

AUDIT COMMITTEE

28 November 2018

Internal Audit Monitoring

Report of Internal Audit and Assurance Manager

PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the 2018/19 Internal Audit plan and seek approval for proposed variations to the plan.

To advise Members of the latest monitoring position regarding the implementation of the Annual Governance Statement (AGS) action plan for 2017/18.

This report is public

RECOMMENDATIONS

- (1) That the latest monitoring position in relation to the audit plan be noted.
- (2) That the proposed revisions to the audit plan set out in 1.4 are approved.
- (3) That the last progress in relation to the AGS action plan for 2017/18 be noted.

1.0 Audit Plan monitoring to 1 November 2018

1.1 The 2018/19 Internal Audit plan was approved by the Audit Committee at its meeting on 21 February 2018. This report is based on the monitoring position up to 1 November 2018. Details of the required amendments to the audit plan since its original approval is detailed in paragraph 1.4.

1.2 Summary of monitoring position up to 1 November 2018

Category of Audit	Report Status				Comments
	Final Report Issued	Assurance Level	Fieldwork	Draft Report Issued	
Carried forward 2017/18 audit work completed since the Internal Audit Annual Report in May 2018					
Performance Management	May 2018	Limited			Post audit review due Dec 2018
Learning and Development	May 2018	Limited			Post audit review due March 2019

	Report Status				
Category of Audit	Final Report Issued	Assurance Level	Fieldwork	Draft Report Issued	Comments
Main Accounting	July 2018	Substantial			No post audit review necessary
Procurement / Contract Management	Sept 2018	Limited			Post audit review due April 2019
Budgetary Control	Oct 2018	Substantial			No post audit review necessary
Council Housing Voids	A position statement has been issued. It has been agreed that Internal Audit will continue to monitor implementation of the action plan formulated following the report of Ad Esse and will seek periodic assurance that improvements are being sustained.				
Audit Plan 2018/19					
Financial systems work					
Treasury management			✓		
Creditors			✓		
VAT					Will be completed in Q3
Payroll					Will be completed in Q3
Insurance					Will be completed in Q4
Core Management work					
Canal Corridor North (CCN) Health Check	Internal Audit attended the CCN officer group meetings in a project assurance role. However, following negotiations with British Land the scheme was not recommended for Council support and the agreement with British Land was terminated. The Council is now producing a new framework for the Canal Quarter and is in the process of developing consultation plans. It has been agreed that the project assurance role should take the form of regular health checks once the project is underway.				
Council housing assets					See 1.4
Anti-money laundering arrangements	Following external training it has been identified that no work needs to be completed in this area as the changes to the legislation are not relevant to Local Authorities. However, the Money Laundering Policy will be refreshed and officers will be reminded of the requirement to report any suspicious activity to the Money Laundering Reporting Officer.				
Disabled facilities grants	May 2018	Substantial			No post audit review necessary
Pre-employment checks					See 1.4
General Data Protection Regulations compliance work					Will be completed in Q4

Category of Audit	Report Status				Comments
	Final Report Issued	Assurance Level	Fieldwork	Draft Report Issued	
Ethical governance survey	The survey deadline has now closed. The results will be analysed in December 2018 and an action plan to address any weaknesses will be populated by Internal Audit. The findings of this exercise will be reported to the next Audit Committee meeting in February 2019.				
Economic development / regeneration strategy					See 1.4
Election Accounts	Sept 2018	Substantial			No post audit review necessary
Council housing – Gas safety	Oct 2018	Substantial			No post audit review necessary
Council housing – Asbestos management	At the request of the Asset Manager, this piece of work will be rolled into the 2019/20 audit plan to allow the service to move over to a new asset management system.				
White Lund nursery – cash and banking	July 2018	Limited			Post audit review due Dec 2018
Community infrastructure Levy (CIL)	The Council is in the process of reviewing the implications of introducing a CIL charge within the district. Should the study conclude that there is sufficient viability to introduce the charge, the Council will prepare a charging schedule. Internal Audit will keep this issue under review and will consider the scope of an audit once a decision has been made.				
Pest control	A position statement has been issued. Following the approval of the 2018/19 audit plan, discussions with the Pest Control Service have identified that adequate assurances have already been provided by external bodies, therefore an audit was not considered necessary.				
Dog warden service	Nov 2018	Limited			Post audit review due April 2019
Communications	At the request of the Economic Development Manager, this piece of work has been postponed until January 2019 to allow the service to complete work in relation to the 'Place Narrative' launch on 6th December 2018.				
Emergency responses to flooding	This piece of work has been postponed until after the new Director for Economic Growth and Regeneration has joined the Council in January 2019.				
ICT reviews	No ICT work has been identified as requiring completion, therefore the ICT allocation of 15 days has not been utilised to date.				
Revenue shared service financial systems					
Council Tax – Lancaster					Will be completed in Q4
Council Tax – Preston					Preston City Council's Audit Team will complete this piece of work in Q4
Housing Benefits - Lancaster	Aug 2018	Substantial			
Housing Benefits - Preston			✓		

