



Internal Audit Progress Report February 2018



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Introduction

1. The purpose of this report is to:
 - Advise of progress made with the 2017/18 Audit Plan as at 15 January 2018
 - Provide details of the audit work undertaken since the last progress report.
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the Audit and Accounts Committee role

Key Messages

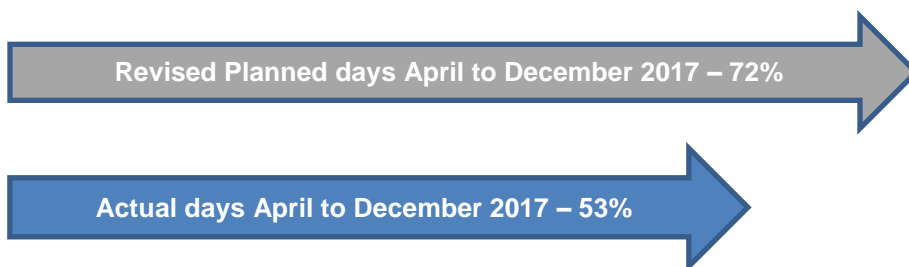
2. We have completed two audits since the last progress report – with the following assurance ratings:

High Assurance	Substantial	Limited	Low
■ Insurance	■ None	■ Estates Management	■ None

Note The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 3.

3. There are seven audits currently at draft report stage – these are:
 - Car Parks draft report is currently with CMT awaiting sign-off.
 - Performance Management is currently with CMT awaiting sign-off.
 - ICT Operations – Starters and Leavers is currently with the auditee.
 - The Visitor Centre (National Civil War Centre and Palace Theatre) - responses have now been received and the report is with CMT for sign-off.
 - Moving ahead second review closure meeting held and further information to be reviewed before issuing a further draft report.
 - Corporate Governance is currently being drafted
 - Income/Banking arrangements draft report drafted and going through the review process
4. The move to Castle House has (as expected) had an impact on our ability to progress some of our audits due to the availability of staff but we do not anticipate this will affect overall delivery – we took this into account in our planning process.

5. Two audits postponed at the request of the auditee remain to be rescheduled, other previously postponed have been re-scheduled.
6. We have delivered :-



Appendix 1 provides more details on the Audit Work Plan and schedule.

7. Progress has been made in implementing audit recommendations - there are currently no overdue actions and six actions for which the implementation date has been extended (See Appendix 2).

Internal Audit work completed at 15 January 2018

8. Below are summaries of the audit reports issued:

Estates Management – Limited Assurance

The review covered two areas of the Council's commercial properties business activity, we presented the level of assurance for each area and our overall assurance level.

Asset Management (Estates) – Substantial

The commercial properties administered by Asset Management (Estates) have sufficient arrangements in place ensuring rental income is collected, loss of income through irrecoverable debts is kept under control and the occupancy rate is maximised whilst vacant properties are kept to minimum.

Newark BIC - Limited

Our review identified that improvements are required to maximise the income generation, a return on the investment and the occupancy for the Council's commercial properties, which Oxford Innovation manages at the Newark BIC.

The areas identified where improvements could be made include:-

Asset Management (Estates)

- Review the resources allocated to Asset Management (Estates) ensuring that they are adequate to deliver the business activity.
- Ensure reviews are undertaken to identify historical customer debts which are difficult to recover and seek appropriate authorisation for write off. It is agreed that debts over 6 years old which cannot be legally recovered are written off

Newark BIC

- Maximise rental income and occupancy levels whilst external management

- costs are minimised ensuring the activity is not operating at a substantial loss.
- Ensure income collected from the Newark BIC properties is included in the Council's Major Income Stream to enable it to be corporately monitored.
 - Debtor invoices for the BIC rental leases are raised in full and correctly accounted for within E-Financials.
 - Information on the lease activity is received from Nottinghamshire County Council regularly in accordance with the agreement to enable appropriate and timely invoicing.

Insurance – High Assurance

The Council has effective processes in place to identify its insurance risks, procure and effectively administer the insurance arrangement ensuring key industry changes affecting the level of cover needed and related budget provision are identified and highlighted to senior management.

