

Report of the: Director of Policy and
Resources

Agenda
Item No: 4
Meeting: 22 September 2015

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Internal Audit Section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the council.
- 1.2 This work culminates in the Internal Audit's Annual Report that is used to inform the Annual Governance Statement. This report summarises key issues arising from work undertaken in the 2015/16 audit plan year.

2. BACKGROUND INFORMATION

2015/16 Audit Plan Progress

- 2.1 An effective Internal Audit Service, and the delivery of the audit plan, is a key aspect in obtaining assurance that a reliable control environment is in place. Completion of the Internal Audit Plan is monitored and reported regularly to this Committee. The latest position is provided in appendix A. Changes to the original plan are shown as a result of additional audits required during the year due to emerging risks and other planned audits which were no longer required in 2015/16 due to the lessening of the risk or changes in implementation dates of key changes to the control environment. It is anticipated that there will be adequate plan cover overall to ensure there will be a sufficient level of completed planned work to provide an opinion on the adequacy of the control environment.

Significant Audit Findings

- 2.2 The outcome of audit work is reported at each meeting of this Committee. There are no significant control weaknesses to bring to the Committee's attention and there are no reports issued that highlighted control weaknesses and an overall assessment of no assurance.
- 2.3 The Internal Audit service continues to engage in the council's commercial policy and explores income generating opportunities as appropriate. An

independent assurance service has been completed at a Grimsby academy and discussions concerning further work are ongoing. Two school funds audits have been completed. In addition grant certification work is being provided to Hull City Council.

In accordance with PSIAS the Audit Committee should approve consultancy work (if significant) and be assured there will be no detrimental impact on delivering the audit service to the council. The work undertaken so far has been completed within existing resources as the scale of the work was relatively small (approximately 10 days). Other opportunities under consideration to date do not represent a significant level of consultancy work (5 to 15 days) and should not therefore have any detriment impact on achieving the audit plan for the council. The Committee is asked therefore to note these requests for work.

Unplanned work

2.4 Requests for unforeseen and irregularity work continue to be received. 79 days have been used against the allocation set aside in the 2015/16 Audit Plan of 190 days. Since April 2015 internal audit has received 12 referrals. These have been investigated by officers within the service or in conjunction with HR colleagues. Key themes in the period include the following:

- Inappropriate use of internet during working hours
- Flexi/timesheet/mileage discrepancies.

2.5 Referrals received via the Whistleblowers’ hotline have increased steadily over the last few years:

Year	Referrals received	Inadequate info/ Redirected call
2010/11	187	34
2011/12	295	78
2012/13	297	81
2013/14	363	282
2014/15	359	302
2015/16 (April to August)	158	306

All referrals are either investigated by Internal Audit or information is passed on to the Benefits Fraud Team for investigation. Almost £32k Council Tax or Housing Benefits overpayments were referred through the whistleblowers’ hotline.

Arrangements have been made to re-route Benefit related referrals to the DWP from the end of September in preparation for the transfer of responsibilities as a result of the development of the Single Fraud Investigation Service from 1st November.

Proactive work

2.6 Proactive counter fraud work has included the following reviews:

- Flexi time and mileage claims
- Leisure facilities income
- Total Leisure Management System/Debtors

- NL Local Business Network.
- 2.7 Two bids for DCLG counter fraud funding have been made in association with neighbouring councils. One successful bid is for 2 year funding of a data analysis hub (comprising of software and a member of staff) for the benefit of the council in partnership with ERYC, Hull CC and NELC. Data held by all the council's will be matched against other information sources such as credit reference agency data and investigated as appropriate.

Shared Service Development

- 2.8 Further development work associated with the potential establishment of shared back office services with North East Lincolnshire Council is ongoing. A joint internal audit team is being developed to achieve service outcomes such as resilience, efficiency and high service standards. The target date for implementation is 1st April 2016.

2.9 Response to External Audit Recommendations

Progress in implementing external audit recommendations is regularly reported to this Committee. All recommendations made have been addressed to date.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether or not the report provides sufficient assurance on the adequacy of internal control arrangements. The Committee is invited to consider the report and seek clarification on its contents as necessary.

