurance** that appropriate procedures are in place for the administration of creditor invoices and that the creditors system is operating effectively.

3.2 Debtors

The debtors system is used to produce / issue invoices for services provided by the Council. Processes from the initial creation of a debtor account through to collection of outstanding debt are executed under contract on behalf of the authority by BTLs Revenues and Benefits.

3.2.1 Objectives

To examine systems, procedures and records relating to payments made through the debtor system and test a sample of 30 debtor accounts to confirm invoices were processed correctly.

To confirm the adequacy of the audit trail from the originating department through to the debtors system and general ledger. To review performance against target for the percentage of revenue collected against debt raised.

To understand if there are any discernible trends in volume and channel /methods of payment and if there are any issues currently being experienced that may impact future operations.

3.2.2 Observations

The review concluded that there are appropriate controls in place for the collection of debtor invoices. The accounts examined had been processed correctly with the exception of one minor clerical error. One potential issue was identified in relation to the retention of periodic invoice master records which is currently being explored further.

3.2.3 Assurance

This Internal Audit work provides **substantial assurance** that effective controls are in place for the processing of debtor invoices.

3.3 Housing Benefits Service (delivered by BTLS)

Housing Benefits assess claims and administer payments to tenants on low income to help with the payment of rent.

3.3.1 Objectives

To review the systems (Northgate and Civica), procedures and records relating to the processing of 60 housing benefit and council tax support (if the claimant is in receipt) claims in payment, to ensure that they have been correctly assessed. Review the Right Benefit Initiative (RBI) procedures.

3.3.2 Observations

Testing of the 60 cases found that one parameter had not been updated, all other parameters have been checked and no issues identified. The parameter has been corrected and the cases affected corrected.

Some minor issues with processing and assessment were identified and an action plan to address these has been agreed with management

No issues were identified with RBI procedures.

3.3.3 Assurance

This Internal Audit work provides **substantial assurance** that appropriate procedures are in place for the administration of the service and that the Northgate and Civica systems are operating effectively.

3.4 Payroll

Human resources are responsible for maintaining the main payroll system which is currently provided under contract through the Itrent system provided by Wigan MBC.

3.4.1 Objectives

To review systems, procedures and records relating to the processing of payroll by checking a sample of overtime claims, standby payments, deductions. Checks were also made on the use of self-service forms processed through the system. A comparison of Itrent to the Etarmis time recording system was carried out to verify sickness absence recorded on the system. A review was also completed of Etarmis balances which provide one aspect of control on contractual hours worked for staff on the flexitime system.

3.4.2 Observations

The review concluded that procedures in place were adequate. Checks identified a number of minor issues with transactions which indicated inadequate checks on the accuracy of data input to the system by managers in some areas and an action plan was agreed to address these.

3.4.3 Assurance

This Internal Audit work provides **substantial assurance** that appropriate procedures are in place for the administration of payroll.

3.5 **Cashiers Service (delivered by BTLS)**

BTLS are responsible for the day to day management and administration of the Civica Icon cash receipting system.

3.5.1 Objectives

To review the systems, procedures and records relating to the processing of income. The procedures relating to clearing suspense accounts, reconciliations and review of the process relating to new income streams.

3.5.2 Observations

No significant issues were identified with systems and procedures examined. Minor improvements to increase the efficiency of processes suggested by the auditee were agreed and included in the action plan.

3.5.3 Assurance

This Internal Audit work provides **substantial** assurance that appropriate procedures are in place for the administration of the service and that systems are operating effectively.

4.0 **Other matters of note.**

4.1 Update on the Management of Electronic Records

The management of electronic records was identified as a significant governance issue for the Council in its 2016-17 Annual Governance Statement.

A report was considered at Council in July 2017 summarising the proposed actions to address the issue, which were agreed. An action plan is in place and being implemented to improve governance arrangements to ensure continuing compliance with the relevant regulatory requirements and good practice including adherence to the Corporate Retention and Disposal Schedule.

In June 2017 this Committee resolved, that a report on Electronic Records be submitted to a future meeting.

The 2017-18 Annual Governance Statement noted that the Council is continuing to improve and manage its electronic records and is keeping the position under review and monitoring progress through reports to this Committee.

This matter will continue to be reported in summary form in internal audit updates until such time as the governance issues are resolved.

Current position:

- A new data storage architecture for user created files generated across the Council's ICT network has been agreed in principle by WLBC.
- Revised governance arrangements for data storage and maintenance of user access permissions have been agreed in principle by WLBC.

(The proposed governance arrangements for the new structure and the arrangements for migration of data to the new storage architecture are designed to ensure council wide adherence to new corporate standards for data storage which will enhance control, increase efficiency and secure a reduction in the volume of data held.)

- BTLS are now working on the functional specification to enable implementation of the technical aspects of the proposed solution.
- The scope of WLBC's review project has now been widened to encompass the Council's governance arrangements for the use of e-mail.

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

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

This item will now be removed from the quarterly update due to successful completion of the external assessment reported elsewhere on this agenda.

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

A report was brought to the March meeting of this Committee summarising issues identified during 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 at the end of this report and the Audit Manager will be in attendance at the meeting to brief the Committee on the current position

5.0 Conclusion

- 5.1 The 2018/19 Internal Audit Plan is designed to fulfil 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. The external review of Internal Audit's work concluded that it generally conforms with the Public Sector Internal Auditing Standards and the new internal audit structure is providing adequate resources to deliver the coverage outlined the 2018/19 plan.

Property Services Contractor Engagement 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