



INTERNAL AUDIT PROGRESS REPORT APRIL – OCTOBER 2019

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

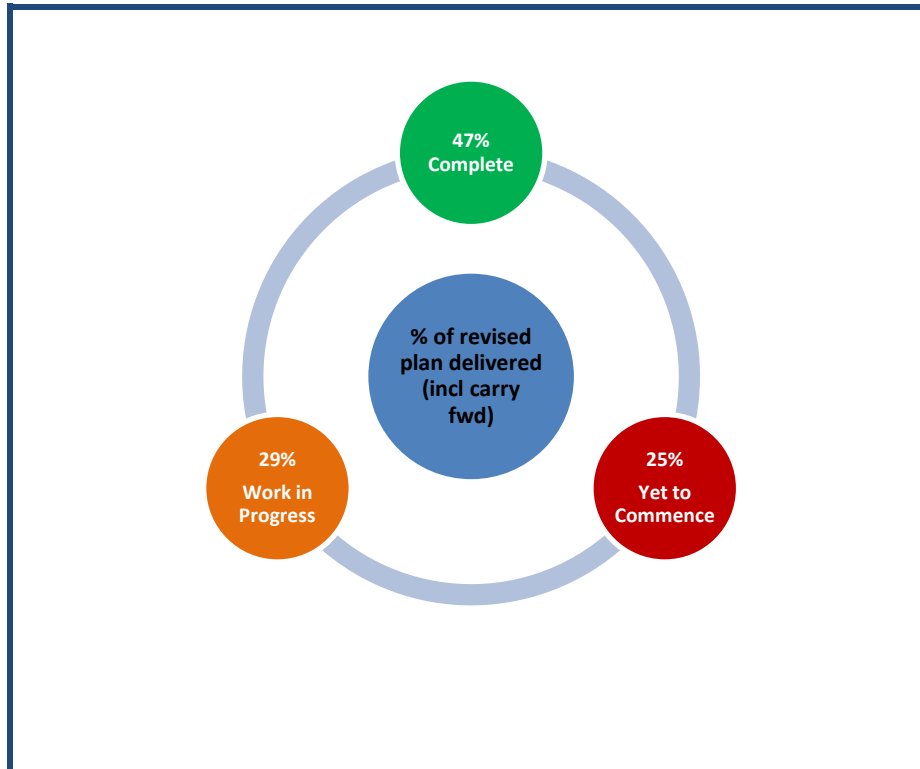
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Audit Executive is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Internal Audit Manager’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- Substantial** A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
- Adequate** Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
- Limited** Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
- No** Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

'It is our view that the Southern Internal Audit Partnership 'generally conforms' to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LGAN).

In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Analysis of 'Completed' audit plan reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Planning Service VFM Review	18/07/2019	HOP&ED	Advisory							
Payroll Accuracy Report	02/08/2019	HOP&G	Advisory							
Management of water safety (Legionella)	08/08/2019	HOHO	Adequate	2	0	1(L)	1			
Gas Safety Checks	08/08/2019	HOHO	Substantial	0	0	0	0			
Management of Asbestos	08/08/2019	HOHO	Limited	9	0	1(M)	8			
Reconciliations	06/09/2019	HOFPP	Adequate	10	0	7	2		1	
Responsive repairs and voids – new contract	29/10/2019	HOHO	Adequate	1	0	1	0			
Borough Hall	/11/2019	HOCS&SP	Adequate	7						

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Acce pted	Not Yet Due	Complete	Overdue		
								L	M	H

Audit Sponsor			
HOF&P	<i>Head of Finance and Property - Peter Vickers</i>	HOBT	<i>Head of Business Transformation - David Allum</i>
HOP&G	<i>Head of Policy and Governance - Robin Taylor</i>	HOHO	<i>Head of Housing Operations - Hugh Wagstaff</i>
HOCS&S P	<i>Head of Commercial Services and Special Projects - Kelvin Mills</i>	HOHD&C	<i>Head of Housing Delivery & Communities - Andrew Smith</i>
HOES	<i>Head of Environmental Services - Richard Homewood</i>	HOP&ED	<i>Head of Planning and Economic Development - Chris Berry (Interim)</i>
CEO	<i>Chief Executive - Tom Horwood</i>	SD Director/s	<i>Strategic Directors - Graeme Clark/Annie Righton</i>

5. Planning & Resourcing

The internal audit plan for 2019-20 was approved by the Audit Committee in March 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Section 8 details the reviews that have been added to the original plan approved in March 2019. Progress against the plan is detailed below in section 6.

6. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
*Recovery of debts (including Write Offs)	HOF&P	H	7.00	Q3	✓	✓	✓				
**Accounts Payable	HOF&P	H	10.00	Q3or4	✓	✓					
Reconciliations	HOF&P	H	7.00	Q2	✓	✓	✓	✓	✓	Adequate	
**Construction Industry Scheme (CIS)	HOF&P	H	7.00	Q3	✓						
*IT Fraud Risk Assessment	HOBT	H	5.00	Q3	✓	✓	✓				

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
*Firewalls/Cloud Security	HOBT	H	5.00	Q4	✓	✓					
*Agresso/Orchard Interface	HOF&P	H	7.00	Q3	✓	✓	✓				
*Gas Maintenance in Waverley Properties	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Substantial	
*Legionella checks re Waverley Property Ownership	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Adequate	
*Asbestos Exposure in Waverley Properties (HRA and GF)	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Limited	
Air Quality	HOES	H	10.00	Q3	✓						Follow up review re action points
**Housing Kitchen & Bathrooms Replacement programme	HOHO	H	10.00	Q4							
*Responsive repairs and voids – new contract	HOHO	H	15.00	Q4	✓	✓	✓	✓	✓	Adequate	

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Private Sector Housing (HMO)	HOHD&C	H	7.00	Q3	✓	✓					
*Borough Hall	HOCS	H	7.00	Q2	✓	✓	✓	✓			
Vending Machines	HOBT	M	7.00	Q2	✓	✓	✓	✓			
Payroll Accuracy	SD	SI	15.00	Q2	✓	✓	✓	✓	✓	Advisory	
Planning - Benchmarking exercise	SD	SI	20.00	Q1	✓	✓	✓	✓	✓	Advisory	
*Planning Enforcement	HOP&ED	H	10.00	Q3	✓						
*Community Infrastructure Levy	HOP&ED	H	10.00	Q4	✓						
Planning Housing Delivery Monitoring Process	HOP&ED	SI	15.00	Q3							

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
*Ethics including Declaration of Interests	HOP&G	H	7.00	Q4							
**Management of major projects - lessons learned - Brightwells and Memorial Hall	SD	H	10.00	Q3or4							
Total Plan Days			212								
Total Days Delivered			99								
Still to be delivered			113								
Fraud and Irregularities											
Management											

We use the following levels of assurance and prioritisations in our audit reports:

Assurance Opinion	Framework of governance, risk management and management control
Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

Management Actions	Current risk
High Priority	A significant risk of; failure to achieve objectives; fraud or impropriety; system breakdown; loss; or qualification of the accounts by the organisation’s external auditors. Such risk could lead to adverse impact on the organisation or expose the organisation to criticism.
Medium Priority	A serious, but not immediate risk of: failure to achieve objectives; system breakdown; or loss.
Low Priority	Areas that individually have no major impact, but where management would benefit from improved risk management and / or have the opportunity to achieve greater efficiency and / or effectiveness.

7. Adjustment to the Internal Audit Plan

Audit reviews deferred from the 2019-20 Audit plan to be included in 2020-21 Audit Plan			
Main Accounting		10 Days	
Payroll		7 Days	
Leasehold Service Charges		10 Days	
Disability Facilities Grants		10 Days	
Film and Events		10 Days	
Property Investment		10 Days	Total 57 Days

8. Reviews added to the 2019/20 Audit Plan

Additional audit reviews added to the plan after approval by the March 2019 Audit Committee			
Planning Service VFM	SD	20 Days	
Assurance on Payroll Accuracy	SD	15 Days	
Accounts Payable	IACM/SD	10 Days	Total 45 Days