

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Internal Audit Service 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 2017/18 audit plan year for the period up to 31 August 2017.

2. BACKGROUND INFORMATION

2017/18 Audit Plan Progress

- 2.1 An effective Internal Audit service contributes to the achievement of strategic objectives by assessing, providing comment and where relevant recommending improvement to, the council's assurance and control frameworks. The Internal Audit Plan 2017/18 was approved by the Audit Committee in outline on 11 April 2017 and in detail on 5 July 2017; completion of the Plan is monitored and reported regularly to this Committee.
- 2.2 As at 31 August 2017, 186 days have been charged against the approved Audit Plan of 1250 days (15%), which included a contingency of 100 days. Some audits have been carried forward from last year and new audits have been identified, which have reduced the contingency. We are currently behind where we projected to be at this time of year due to vacancies and work to complete 2016/17 audit. To mitigate this, we are in the process of appointing new staff and working with a partner for the completion of ICT audits. In addition as part of our ongoing review of the plan, internal audit will meet senior managers in September to review plan, which may lead to the re-prioritisation of work where appropriate. It is anticipated that sufficient work will be carried out to form an opinion on the adequacy of the control environment in June 2018 as required.

- 2.3 A new audit “Eclipse system implementation” has been added to the plan and funded out of the contingency.

In addition, the following audits originally were included in the 2016/17 plan but subsequently deferred for inclusion in the 2017/18 plan and funded out of the contingency:

- Grant Claims
- Assessment, Support Planning and Review
- Special schools funding
- Fixed assets
- Inventory (Hardware & Software)
- Security of mobile devices
- Compliance with corporate contracts
- Compliance with CPRs - use of extensions and exceptions
- Preventing procurement fraud

To date, no audits have been taken out of the Plan.

Significant Audit Findings

- 2.4 There are no fundamental control weaknesses to bring to the Committee’s attention. Appendix A shows completed audits where an audit opinion on the control environment was provided. No audits have been given an opinion of limited assurance during June to August 2017.

Advisory and support work

- 2.5 Other areas of work and support which Internal Audit have committed time to during the period, in addition to the delivery of the audit plan, include:
- representation on the IT Security and Incident Group, including the provision of advice in relation to data breaches;
 - providing advice on the procedures around income collection, storage and banking for the licencing service ;
 - being involved in the officer group reviewing the redesign of the system relating to adult social care support assessments;
 - supporting human resources to reconcile the payroll and human resources database; and
 - representation on the Commercialisation Board, providing advice, assurance and challenge.

Quality Standards and External Inspection

2.6 Under the Public Sector Internal Auditing Standards (PSIAS) it is a requirement to have an external inspection of an Audit provider's quality standards every five years. The inspection for Audit and Assurance is due by 31 March 2018, and we are working with our colleagues in Hull and East Riding of Yorkshire (ERYC) to procure an inspector with a view to be it being carried out between January and March 2018. We will keep the Committee informed on the progress of this inspection in future updates.

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: GOVERNANCE AND PARTNERSHIPS

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Background Papers used in the preparation of this report:
Audit plan 2017/18

Internal Audit Plan 2017/18 – Completed Audits June to August 2017

Key to control effectiveness:

| Effectiveness | Action Level |
|-------------------------------|--|
| Substantial Assurance | Strong controls support achievement of the business objectives. |
| Satisfactory Assurance | Controls support the business objectives, but some improvements should be made. |
| Limited Assurance | Controls provide some support for business objectives, but improvements are essential. |
| No Assurance | Controls do not support the achievement of business objectives. |

Planned Audits:

| Area of Plan | Audit | Opinion |
|---------------------------------|--------------|--------------------|
| Strategic and operational risks | Fixed Assets | Substantial |

Follow up audits:

| Audit | Previous Opinion | Updated Opinion |
|----------------------------------|---------------------|---------------------|
| Strategic Regeneration - imprest | Satisfactory | Satisfactory |