

Report to Audit Committee

11th April 2018

By the Horsham Chief Internal Auditor



**Horsham
District
Council**

INFORMATION REPORT

Not Exempt

Internal Audit Progress Report

Executive Summary

This report summarises the work completed by the Internal Audit Section since December 2017.

Recommendations

The Committee is recommended to:

- i) Note the summary of audit and project work undertaken since December 2017.

Reasons for Recommendations

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013 (amended April 2017).
- ii) The Audit Committee is responsible for reviewing the effectiveness of the Council's systems of internal control.

Background Papers

Internal Audit Reports and Correspondence

Wards affected: All.

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Background Information

1 Introduction and Background

- 1.1 The purpose of this report is to provide a summary of work undertaken by the Internal Audit team since December 2017.
- 1.2 The Accounts and Audit (England) Regulations 2015 state that “A relevant authority 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.” This responsibility is discharged through the Council’s Internal Audit Section.

2 Relevant Policy / Professional Standards

- 2.1 Internal Audit follows the mandatory standards set out in the Public Sector Internal Audit Standards (PSIAS) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors.
- 2.2 Internal Audit is conducted in accordance with the Council’s Constitution. Financial Procedure Rule 4e 32 states that: “the Chief Finance Officer, as determined by the Council, will ensure that the Council has appropriate arrangements in place to maintain an adequate and effective internal audit”. The terms of reference for Internal Audit are detailed in the Council’s Internal Audit Charter which is approved and reviewed by the Audit Committee.

3 Summary of Audit Findings

3.1 Council Tax

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE** (↔)¹

There are sound systems of control in place for the collection of council tax, and there were no significant key control issues reported.

3.2 NNDR (Business Rates)

OVERALL AUDIT OPINION: **REASONABLE ASSURANCE** (↔)

There are good systems of control in place for the collection of NNDR. Whilst there were no significant key control issues reported, the auditor raised concerns about the ‘ad hoc’ frequency of empty property inspections and the reduction in the number of visiting officers. The regular inspection of empty properties is important to confirm their status, ensuring that no changes have taken place. The Revenues

¹ The symbols in brackets indicate the movement in the level of assurance when the area was last audited.

↑ = Improved.

(↔) = No change.

↓ = Reduced.

If blank ~ No previous opinion

and Benefits service will shortly be transferred to LGSS, and an action has been agreed to review current processes and assess the level of visits to be undertaken.

3.3 Casual Workers

OVERALL AUDIT OPINION: REASONABLE ASSURANCE (↑)

The audit opinion has improved, compared to the previous occasion when this area was audited. Procedural guidance, instructions, and forms have now been written which are available on the Council's Intranet. The Human Resources (HR) staff provide one-to-one coaching and advice, as required, on the steps to be taken when engaging casual workers. HR staff will not set up a new casual worker on the Payroll system until the documentation required by employment regulations and by the Council's procedures has been provided.

The auditor has identified a few areas for improvement, and it has been agreed that the following controls will be improved:

- Signing of casual worker timesheets (there were a few lapses).
- Updating of the authorised signatory list.
- Formalised induction process for casual workers.

3.4 Bulky Waste (Follow up)

OVERALL AUDIT OPINION: REASONABLE ASSURANCE (↑)

We have been able to change our opinion from "No Assurance" to "Reasonable Assurance". A new electronic booking system has been developed for the service and the process has been fully documented. The electronic system provides a full audit trail to support transactions, and all staff are aware of their responsibilities.

At the time of the audit follow up, the implementation of the new Finance Management System (Technology One) had caused some initial 'teething problems' causing delays in invoicing and chasing outstanding trade customer accounts. We have been informed that these issues have now been resolved, and the area will be further reviewed by Internal Audit as part of future debtor audits.

4. Other Audit Work

4.1 Internal Audit has been involved in a number of activities since the last report to the Committee:

- Consultancy work on the ANPR (Automatic Number Plate Recognition) system using data analytics.
- The Principal Internal Auditor has taken the corporate lead role in developing a disposal and retention schedule for the Council.
- Active participation in GDPR Project Board meetings.
- Active participation in Corporate Governance Group meetings.

4.2 Orbis Internal Audit

The audit team will be employed by East Sussex County Council from 1st April 2018 which is one of three councils that comprise the Orbis Internal Audit Partnership². The Orbis processes and systems have been gradually adopted during 2017/18 and these will be fully adopted during the first quarter of 2018/19. This will include a new Audit Committee reporting template.

A Report and Report Escalation Policy has recently been developed for Orbis which is attached as Appendix 3. This includes a specific section for reporting to the Audit Committee (see Section 8 of the policy).

5 Audit Plan ~ Progress Update

5.1 The audit plan for 2017/18 is nearing completion (see Appendix 2 for the current status). 16/24 pieces of work have been completed (67%) and 5 other audits are currently in progress. The following audits will not be completed:

- Rural Car Park Charging (as previously reported)
- Cloud Computing (as previously reported)
- Contract Management (carried forward to 2018/19)

5.2 As previously reported, it is important that there is an element of flexibility built into the audit plan to respond to emerging risks and changing priorities.

The following amendments were reported to the Committee in the July report:

- (i) The Parking Enforcement audit has been replaced by the “consultancy” review of the ANPR system.
- (ii) The audit of mobile devices has been replaced by an audit of cyber controls (following the recent well-publicised ransomware attacks).

The team remains on track to deliver 88% of the audit plan and will therefore achieve the 85% target that was set at the beginning of the financial year.

6 Next Steps

6.1 The Committee will be kept informed about progress in terms of the audit plan.

7 Outcome of Consultations

7.1 Heads of Service / Service managers are consulted during each audit. At the end of each review, audit findings are discussed with the Heads of Service at a final meeting, and actions are agreed. An action plan is incorporated into the final report including details of responsible officers and agreed implementation dates. There are occasions when a director may also be consulted, particularly for audits which span a number of departments.

² The Orbis Partnership comprises East Sussex County Council, Surrey County Council and Brighton & Hove City Council.

8 Other Courses of Action Considered but Rejected

- 8.1 Not applicable.

9 Resource Consequences

- 9.1 This report summarises information about the work undertaken by Internal Audit, and therefore there are no direct financial or HR consequences.

10 Legal Consequences

- 10.1 There are no legal consequences. Where compliance issues are identified during audit fieldwork, the Head of Legal & Democratic Services (or relevant legal specialist) will be consulted.

11 Risk Assessment

- 11.1 All Internal Audit work is undertaken using a risk based approach and as part of this process, audit findings are risk assessed prior to being reported. The risk assessment then determines the order in which control weaknesses are reported and informs the overall audit assurance opinion. See Appendix 1 for the Orbis audit report assurance definitions which have now been adopted.

12 Other Considerations

- 12.1 Internal Audit is a reporting function and there are no consequences in respect of Crime & Disorder; Human Rights; Equality & Diversity; or Sustainability. However these areas are considered where appropriate during audit fieldwork.

Appendix 1

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.