The level of current cover in place ensures risks that cannot be managed internally are transferred to relevant insurers and sufficiently insured.

Other significant work

9. The assurance mapping exercise has now been completed and the results pulled together within a report. After detailed discussions with the Corporate Management Team and Business Managers the results of this exercise has informed the Internal Audit Plan going forward.

Overdue and Extended Audit Recommendations

10. There are currently no overdue actions this quarter. However there are six recommendations where the implementation dates have been extended once for High risk (1) and more than once for Medium risk (5). These are detailed in Appendix 2.

Performance Information

11. Our performance is measured against a range of indicators. The table below shows our performance on key indicators as at 15 January 2018.

Performance Details 2017/18 Planned Work

Performance Indicator	Target	2017/18 Actual @ 15/01/18
Percentage of revised NSDC plan completed.	100% (Annual year end)	53%*
Percentage of key financial systems completed.	100% (Annual year end)	40%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented (2017/18 plan).	100%	100%
Timescales		
a) Draft report issued within 10 working days of completing audit.	■ 100%	■ 100%
b) Final report issued within 5 working days of closure meeting / receipt of management responses.	■ 100%	■ 100%
c) Draft report issued within 2 months of fieldwork commencing	■ 80%	■ 67%
Client Feedback on Audit (average)	Good to excellent	N/A

*Indicator based on the number of days spent against the total number of days within the revised annual plan

12. There remains some slippage within the plan following the delayed start of some audits at the beginning of the year, availability of some auditees during the office moves and the postponement of some audits by the Council. We have additional resources in place to reduce the slippage with the aim of commencing all audits before the end of the financial year.
13. The number of audits completed within the two month duration has improved with no further audits exceeding the target thereby increasing the overall percentage from the previous quarter.

Changes to the 2017/18 Plan

14. Changes made since the last Committee meeting are as follows:-
 - Strategic Asset Management has been removed from the plan as the service is currently under review and a new Business Manager is currently being appointed.
 - Funding has been removed as the client manager who requested it has since left and the manager felt that the scope of the audit was similar to one carried out recently.

Appendix 1 – Audit Plan 2017/18 Schedule

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Progress %	Audit State
Corporate Governance	10	Requirements of the revised framework have been identified and implemented/plans put in place to implement.	Aug	Jul		85%	Draft Report
Corporate Policy	5	There are process in place which ensure the Council has relevant policies and these are kept up-to-date and published where necessary.	Nov				
Car Parks	8	Income security and collection processes are adequate. The potential reduction of income due to the loss of some spaces and the effect of the devolution of Markets is managed.	Oct	Oct		95%	With CMT
Leisure Centres – Client Monitoring	5	Monitoring arrangements are in place to effectively monitor the performance of Active4Today and ensure compliance with the agreement.	Sept				Auditee postponed
ICT - Operations	5	Network users are managed effectively with appropriate set-up, change and removal processes.	May	Jun		85%	Draft Report
ICT - Compliance	5	Follow-up of progress on PCIDSS compliance.	Jan	Jun		30%	Fieldwork
ICT - Application	8	Review of one or more key applications	Dec				
Information Governance	10	The arrangements in place for Information Governance ensure that the relevant legislation is complied with and information held by the Council is secure. Arrangements are in place to ensure that General Data Protection Regulations are in place before the deadline.	Dec	Dec		85%	Draft Report
Moving Ahead	10	Final gateway review of the closure process including outcomes and lessons learned.	Dec				Auditee postponed to February
Performance Management and Assurance	8	There are effective processes in place which ensure that the Council is measuring relevant performance and reporting	Nov	Oct		95%	With CMT

