

Internal Audit Service

Progress report on implementation of the internal audit plan 2016/17 and 2017/18

1. Introduction

- The Audit and Governance Committee's terms of reference require it to consider regular performance reports from the internal audit function relating to the council's services and governance arrangements. This report provides information to support that task by reporting progress with delivery of the 2016/17 and 2017/18 internal audit plans previously approved by the Audit and Accounts Committee.

2. Summary of progress against the plan

- Since the last report to the Committee in June we have issued final reports for all audits from the 2016/17 audit plan and we are making good progress in delivering the 2017/18 audit plan. We have issued draft reports on the Improvement Plan review and a number of financial systems, and fieldwork has been completed on the audits of taxi licensing and alcohol licensing. Work will start on the remaining financial controls audits later in the year.

3. Internal audit work completed

- The table below shows the status of audits from the 2016/17 audit plan for which final audit reports had not been issued when we reported in June, and progress with delivery of the 2018/19 audit plan as at September 2017. We have included assurance opinions where final reports have been issued or draft reports have been agreed with senior managers.

Audit title	Audit status	Assurance opinion
2016/17 Audit Plan		
Governance and democratic oversight		
Decision making and democratic oversight	Final Report	Substantial
Business effectiveness		
Performance management	Final Report	Substantial
Risk management strategy	Final Report	Limited
Procurement	Final Report	Limited
2017/18 Audit Plan		
Governance and democratic oversight		
Follow-up – Decision making and democratic oversight	Planned for quarter 4	Not applicable
Business effectiveness		
Rossendale improvement plan	Draft Report	Substantial
Performance management – revised process	Planned for quarter 4	
Follow-up – Risk management strategy	Planned for quarter 4	Not applicable
Service delivery		

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Audit title	Audit status	Assurance opinion
Licensing – Taxis	Fieldwork Completed	
Licensing – Alcohol sales	Fieldwork Completed	
Follow-up - Town centre redevelopment	Planned for quarter 3	Not applicable
Follow-up - Housing management	Planned for quarter 3	Not applicable
Follow-up - Use of disabled facilities grant	Planned for quarter 3	Not applicable
Service Support		
Renewal of the long-term contract for revenues and benefits services	Planning	
Business Processes		
NNDR	Draft Report	Substantial
Housing benefits	Draft Report	Substantial
Council tax	Fieldwork completed	
Accounts payable	Planned for quarter 4	
Accounts receivable	Planned for quarter 4	
General ledger, budget setting and monitoring	Planned for quarter 4	
Income collection and banking	Planned for quarter 4	
Payroll	Planned for quarter 4	
Procurement	Planned for quarter 4	
Treasury management	Planned for quarter 4	

- Key findings from completed audits are set out below.
- We have work planned to follow up on the implementation of actions agreed in previous audits. On those financial systems audits completed so far we noted that not all of the actions we previously raised have been implemented.

Internal Audit Plan 2017/18

Rossendale Improvement Plan: substantial assurance

- Our 2016/17 audit plan sought assurance over Improvement Plan implementation through audits of risk management, procurement, performance management and decision making and democratic oversight. Audit findings indicated a mixed picture with two 'Limited' and two 'Substantial' assurances (see below for a summary of key findings). We reported to June's Audit and Accounts Committee that we had agreed with the Head of Finance to undertake further work to assess the completeness and accuracy of the reported position on Plan delivery.
- We have completed this work and can give substantial assurance over Plan delivery and reporting. A number of remaining actions depend on ongoing activity, including progress with the roll-out and take up of management training and implementation of action from the audits referred to at 3.4. A summary of findings from each audit is given below. Management agree that progress should continue to be reported to Committee until all Plan actions have been fully implemented.

Decision making and democratic oversight 2016/17 – substantial assurance

- Overall we considered that the council's constitution, decision making structures, principles and processes were appropriate to the size and nature of the

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organisation and were fully described and communicated. Management agreed to implement four medium risk actions including the need for management oversight over the decision making process and for clearer guidance and training in some areas. The review of the Constitution and Contract Procedure Rules should support implementation of some of these actions.

