



INTERNAL AUDIT SERVICE

**INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE
2018/19**

1. Summary of Progress against the 2018/19 plan.

- 1.1 Progress against the plan for the financial year 2018/19 has been satisfactory with 84% of planned audit work being near completion or completed, compared to 83% at the end of financial year 2017/18.

Audit Plan Progress

Title	Stage of Audit	Assurance reported to A&G Committee
General Data Protection Regulations	Fieldwork Complete	
Contract and Procurement	Draft Report	
Off Street Parking	Final Report Issued	28 th May 2019
Main Accounting	Fieldwork Commenced	
Treasury Management	Final Report Issued	28 th May 2019
Payroll	Final Report Issued	28 th May 2019
Property Management - Gas	Draft Report Issued	
Service Now	To be undertaken in 2019/20 *	
Home Care Link	Draft Report	
Business Rates	Draft Report Issued	
Sustainable Organisational Review	To be undertaken in 2019/20*	
Anti-fraud review	Completed – No report required	
Insurance	Final Report Issued	29 th January 2019
Risk Management	Draft Report	
Sheltered housing	Audit Brief Issued	
Housing Rents	Draft Report	
Performance indicators	To be undertaken in 2019/20*	
ICT	Completed – No report required	
Benefits	Final Report Issued	24 th July 2019
Creditors	Draft Report Issued	
Debtors	Final Report Issued	28 th May 2019
Cashiers - Income Management	To be undertaken in 2019/20*	
Council Tax	Draft Report Issued	
Right to Buy Sales	Final Report Issued	29 th January 2019
Caretaking	Final Report Issued	28 th May 2019
Homefinder	Draft Report Issued	
Commercial waste	Fieldwork commenced	
Civic Bulky Collections Service	To be undertaken in 2019/20*	
Refuse and Recycling	Draft Report Issued	
National Fraud Initiative	Completed – No report required	
Annual Governance Statement	Completed – No report required	
Money Laundering Reporting Officer	Completed – No report required	
Summary		
Work complete	23	72%
Work in progress	4	12%
Work not commenced	5	16%
Total	32	100%

- 1.2 An additional audit in relation to refuse and recycling has been undertaken during 2018/19 following a deferment from 2017/18.
- 1.3 As previously reported to this committee five audit reviews originally planned for completion in 2018/19 are to be deferred to 2019/20, these include:
- Service Now – the first stage of the system was implemented in March 2019, therefore it is at too early a stage to undertake an audit review that will add value.
 - Sustainable Organisation review - project is due to be completed by July 2019 and specific audit work will be identified once the findings and recommendations are known;
 - Civic Bulky Collections Service – this service was reintroduced at the later part of 2018 and time was needed to embed the service. A review will now be undertaken during 2019/20.
 - Cashiers – Income Management – this audit is to be deferred until 2019/20, the Income Management Review final report will influence the work carried out by Internal Audit.
 - Performance Indicators – this review is to be deferred to 2019/20.

2. Audit Opinions and Priorities for Recommendations

2.1 Assurance rating system

- 2.1.1 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.

2.1.2 Recommendation Priority Levels

Recommendations made in all internal audit reports are given a priority level as set out in the table below:

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact of frequency presents risk to the system objectives, which needs to be addressed by management.

Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.
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- 2.3 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.
- 2.4 Internal Audit's role is to evaluate and improve the effectiveness of risk management and control processes.
- 2.5 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. Assurance reports:

Since the last report to the Audit and Governance Committee, 15 audits have been completed by Internal Audit during February to May 2019, five to final report stage and ten to draft report stage. Details of the final reports issued are as follows:

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
Off Street Parking	Substantial	0	4	4
Treasury Management	Substantial	0	0	2
Payroll	Substantial	0	6	0
Property Management - Gas	Limited	5	7	4
Debtors	Substantial	0	1	1

3.1 Off Street Parking (Substantial Assurance)

3.1.1 The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Appropriate contracts are in place
- New machines are installed in line with the implementation plan
- Adequate insurance cover is in place
- Changes to tariffs have been approved in line with the constitution and legislation
- Staff have received appropriate training in relation to the legislation and operation of the pay and display parking system
- Car parks display the correct signage and that the ticket displays the correct information in relation to the fee paid and the car park name
- An inventory of machines is held by WLBC and the collection dates for each machine are documented
- There are controls in place regarding the collection of income

- Income is reconciled and monitored
- There is a procedure for querying and investigating any anomalies on the car park income
- There are procedures in place for ensuring that machines subject to vandalism or that are not working are reported promptly
- Budget monitoring is undertaken
- Risks have been considered and documented on Pentana
- The service action plan highlights planned changes to the operation.

3.1.2 Review of Off Street Parking concluded that overall it is well controlled in that new car parking machines had been installed, although the card payment facility was not in operation at the time of the audit, tariffs had been implemented and income is collected and well controlled. It was noted that Contract Procedure Rules had not been followed in that there were 2 contracts without the official signed contracts in place.

