

Internal Audit Service

Progress report on implementation of the internal audit plan

1. Introduction

- 1.1. The Audit and Accounts 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 2017/18 internal audit plan, which was approved by the Committee in March 2017.

2. External quality assessment

- 2.1. The county council's Internal Audit Service has recently been subject to an independent, objective validation by the Chartered Institute of Internal Auditors (CIIA) of its self-assessment against the Institute's International Professional Practice Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the CIIA. This external assessment included considering the Service's conformance to each of these sets of professional standards, benchmarking its activities against best practice and assessing the impact of internal audit on the county council and its external client organisations.
- 2.2. The IPPF includes the Definition of Internal Auditing, Core Principles, Code of Ethics and International Standards: there are 64 fundamental principles to achieve with 118 points of recommended practice. The PSIAS and LGAN add considerably more requirements to these.
- 2.3. The external assessment concluded that the Internal Audit Service fully meets nearly all the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the IPPF. This is described as "Generally Conforms" and means that the Internal Audit Service may state in our internal audit reports for all clients that our work "has been performed in accordance with the IPPF, PSIAS and LGAN".
- 2.4. The performance of the Internal Audit Service was benchmarked against a maturity model based on a wide range of UK and Irish internal audit functions and was assessed as 'good' in its reflection of the standards and its focus on performance, risk and adding value. It was assessed as 'satisfactory' in the efficiency of its operations and in its Quality Assurance and Improvement Programme, but 'needs improvement' in coordinating and maximising assurance with other assurance providers.

3. Summary of progress against the plan

- 3.1. Since the last report to the Committee in September we have made good progress in delivering the 2017/18 audit plan. We have issued final reports on the Improvement Plan review, taxi licensing, alcohol licensing, council tax, national non-domestic rates and housing benefit. We have also completed a follow-up audit on our 2016/17 audit of the use of disability support grant funding. In all audits we have given substantial assurance over the adequacy of the internal control framework and the effectiveness of its operation. We have agreed to start work on our audits of payroll and treasury management before Christmas.

4. 2017/18 Internal audit work completed

4.1. The table below shows the status of audits on the 2017/18 audit plan as at November 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
Governance and democratic oversight		
Improvement Plan Delivery – new work	Final Report	Substantial
Decision making/ democratic oversight – follow-up audit	Quarter 4	
Business effectiveness		
Performance management (new arrangements)	Quarter 4	
Risk management – follow-up audit	Quarter 4	
Service delivery		
Licensing – taxis	Final Report	Substantial
Licensing – alcohol sales	Final Report	Substantial
Disabled facilities grant – follow up audit	Final Report	Substantial
Town centre redevelopment – follow-up audit	Quarter 3	
Housing management – follow-up audit	Quarter 3	
Service Support		
Renewal of revenues and benefits contract	Planning	
Business Processes		
NNDR	Final report	Substantial
Housing benefits	Final report	Substantial
Council tax	Final report	Substantial
Accounts payable	Quarter 4	
Accounts receivable	Quarter 4	
General ledger, budget setting and monitoring	Quarter 4	
Income collection and banking	Quarter 4	
Payroll	Planning	
Procurement	Quarter 4	
Treasury management	Planning	

4.2. Key findings from completed audits are set out below.

Taxi licensing: substantial assurance

4.3. Overall there is an effective system of internal control which is adequately designed and consistently applied. The Licensing Team has been through a period of change, with a relatively new Licensing Manager and new intended use and licensing policies. We can confirm that the policies are correctly and consistently applied. Policies include a knowledge and policy conditions test, disability and safeguarding training and DBS update service registration policies. These are comprehensive and accessible and supported by online guidance and downloadable documents, including mock tests.

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- 4.5. The Uniform system used to administer license applications does not facilitate monitoring of open cases and cases not being progressed by applicants need to be removed from the system. The DBS update service is used at renewal but managers will carry out more regular checks in future. Licensing Manager reporting to the portfolio holder and Licensing Committee is satisfactory but in future will include enforcement activity. One license was renewed for three years despite the fact that it was being revoked due to failure to comply with the Intended Use Policy. A reminder for staff involved should reduce the risk of reoccurrence.

Alcohol licensing: substantial assurance

- 4.6. We audited the effectiveness of controls in place to process alcohol licence applications and consider that controls are operating effectively. Applications are recorded and processed promptly, in compliance with regulations and by a trained, experienced team. Processes are clear, comprehensive and supported by effective guidance. All applications tested had been issued correctly. Premises and personal licence applications can now be downloaded online though only paper applications are currently accepted for premises applications. The team are working to develop Uniform functionality to allow electronic completion of applications and payments to reduce the need for manual processing. A number of management actions were agreed, including one medium risk action to record management assurance checks.

Rossendale improvement plan: substantial assurance

- 4.7. Our final report gives substantial assurance over Improvement 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 other audits, particularly risk and performance management. We agreed that management would continue to report progress to Committee until all actions have been fully implemented.

Disabled facilities grant funding – follow up: substantial assurance

- 4.8. We reviewed progress to implement the management actions agreed in our November 2016 audit report. We can confirm that the Council has made excellent progress and seven out of the eight actions have been implemented. These actions addressed issues including site visits to monitor contracted works, reporting backlogs and including disclaimers on grant claims. Work on the final action is progressing but this is a low priority action and we will take no further action to follow this up.

Housing benefits: substantial assurance

- 4.9. 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. We raised a similar action on our previous audit but as they have not been implemented we have raised the issue again. Managers subsequently confirmed that declarations had been returned by the end of September.

National non domestic rates (NNDR): substantial assurance

- 4.10. We are satisfied that NNDR processes are applied consistently, accurately and in line with requirements. 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. The level of

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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 levels of debt in quarterly reports to Members.

Council tax: substantial assurance

- 4.11. We are satisfied that council tax is processed in compliance with regulations, accurately and in a timely way. Tax bands and charges, discount rates and reductions and refunds are correctly applied and reminders are issued promptly. Debt management has improved following our 2016/17 report, with regular management monitoring, but there was a need to regularly report overall levels of debt. We followed up implementation of three medium risk actions from our 2016/17 audit and can confirm that: action one on debt monitoring has been partially implemented and we have raised a further low risk action in this report; actions two and three on processes to ensure Cabinet approval for debt write-offs over £5,000 were fully implemented.
- 4.12. Members asked us to review the approach to identifying and monitoring new properties. We consider adequate controls are in place to ensure Northgate's database is up to date. Capita receive weekly Valuation Office and planning permission reports on new and planned properties which they reconcile to the system and pass to the Housing Inspector, who inspects new properties at least every six months. The Service Assurance Team reconcile the Planning Permission Team's five year applications plan against system data. Information from other sources is also used, including National Fraud initiative (NFI) exercises, requests for essential services and local knowledge.

Empty Homes Programme

- 4.13. The council have undertaken a final exercise to provide reassurance to the Homes and Communities Agency (HCA) over rents and tenancy agreements, owner legal interest, draw down of grants and practical completion to decent homes standards. The current position was reported to HCA in early November but at the time of writing the HCA had not formally responded.

5. Update on the National Fraud Initiative (NFI)

- 5.1. 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. The total savings of £70,497 includes £31,554 due to the Department for Work and Pensions (DWP), but which they have decided not to recover. Details are shown below.

2016/17 biennial exercise	Number				Savings
	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	6,889
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

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2016/17 biennial exercise	Number				Savings
Individuals - more than one report	1	144	0	0	0
Total	63	1,971	4	1	70,497

- 5.2. 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 DWP 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	4	3013	0	0	0