Category of Audit	Report Status				Comments
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Other areas of work					
Risk Management and assurance framework					Work in the team is continuing to improve the assurance mapping information collated from individual services. In addition, the operational risk registers populated by the team will continue to be updated following internal intelligence and will be used to drive future audit plans. Risk Management will be the responsibility of the Director of Corporate Resources once appointed. Until this is confirmed, work continues as per previous update in the AGS action plan.
Public Sector Internal Audit Standards (PSIAS) review – work for the peer review assessment team					The Assistant Internal Audit and Assurance Manager formed part of the peer review assessment team which carried out Wyre Council's peer review in April 2018. A final report was issued to the Section 151 Officer at Wyre Council in May 2018.
National Fraud initiative exercise 2018/19					Data files have now been uploaded to the NFI database. The matches will be available in January 2019. Council tax data and the Electoral Register will be uploaded to the NFI databases in December 2018, with the matches being available immediately. The Corporate Fraud Manager will report on the findings in his annual report to the Audit Committee.
Supporting Corporate Enquiry Team					No specific work has been completed since 1 April 2018, however the team continue to support the team as and when needed.

1.3 There are two pieces of work that were rolled from the 2017 / 18 audit plan that still need to be completed;

- Financial Planning and Medium Term Financial Statement (MTFS) – this piece of work was started in September 2018, however was put on hold due to the imminent changes in the Finance Section regarding the departure of both the Section 151 Officer and the Head of Finance. This piece of work will now be rolled into the 2019/20 audit plan once the new Section 151 Officer is in post; and
- Green waste collection – At the request of the Operations Manager, this piece of work has now been rolled into the 2019/20 audit plan to allow the service to complete an exercise around route optimisation.

1.4 Following the resignation of the Assistant Internal Audit and Assurance Manager, the internal audit plan for 2018/19 has been reviewed to ensure the necessary assurances can still be reported in the internal audit annual report on the council's overall control environment. It is anticipated that Fylde Borough Council will assist the team complete the following audits to allow the necessary assurances to be gained;

- Council Housing Assets;
- Pre-employment checks; and
- Economic development / regeneration strategy.

2.0 Investigations / other activity

2.1 To date, there have been no formal investigations carried out during 2018/19 that have required Internal Audit assistance. However, in September 2018 following concerns raised by a Service Manager, Internal Audit carried out a preliminary fact finding exercise to ascertain if a more formal process was required. The issue was dealt with by the Manager in line with the Council's Disciplinary Procedure.

