
INTERNAL AUDIT QUARTERLY UPDATE

1.0 Summary of Progress against the 2017/18 plan.

- 1.1 Progress against the plan to date is an improvement over that of the previous year with 66% of assignments in progress compared to 62% for the same period in 2016/17. The Audit Manager will provide a verbal update on the latest position at the meeting.

Title	Position
Cashiers	Work in progress
Creditors	Work in progress
Debtors	Work in progress
NNDR	Work complete
Council Tax	Work complete
Benefits	Work in progress
Housing Rents	Work complete
Treasury Management	Work complete
Contracts and Procurement	Work in progress
Accounting Controls	Work not yet commenced
Payroll	Work in progress
Annual Governance Statement	Work not yet commenced
Performance Management	Work in progress
Customer Services	Work not yet commenced
ICT	Work not yet commenced
Property Services – housing maintenance	Work in progress
Rent and Money Advice	Work not yet commenced
Leisure	Work not yet commenced
Homelessness	Work not yet commenced
Disabled Facilities Grants	Work in progress
Refuse and Recyclables	Work in progress
Anti-fraud work	Work not yet commenced
Money Laundering reporting Officer	Work in progress
National Fraud Initiative	Work in progress
Summary	
Work complete	4
Work in progress	12
Work not yet commenced	8
Total	24

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 Housing Rents

The Income Management and Financial Inclusion Services team in Housing are responsible for the collection of rent from tenants occupying council owned dwellings.

3.1.1 Objectives

To examine the systems, procedures and records relating to rent collection. To test a sample of 60 rent accounts to ensure that transactions have been processed and recorded correctly. To review the collection of rent in advance, mobile working, developments in tenants using their own devices to access their rent account and progress on payment methods.

3.1.2 Observations

The review concluded that there are appropriate controls in place for housing rent collection. The individual accounts examined had transactions processed and recorded 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 rents and that the QL system is operating effectively in this area.

3.2 Treasury Management

Treasury management policies, practices and procedures are an integral part of the Council's financial control framework and provide assurance to Members that this function is operating effectively. The Treasury Management process and procedures are executed by the Financial Management Service through the Treasury Management and Service Accountant and the Borough Treasurer.

3.2.1 Objectives

To examine systems, procedures and records relating to the execution of the Treasury Management policy to ensure processes are operated effectively.

To test a sample of investments in the year to date to confirm transactions have been processed and recorded accurately and reconciliation is performed in accordance with approved procedures.

To ensure all payments are made in line with system controls and supported by corresponding documentary evidence.

3.2.2 Observations

The review concluded that there are appropriate controls in place and that these were operating as intended. The individual investments examined had transactions processed and recorded correctly.

3.2.3 Assurance

This Internal Audit work provides **full assurance** that appropriate controls are in place on the administration and execution of Treasury Management processes.

4.0 **Other matters of note.**

4.1 Update on Management of Electronic Records

Background

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.

Current developments include the following:

- A report informing members of the necessary work was taken to the meeting of Council on 19 July 2017.

- A temporary Data Access and Storage Governance Project Officer has been appointed from October 2017.
- A new structure for storage and revised access permissions for the Council's network has been agreed in principle in consultation with BTLS.
- The Data Access and Storage Governance Project Officer is developing improved procedures for the governance of data storage and access.
- The Data Access and Storage Governance Project Officer is currently working with one service with the aim of implementing a pilot conversion to the new structure and trialling the revised governance procedures in preparation for their roll out corporately.

In line with this Committee's resolution in June a further report on the position will be brought to a future meeting.

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)

There is a requirement for internal audit's conformance with the PSIAS to be externally assessed every five years. Members resolved not to participate in the Lancashire District's peer review and in February 2017 Council agreed budget provision to commission an assessment from an organisation providing such services on a commercial basis.

The review has now been commissioned and the Chartered Institute of Public Finance and Accountancy has been engaged as the assessor to carry out the work.

The review is due to commence in late February and the results of the assessment will be reported back to this committee in due course.

5.0 Conclusion

- 5.1 Performance is improving as the section's new structure beds in and on the basis of current progress is 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 now on track to deliver adequate coverage in relation to the 2017/18 plan.