

**AUDIT COMMITTEE
21 MARCH 2017**

INTERNAL AUDIT PROGRESS REPORT

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Audit Team Leader, Catherine Yandle

Reason for Report: To update the Committee on the work performed by Internal Audit for the 2016/17 financial year.

RECOMMENDATION(S): The Committee notes the contents of this report.

Relationship to Corporate Plan: Effective Internal Audit plays a fundamental role in assisting the Council to deliver its corporate plan.

Financial Implications: None arising from the report

Legal Implications: None arising from the report

Risk Assessment: The role of Internal Audit is providing assurance that the risk management and internal control framework are operating effectively.

1.0 Introduction

1.1 The four-year strategic audit plan for 2016/17 to 2019/20 and annual work plan for 2016/17 were presented to the Audit Committee at its meeting on 15 March 2016, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2016/17 Internal Audit work plan for the period from 1 April 2016 to 28 February 2017.

2.0 Progress to date and scope of audit activities

2.1 The Audit Plan is split into the following sections:

- Core Audits
- Systems Audits
- Other Work (including fraud/ irregularity/ consultancy/contingency)

2.2 Core Audits

2.2.1 The Core Audits are given priority as they either cover the Council's key financial controls or the level of income is material in the context of the Council's annual accounts. These audits are allocated a larger number of days, as part of the risk based audit planning process, so they are usually carried out annually. Trade Waste and Car Park Income are carried out biennially for the same reason.

2.2.2 So far the Core Audits on Housing Benefits, Payroll, Car Park Income, Council Tax /NNDR & Recovery, Housing Rents and Income & Cash Collection have been completed. The opinions for the last 3 are included in full in section 3 below.

2.2.3 Creditors and ICT Core have been commenced.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Refuse & Recycling, Stores, Data Protection & Information Security, Private Sector Housing, Cemeteries & Bereavement Services, Standby, Voids Management, Licensing, Sickness & Other Time Off, Land Charges, Lettings, Members' Allowances, Gifts & Hospitality and Exe Valley Leisure Centre.

2.3.2 No further work on Systems Audits will take place until the Core Audits are complete.

2.4 Other Work

2.4.1 The Internal Audit team report on performance and risk using the Spar system and present the corporate performance and risk reports to PDGs and Committees, these are now sent to all PDGs rather than quarterly.

2.4.2 Data quality checks are carried out on committee and other reports as requested. Tender documents have been verified as usual.

2.4.3 The Audit Team have assisted with 2 investigations and sat on 4 job evaluation panels so far this year.

2.4.4 The Audit Team Leader attends the Corporate Health & Safety Committee as Risk Advisor. The 2 Auditors take turns attending the ICT User group.

2.4.5 One Auditor has become a Unison representative which involved 5 days training initially, and monthly meetings on an on-going basis, as well as some representation at disciplinaries and other applicable staff meetings.

2.5 Performance Indicators

2.5.1 As at the end of February 2017 the Internal Audit PIs are as follows:

	Predicted	Target	Current	Target
Core	100%	100%	82%	85%
System	69%	80%	61%	67%

2.5.2 The Core audits are scheduled to be completed in March but not all the system audits in the audit work plan will be completed, it is intended to prioritise VAT and Community Engagement with the Committee's agreement.

2.5.3 Approximately 45 extra days work has been done, on 3 audits brought forward from 2015/16 and 4 audits that took a bit longer than scheduled this year, which has affected the number of audits completed.

- 2.5.4 The Audit Team Leader has also spent unscheduled time on future audit provision (internal and external) and Governance work/policies which has caused further slippage since the last report (approximately 5 days).
- 2.5.5 Sixteen post-audit surveys have been sent out to clients; fourteen have been returned scored as 4-5 for all questions, meaning they were satisfied or very satisfied with the process. Two are still being followed up and two referred to timing difficulties which were fair comments and have been noted.

3.0 Audit Opinions

The following opinions have been issued since the last report:

3.1 Council Tax, NNDR & Recovery

- 3.1.1 There are areas within Council Tax/NNDR and the Recovery section that are well run; the Revenues Team have recently overhauled their Procedure Notes (Council Tax), these seem to be comprehensive and adequate to enable others to cover duties should the need arise. NNDR have procedure notes in place and they are updated to reflect any legislative changes. There is adequate separation of duties in place.
- 3.1.2 Reliefs and exemptions for NNDR are being applied promptly. There were a small number of Council Tax accounts where the relief/exemption had not been applied promptly, but this was very low percentage.
- 3.1.3 The area of Valuation schedules being updated within the SLA of 5 working days has vastly improved. This has been since the restructure of the department and there now being cover available to carry out this work. The samples tested on average fell well within the 5 day SLA but in isolation there were samples where they exceeded the 5 day SLA.
- 3.1.4 Proof of posting documentation has also improved, with comprehensive workings to show the total number of bills produced, number of properties and referred extract records. There are a few recommendations which will hopefully improve this area further.
- 3.1.5 It is the overall opinion of the auditor that the Council Tax, NNDR and Recovery systems are adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

3.2 Housing Rents

- 3.2.1 Overall, the process for current and former tenant arrears is well controlled and this is reflected in the Housing Service's PI's for Rent Arrears as a Proportion of Rent Owed, and the % of Former Tenant Arrears as a Proportion of Annual Rent Debit where the service has historically and currently performed very well.

- 3.2.2 There were a small number of Housing Benefit overpayments on some tenant accounts, which pre-date 2006 when the Housing Service was responsible for recovery of certain Housing Benefit overpayments. These should be written off.
- 3.2.3 It is the overall opinion of the auditor that the Housing Rents system is well controlled.

Summary of Recommendations		
High	Medium	Low
0	3	0

3.3 Income & Cash Collection

- 3.3.1 There are areas of Income and Cash Collection that are well controlled including security of incoming post, banking's and the promptness and accuracy of invoicing by the Debtors section (once instructed), there is also much more automation of this process which is encouraging to see. However, service departments are still raising invoice instructions after the service has been provided. This increases the risk that the debt may not be paid although the service has been delivered.
- 3.3.2 The cash receipting process is also very good and extremely accurate.
- 3.3.3 One area of weakness is the reasons given at times for a refund/reversal on the cash receipting system.
- 3.3.4 It is the overall opinion of the auditor that the Income and Cash Collection system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	4	0

4.0 Conclusion

- 4.1 We will continue to monitor and report on our progress at each Audit Committee meeting. Outstanding audit recommendations are summarised at Appendix 1. Overdue recommendations are 15% @ 28 February compared to 22% @ 31 December which is the lowest it's been since records began (in this format) Jan 2015.
- 4.2 High Priority deadlines may only be extended with the Audit Committee's agreement. 3 high priority recommendations have been made so far this year, none since the last report, 2 of these are "not yet due" @ 28 February 2017.
- 4.3 Where there are insurmountable issues making achieving targets impossible then managers needed to bring these issues to the attention of the Chief Executive.

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Circulation of the Report: Management Team and Cllr Peter Hare-Scott
List of Background Papers: None