3.0 Annual Governance Statement (AGS) 2017/18 – action plan update

Areas highlighted in the AGS	Position as at June 2018	Position as at November 2018
Business Planning	A revised business planning template has been introduced for 2018-19 alongside the ongoing development of the new Council Plan 2018-22. Finalised business plans will include information on key functions and resources by team and a summarised SWOT analysis.	<p>The Council Plan 2018-22 was approved by Full Council in July 2018.</p> <p>A new business planning template was trialled during 2017-18, to be aligned to the Council Plan and rolled out for 2019-20.</p>
Performance Management	Agreed corporate Key Performance Indicators were reported quarterly to Cabinet and Budget and Performance Panel throughout 2017-18, and a newly introduced 'Review of the Year' was published to reflect the Council's key achievements during 2016-17.	<p>Revised success measures aligned to the Council Plan are in development and are to be introduced gradually during the remainder of 2018-19. The quarterly performance scorecard continues to be developed, with an emphasis on:</p> <ul style="list-style-type: none"> - Timeliness of reporting; - Consistent monitoring against targets; and - Meaningful supporting information. <p>The InFlo reporting tool is being decommissioned and will be replaced by a more integrated solution; an ongoing pilot scheme will be followed by a wider rollout proposal.</p> <p>A refreshed Performance Management Framework will be developed during 2018-19.</p> <p>The Review of 2017-18 has been approved by Cabinet for publishing.</p>

Areas highlighted in the AGS	Position as at June 2018	Position as at November 2018
Risk Management	The Council is in the progress of updating its Risk Management Policy and Strategy, which once completed will be reviewed and submitted to the Audit Committee for approval. Work is underway to strengthen the management and reporting of its key risks, which are linked, to the draft Council Plan. In the meantime, Internal Audit will continue to develop operational service risk registers to prioritise work and develop the audit plan.	Risk Management will be the responsibility of the Director of Corporate Resources once appointed. Until this is confirmed, work continues as per previous update.
Information Governance	Following the independent specialist advice gained in 2017, the Council has been preparing for the General Data Protection Regulations that come into force on the 25 May 2018. Whilst a considerable amount of work has been completed, the recently appointed Information Governance Manager (IGM) has been working through a comprehensive action plan. Although significant progress has been made, the IGM highlighted that there is still a lot of work to be completed to ensure the Council is GDPR compliant.	Work has continued on the action plan. Progress is measured and consistent as other projects needing information governance support are identified and resolved. The Training Plan was finalised and manager, staff and member training is nearing completion. The organisation is still working towards compliance.
Staffing capacity	Staffing capacity was highlighted in the 2016/17 AGS and it is apparent that this is still a concern. Staffing capacity was also highlighted in the Section 151 Officers report on the budget to Council. At the time of publication, the organisation was in the early stages of developing a new senior management structure.	There are still capacity issues within Legal Services. A review has been deferred pending the wider organisational restructure. Capacity in Democratic Services is adequate. The lack of compliance with process in the organisation has resulted in increased inefficiency.
Council's Constitution	Whilst the Council's Constitution is considered to be a functional framework to assist officers and members when making decisions, a full review has not been carried out for some time. Subject to members approval, a constitutional review group will be formed to review the constitution with the objective being to strengthen and improve the administration of the decision making process.	Review underway. A working group has been set up and is reporting to Council on 26 September 2018. An outline timeline for delivery in 2019 has been agreed by the working group.

Areas highlighted in the AGS	Position as at June 2018	Position as at November 2018
Other governance concerns	During 2017/18, other governance concerns have been identified surrounding the council's decision making arrangements. Linked to this, a member resolution has been made to ensure that Section 151 and Monitoring Officer advice is sought at the appropriate time.	This is still a significant concern. New staff induction and the revision of the constitution is required. The skill set and our procedures for governance require reinforcement and training is extant.

4.0 Details of Consultation

4.1 Management Team and Service Managers continue to be consulted in developing the plan.

5.0 Options and Options Analysis (including risk assessment)

5.1 Regarding the internal audit plan changes; the options available to the Audit Committee are either to approve the proposed changes detailed in paragraph 1.4 or to propose an alternative course of action.

6.0 Conclusion

6.1 Changes have been made to the 2018/19 audit plan in respect of internal audit work that will be completed by Fylde Borough Council due to a lack of resources within the team following the resignation of the Assistant Internal Audit and Assurance Manager. The programme of audits for the rest of the year continues to be implemented in consultation with Service Managers.

6.2 A review of the Internal Audit service will be completed by the Section 151 Officer and the Internal Audit and Assurance Manager within the next six months to identify how best to deliver the service going forward. Future proposals will be reported to the Audit Committee to obtain approval.

6.3 The Annual Governance Statement action plan will continue to be monitored by Internal Audit and Management Team.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Internal Audit Plan 2018/19

Annual Governance Statement 2017/18

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