4. ANALYSIS OF OPTIONS

- 4.1 The progress report provides the Committee with an update on key internal control issues. It complies with professional guidance and is designed to provide the Committee with the assurance required to fulfil its role effectively.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 There are no additional resources implications however regular reviews of internal control help safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 Consultation takes place with Directors and key staff at all stages of audit work and comments made are incorporated wherever possible.

7.2 There are no conflicts of interests to declare.

8. RECOMMENDATION

8.1 That the Audit Committee consider the level of assurance provided by this report on the adequacy of internal control arrangements.

DIRECTOR OF POLICY AND RESOURCES

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Date: 4 September 2015

Background Papers used in the preparation of this report: None

Internal Audit Plan 2015/16

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	WIP	Not started	Start quarter	Deferred
Fundamental Financial systems							
164 days	2014/15 fundamentals 2015/16 Fundamentals Payroll Creditors Debtors Cash Receipting Main Accounting Ledger Housing Benefits Council Tax/NNDR Treasury Management CareFirst –Payments Housing Benefit Subsidy claim Pensions assurance	9 Y Y		Y Y	X X X X X X	4 4 4 4 4 4	
Corporate Governance							
20 days	2014/15 Corporate Governance evaluation	Y					
30 days	2015/16 Corporate Governance evaluation Back office shared service hub support			Y	X	4	
Risk Management							
10 days	Annual review of risk management arrangements				X	4	

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	WIP	Not started	Start quarter	Deferred
IT Audit							
112 days	Network Management (2014/15) Change control (2014/15) IT Governance IT Project Management Controls Internet/Email Controls Security of Mobile Devices Operating Systems Telephone System IT Solution Centre Public Sector Network	Y Y			X X X X X X	2 3 4 3 2 2	
Commissioning / Contract Audit							
45 days	Commissioning (Contract Management – use of checklist, Category Management, In-sourcing / de-commissioning) Construction Framework		1 Y	1	1	3	
Fraud Prevention and Detection							
160 days	Whistleblowers Hotline National Fraud Initiative (Data Matching) Fraud Preventative Measures Income audits, misuse of public funds (Home Choice Lincs, Highways Stores, Highways flexi & mileage, Leisure facilities Income, Leisure facilities Debtors, NL Business Network)	3	1	Y Y Y 1	1	4	

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	WIP	Not started	Start quarter	Deferred
Council-wide Systems							
74 days	Partnerships (2014/15) Data Quality (2014/15) Budgetary Control Health and Safety Information Governance (FOI & Records Management) Public Health Assurance Public Health NHS Assessment	Y Y		1	X X 1 X X	4 4 4	
Other Strategic Risks							
202 days	Better Care Fund/Care (2) Recruitment Policy Sickness Children in Care- Kingfisher Lodge Mental Health Child Protection DBS Checks Personal Budget Model Contaminated Land BDUK South Humber Bank HUTC External Funding (Flood Support for Businesses, Scottish Southern Energy, Springboard) LEP	Y Y Y	Y	Y Y Y Y	X X X X	3 Ad hoc 3	Y

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	WIP	Not started	Start quarter	Deferred
	Adult Income F/up Specialist learning VCS funding Public relations and communications Members Allowances Mayoral support Childrens personal budgets Highways Alliance Closure (2014/15) Disabled Facilities Grants (2014/15) Music Service Support (2014/15)	 Y Y Y	Y Y	 Y	X X X		 Y
Consultancy, Advice 200	Advice and unplanned work as requested including commercial work (services to schools 5) * 6 internal investigations (*Timerecording *Autism Grant *Community capacity grant *Single sign on *Leavers *Enterprise grant *Continuing Health Care	 2 3 Y Y Y Y	 1 Y	 2 Y Y	3		
Other 137 days	Follow up work. Audit plan and performance monitoring and reporting *commissioning e-auctions Social media		 Y		X		

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	WIP	Not started	Start quarter	Deferred
	Flood management *Traffic Management Income *Mileage and Overtime *Commercial properties *Learning disability *Pre loaded cards *Loneworking	Y Y Y	Y	Y Y	X		
TOTAL 1449							