

Internal Audit Service

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

Quarter 3

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. Summary of progress against the plan

- 2.1. We are continuing to make progress with delivery of the 2017/18 audit plan. By agreement with the management team we have scheduled work on the remaining financial systems and follow up work in Quarter 4. Work on our audits of payroll and treasury management, and our follow-up audit of housing management is concluding and we will report shortly. Audits of the remaining financial systems will start in early March. We have deferred planned audits of performance management and revenues and benefits procurement to 2018/19. New performance management arrangements have only recently been introduced and there has been little auditable activity on the revenues and benefits procurement in 2017/18.

3. 2017/18 Internal audit work completed

- 3.1. The table below shows the current status of audits on the 2017/18 audit plan. 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	Quarter 4	Not applicable
Business effectiveness		
Performance management (new arrangements)	Deferred to 2018/19	
Risk management – follow-up	Quarter 4	Not applicable
Service delivery		
Licensing – taxis	Final report	Substantial
Licensing – alcohol sales	Final report	Substantial
Disabled facilities grant – follow up	Final report	Substantial

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Audit title	Audit status	Assurance opinion
Housing management – follow-up	Report drafted	
Town centre redevelopment – follow-up	Quarter 4	Not applicable
Service Support		
Renewal of revenues and benefits contract	Deferred to 2018/19	
Business Processes		
NNDR	Final report	Substantial
Housing benefits	Final report	Substantial
Council tax	Final report	Substantial
Treasury management	Testing completed	
Payroll	Testing completed	
Accounts payable	Quarter 4	
Accounts receivable	Quarter 4	
General ledger, budget setting and monitoring	Quarter 4	
Income collection and banking	Quarter 4	
Procurement	Quarter 4	

- 3.2. Key findings from completed audits have been previously reported but are set out again below.

Rossendale improvement Plan: substantial assurance

- 3.3. 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.

Taxi licensing: substantial assurance

- 3.4. While the Licensing Team has been through a period of change under a relatively new Licensing Manager and with new intended use and licensing policies, we can confirm that policies are correctly and consistently applied. New policies include a requirement to pass a knowledge and policy conditions test, disability and safeguarding training and registration with the DBS update service. The DBS update service is used at licence renewal and managers will carry out more frequent checks using this service in future. These policies are comprehensive and accessible and supported by online guidance and downloadable documents, including mock tests. The Uniform system used to administer license applications does not facilitate monitoring of open cases, and as result there is a need for cases not being progressed by applicants to be removed from the system. The Licensing Manager's reports to the portfolio holder and Licensing Committee will include enforcement activity in future. One license was renewed for three years despite

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being revoked due to failure to comply with the Intended Use Policy, and a staff reminder should reduce the risk of reoccurrence.

Alcohol licensing: substantial assurance

- 3.6. 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 be downloaded online though only paper applications are accepted for premises applications. The team are working to develop Uniform functionality to allow electronic completion of applications and payments to reduce manual processing. A number of management actions were agreed, including one medium risk action to record management assurance checks.

Disabled facilities grant funding – follow up: substantial assurance

- 3.7. 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 of the eight actions have been implemented. These addressed issues including site visits to monitor contracted works, reporting backlogs and including disclaimers on grant claims. Work on the final action, asking for detailed procedure notes, is progressing but is low priority and we will take no further action to follow this up.

Housing benefits: substantial assurance

- 3.8. 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 one 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 and accesses had been removed.

National non domestic rates (NDR): substantial assurance

- 3.9. NDR processes are applied consistently, accurately and in line with requirements. Management actions from our previous report were implemented and we confirmed that appropriate action is taken to issue reminders and pursue debt. The level of outstanding debt remains largely unchanged, with a focus on collecting current year's rates, and management agreed to report levels of debt to Operational Board.

Council tax: substantial assurance

- 3.10. 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 issued promptly. Debt management improved following our 2016/17 report, with regular monitoring, but overall levels of debt were not regularly reported. Of three medium risk actions from our 2016/17 audit: action one on debt monitoring is partially implemented and we have raised a further low risk action in this report; actions two and three relate to Cabinet approval for debt write-offs over £5,000 and are fully implemented.
- 3.11. 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

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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

3.12. The Head of Finance/ S151 Officer has confirmed that of the four final tests set by Homes England (formally the Homes and Communities Agency), one test remains to be fully completed i.e. that of Practical Completion Certificates (PCC) for all properties remaining in the programme. Home England have verbally confirmed that although there were breaches of compliance in some of the three tests they are not material as far as the grant is concerned. This means that so long as the Council is able to confirm PCC's for all properties in the programme then the risk of any further grant return will be removed. This should in turn allow the external audits to complete their outstanding work with regard to signing off outstanding accounting periods.

4. Audit assurance

4.1. The assurance we can provide over any area of control falls into one of four categories:

- Full: there is a sound system of internal control which is adequately designed to meet the service objectives and is effective in that controls are being consistently applied.
- Substantial: there is a generally sound system of internal control, adequately designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.
- Limited: weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.
- No: weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service objectives.

5. External quality assessment

5.1. As reported in January 2018, an external quality assessment of the Internal Audit Service conducted in November 2017 confirmed that the 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 International Professional Practices Framework. The review identified a small number of actions which we are addressing, and the table at Appendix B gives the current position on progress we are making to implement them.

6. Update on the National Fraud Initiative (NFI)

6.1. 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 £73,657 includes £31,554 due to the Department for Work and Pensions (DWP), but which they have decided not to recover. Details are shown below.

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2016/17 biennial exercise	Number				Savings
Data categories	Reports	Matches	Frauds	Errors	£
Housing benefit	18	289	4	2	66,768
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	7	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
Individuals - more than one report	1	148	0	0	0
Total	63	1,971	4	1	73,657

- 6.2. 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