
INTERNAL AUDIT QUARTERLY UPDATE

1.0 Summary of progress against the 2016/17 plan.

- 1.1 Progress against the plan for the year to date has fallen behind progress in the previous year with 21 of the 26 items on the original plan currently in progress. This is approximately 81% compared to 85% for the same period in 2015/16.
- 1.2 As previously reported the main reason for the variance is a vacancy arising during the previous financial year, held open to support the policy options process, resulting in a shortfall in resources in the early part of the year.
- 1.3 As predicted the position has started to improve since the last update with the new arrangements now starting to become operational.
- 1.4 The position on the remaining audits will be closely monitored and if additional resources are required to complete coverage these can be funded from savings from budget in the year to date which are more than adequate to accommodate a temporary increase in resources.

2.0 Internal Audit 2016/17 quarterly activity update

Title	Position
Contract Audit	Work in progress
National Fraud Initiative	Work in progress
Debtors	Complete
Council Tax	Work in progress
Creditors	Complete
NNDR	Work in progress
Main Accounting	Work in progress
Treasury Management	Complete
Payroll (implementation of self-service module)	Work in progress
Rents	Work in progress
Benefits	Work in progress
Member Services	Work in progress
Communication and Consultation	Work in progress
CRM / digital inclusion	Work in progress
Economic Development	Work in progress
Data Protection	Work in progress
Voids	Work in progress
Money Laundering	Work in progress
ICT	Work in progress
Leisure	Work in progress
Response Maintenance	Work in progress
Summary	
Work complete	3
Work in progress	18
Work not yet commenced	5
Total	26

- 2.1 The Audit Manager will provide a verbal update on the latest position at the meeting.

3.0 Assurance rating system

- 3.1 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.

- 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 work is summarised in the reports set out below.

4.0 Assurance report:

4.1 Creditors

The Council's revenues and benefits service (provided by BTLS) is responsible for the operation of the Creditors System, which processes invoices for payment in respect of goods/services procured by the Council.

4.1.1 Objectives

The exercise was designed to review the system and procedures in operation to ensure they are in accordance with best practice in general and in compliance with the Authority's Financial Regulations in particular. A sample of 60 creditor payments was examined to test the key features of the system processes.

4.1.2 Observations

- All but 1 transaction had been approved for payment by an authorised officer.
- All transactions were coded appropriately, given the nature of expenditure.
- All transactions were readily traceable to the General Ledger (the Council's main accounting system).

4.1.3 Assurance

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

5.0 Other matters of note.

5.1 Amendments to 2016/17 Plan

Two items originally included on the 2016/17 plan, work on elements of Street Scene Strategy and the Health and Wellbeing Strategy will not be completed in the year as the Strategies have not been finalised. In discussion with senior management from the relevant services it has been agreed that significant aspects of the work identified to date in the preparation of these strategies will be incorporated into the Internal Audit Plan for 2017/18 which appears elsewhere on this agenda.

5.2 Disciplinary investigation.

Since the last update internal audit have undertaken work at management's request leading to an investigation under the Council's Disciplinary Policy. This work has concluded without proceeding to a formal disciplinary hearing.

5.3 Review of Quality Assurance and Improvement Programme (QAIP)

The Public Sector Internal Audit Standards require internal audit's QAIP to be externally assessed at least every five years. Members resolved that the review be undertaken by an external assessment rather than joining the Lancashire District's peer review programme. February meeting of Council agreed budget provision for this and work will now begin on commissioning the review.

6.0 Conclusion

- 6.1 While progress against the 2016/17 plan to date is below that typically achieved by this point in the year, arrangements are in place to secure sufficient coverage to allow an adequate assessment of the adequacy and effectiveness of the Council's overall framework of governance, risk management and control for the year.