3.2 Treasury Management (*Substantial Assurance*)

3.2.1 The purpose of this audit was to provide assurance to management that procedures and controls ensure that:

- A register of all loans and investments is maintained, transactions are confirmed in writing and there is a full audit trail of activity.
- All investments in the sample comply with the current Treasury Management Policy and there is a regular reconciliation undertaken which is signed off independently.
- Credit interest / repayment of principle and interest calculations are accurate.
- The cash flow forecast spreadsheet is kept up to date and provides adequate evidence to support appropriate levels of investment.
- Segregation of duties within the end to end process are robust and the Scheme of Delegation sets out the delegation of duties to officers.
- There is adequate insurance cover in place to cover all Treasury Management investments and lending and contingency arrangements are in place if / when web based applications are inaccessible.
- Periodic reviews are undertaken to review the performance of the investment and debt portfolio to ensure it is performing as initially expected.

3.2.2 Review of Treasury Management concluded that segregation of duties and controls within the end to end process both manual and system enforced are working well. Registers of all loans and investments are maintained with records held providing a full audit trail of activity. Minor recommendations were reported in relation to a review of the current Treasury Management Policy, specifically the section pertaining to the rollover of funds on call/notice accounts, and a review of the current bankline users to ensure that there is sufficient coverage.

3.3 Payroll (*Substantial Assurance*)

3.3.1 The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Starters, movers and leavers are treated correctly
- The pay award is loaded correctly on the payroll system
- Bacs payments are adequately reviewed
- Checks are undertaken to make sure payments are only made to genuine employees
- Frequent reconciliations to the Council's financial management system - Civica GL are undertaken
- Arrangements have been implemented to ensure there is a smooth transition to the new payroll system
- The agency worker policy is being followed and there is regular review of Matrix Agency Recruitment.

3.3.2 It should be noted that the work undertaken by Internal Audit related to the iTrent system, provided by Wigan Council, which was replaced in April 2019 by Oracle and provided by BTLs. Based on the work reviewed by Internal Audit, HR processes and procedures were found to be operating effectively. There were a variety of high level controls in place in the form of reports to verify monthly payroll submissions to ensure that the number and value of payments look consistent with previous months.

3.3.3 The main area highlighted for improvement was in relation to the compliance of the policy for the Recruitment of Agency Staff. It was acknowledged that there are difficulties in compliance with the policy due to the difficult nature, demands and specialisms of some service areas, however, it was evident that there were a number of staff who had been employed via an agency for longer than 12 months.

3.4 Property Management – Gas (*Limited Assurance*)

3.4.1 The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- The recommendations in the compliance action plan from the Independent review are being progressed
- There is a gas procedure document and that is being followed
- Rectification works are being completed in a timely manner
- Checks are undertaken on remedial works to ensure they have been completed appropriately

3.4.2 Based on the work reviewed it was noted that a great deal of work had been undertaken in getting a new gas policy and new gas procedure in place, however, Internal Audit had concerns around the gas safety process. These concerns were mainly in relation to how the Landlord Gas Safety Record is being completed and reviewed, how warning notices were administered and the follow up of remedial action and charging for work by contractors.

3.4.3 Other areas of concern included a number of cases identified where the incorrect heating type was recorded on the central database, supporting information for the installation of new boilers not being transferred to the council from the contractor and failure of an external review to be completed (Fulcrum Report) within the prescribed deadline date of 31st March 2018. Other lower risk findings were also noted.

3.4.4 All findings and recommendations have been fully discussed with the Service Manager and the Director of Housing and Inclusion Services. The Service area have already implemented a number of the recommendations and are working to ensure the remainder are addressed quickly. Internal Audit are confident that the quick response of the Service to address the concerns raised will ensure that the majority of recommendations will be implemented within agreed timescales.

3.4.5 Due to the Limited Assurance rating given, a follow up audit review will be carried out within six months to ensure that all recommendations have been implemented.

3.5 Debtors (Substantial Assurance)

3.5.1 The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Controls surrounding the input and amendment of debtor accounts are robust
- Debtor accounts are the most the appropriate means of collecting the debt, the original source documentation can be located and it was raised by an officer authorised to do so.
- Time elapsed from the provision of service / goods to raising of the debtor account was reasonable.
- The debt was accurately calculated in accordance with the appropriate scale of fees and charges, coded appropriately and VAT accounted for.
- Any “non-standard” transactions or invoices in dispute, have an adequate audit trail and action taken appears reasonable in the circumstances.
- There is an end to end debt recovery process and procedures have been followed.
- Appropriate write off procedures are in place and being followed.
- Payments received are reconciled into the financial information system and is completed by someone independent to the collection process and procedures.
- Debtor's suspense account is reviewed regularly.
- Staff authorised to access the debtors system are current and up to date and there is appropriate segregation of duties is in place.

3.5.2 From the work carried out by Internal Audit it was established that from the sample period reviewed, processes and surrounding controls are working as designed. In addition, the debt recovery process is well managed by BTLS. It should be noted that pending debt was not subject to review during this audit.

3.5.3 Minor recommendations were made in relation to the availability of the Pending Memorandum report so all Service areas can choose additional resources to support further the effective management of their pending debt volumes should they wish to do so and the introduction of a process to ensure BTLS are aware of all staff movements / change of name so that all systems administration can be maintained.

4. **Other matters of note**

- 4.1 As requested by this committee a follow up audit review of Property Services is planned for 2019/20. The follow up audit review is to verify that the controls are operating effectively and have been embedded into management processes and practices.

5. 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. Good progress has been made in delivering the 2018/19 plan, and it will be substantially complete by 31st May 2019, with minimal work being carried forward into 2019/20.