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Progress %	Audit State
		to stakeholders. Action is taken where assurance of compliance is not being provided.					
Risk Management	8	There are arrangements in place which ensure that the risks are identified, monitored and mitigated.	Nov	Jan		1%	Preparation
Health and Safety	8	Compliance with policies and legislation.	Sept	Jan		5%	Terms of reference drafted
CCTV	5	Follow-up of the recommendations made in the 2015/16 audit review.	Mar				
Estates Management	10	Income is promptly collected and voids minimised. There is a business plan in place.	May	May	December 2018	100%	Completed
Strategic Asset Management	8	There is an up-to-date Strategic Asset Management plan in place and reported. All Council assets are recorded and maintained by the Council or in accordance with any agreement.	Jan	N/A	N/A	N/A	Cancelled
Key Control Testing	30	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	Jan				
Income/ Banking arrangements	9	Revised processes in place for the collection, recording and reconciliation of income comply with Financial Regulations and ensure that all income is accounted for. Arrangements with the new bank are embedded.	Sept	Dec		85%	Originally postponed awaiting appointment of new staff. Draft report
Funding	6	Processes are in place which ensure that changes to funding are identified and fed into relevant financial models and planning decisions.	Jul	N/A	N/A	N/A	Cancelled
Procurement	5	Recommendations made within the previous report have been implemented and embedded.	Jul	Oct		15%	Delayed by appointment of new Director. Terms of reference agreed

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Progress %	Audit State
Housing Benefits/ Council Tax Support	15	Benefits are paid in accordance with the legislation and Council Tax Support awarded in accordance with policies.	May	Jun	October 2017	100%	Completed
Contract Management	8	There are arrangements in place which ensure that contracts are managed effectively.	Feb				
Insurance	8	Insurance cover is in place, adequate and correctly recharged.	Aug	Sept	November 2017	100%	Completed
Housing and Planning Act	0	Review of processes in place to ensure that the requirements of the Act are identified, implemented and the affects of the implementation reported (including the affect on the HRA)	Jun	N/A	N/A	N/A	Cancelled
Combined Assurance	15	Updating the assurance map and completing the Combined Assurance report.	Oct	Oct		85%	Report drafted
Active4Today	2	Assurance on creditors figures feeding into the group accounts.	Jan				
Gilstrap	1	Review of the Gilstrap accounts for the Charities Commission.	Aug	Jun	N/A	100%	Completed
Mansfield Crematorium	5	Completion of the audit of the Mansfield Crematorium Accounts	Apr	May	N/A	100%	Completed
Newark Cattlemarket	5	Completion of the rent calculation for 2016/17	Jun	Jun	Aug	100%	Completed
Emergency Planning	0	c/f from 2016/17 plan	N/A	N/A	N/A	N/A	Postponed by auditee to 2018/19
Debtors - Trade Waste	3	Review of the proposed new system, providing advice.	N/A	Jun	Aug	100%	Report
Business Continuity	5	Follow-up review to ascertain current position	N/A	Dec		85%	Draft report
Contingency	18	Original budget 18, 3 allocated to Debtors work, 2 additional work on estates, 5 allocated to Business Continuity and 10 added cancelled audit.	N/A	N/A	N/A	N/A	N/A
Grand Total (Revised)	248						

Appendix 2 – Extension of Implementation Dates

Audit Area	Date	Assurance	No.of Agreed Recs	Implemented/ Closed	Not Due	Extended		Revised Implementation Date	Reason for extension
						H	M		
ICT									
ICT - Database	Aug-17	Substantial	6	0	0	1	0	30/11/17 then to 28/02/18	Progress has been made, several suppliers to chase up for completed forms
							1	31/12/17 then 31/03/18	Having worked with IDOX on the resolution of this & the below recommendation, the scope of work has been agreed & an order is to be raised for the work to be completed.
							1	31/12/17 then 31/03/18	As above
							1	31/12/17 then 31/03/18	Awaiting for date from IDOX of when the work can be completed, have chased account manager for a response
							1	31/12/17 then 31/03/18	As above
							1	31/12/17 then 31/03/18	As above
Resources									
VAT	May'16	Substantial	4	3	0	0	1	30/11/17 then 31/01/18	Due to other pressures (change in requirement for Budget Monitoring) time has not been set aside for this. Once the Budget has been finalised, this can be picked up again
Total			10	3	0	1	6		

Appendix 3 - Assurance Definitions¹

High Assurance	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
Substantial Assurance	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
Limited Assurance	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
Low Assurance	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.