Performance management 2016/17 – substantial assurance

- Management agreed to implement actions to address medium-level risks. Action will be taken to update and communicate the performance management strategy and to improve the quality of performance data through validation of annual service level declarations. We plan to audit performance arrangements underpinning the new 2017-2021 corporate strategy, approved by Cabinet in July.

Risk management 2016/17 – limited assurance

- We reported the need for action to improve corporate risk management through the active use of service level risk registers. We had particular concerns at the lack of evidence to demonstrate the application of formal risk management activity in projects other than in large projects with a direct public impact. Our findings indicate that projects of smaller size and scale are not fully supported by structured arrangements for assessing, recording, monitoring and reporting risk.

Procurement 2016/17 – limited assurance

- We found inconsistency in compliance with established procurement rules, including contracts not being signed and one where OJEU advertising requirements were not applied. We agreed with management the need to update the Procurement Strategy to reflect changes in legislation and local working practices, and to introduce management checks needed to that procurement rules are complied with.
- The current position on the Empty Homes Programme is that of 359 properties taken onto the Programme the council have been returned 140 to their owners and 219 have been successfully transferred to Calico Homes' management.. HCA are now requiring the council to undertake a final reassurance exercise on the 219 homes to provide re-assurance over:
 - Rents and tenancy agreements,
 - Owner legal interest,
 - Draw down of grants and
 - Practical completion to Decent Homes Standards.

This work is due for completion by early November and the senior management team are currently progressing it.

Housing benefits: substantial assurance

- We identified no significant control issues, but council officers have not returned declarations of interest (including nil returns) regarding relatives in receipt of housing benefit, or removed system access from an officer who no longer needed access. Actions to address these issues were raised on our previous audit but as they have not been implemented we have raised further actions. Managers have committed to us that the actions will be implemented by the end of September.

National non domestic rates (NNDR): substantial assurance

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- Overall we are satisfied that NNDR processes are applied consistently, accurately and in line with requirements. We confirmed that actions relating to outstanding debt made in our previous report were implemented and for all accounts tested we confirmed that appropriate action had been taken to issue reminders or pursue the debt. However, the level of outstanding debt overall remains largely unchanged, with the focus being on collection of current year's rates, and management have agreed to take further action to include the level of outstanding debt in quarterly report to Members.

4. Update on the National Fraud Initiative (NFI)

- Data was uploaded in October 2016 for the 2016/17 NFI exercise. The matches were released in January 2017 and checking of these is progressing. Details of the results are shown below.

2016/17 biennial exercise	Number				Savings
Data categories	Reports	Matches	Frauds	Errors	£
Housing benefit	18	288	4	0	63,608
Payroll	2	16	0	0	0
Insurance	0	0	0	0	0
Taxi drivers	3	8	0	0	0
Council tax reduction scheme	28	464	3	4	4,547
Creditors	6	899	0	0	0
Value Added Tax	1	135	0	0	0
Housing tenants	1	2	0	0	0
Procurement - payroll	2	19	0	0	0
Individuals on more than one report	1	144	0	0	0
Total	63	1,971	4	1	68,155

- A separate matching process is undertaken to match council tax data to the electoral roll. This data was uploaded in October 2016, the results were released in December 2016 and matches have largely been checked, with minor enquiries ongoing. Earlier this year the Department for Work and Pensions also offered a further voluntary release, at cost, comparing against a range of other data sets in all local authorities. The council purchased this service, data sets were uploaded in April and August 2017 and the council are progressing checks. Details of the latest council tax matches and comparison with previous year's results are shown in the table below.

	Number				Savings
Data categories	Reports	Matches	Frauds	Errors	£
Council tax December 2014 release	2	386	1	40	16,885
Council tax December 2015 release	2	370	0	44	16,521
Council tax December 2016 release	2	614	0	103	21,485
Council tax – Other datasets April & August 2017 release	1	3013	0	0	0