

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	17 JANUARY 2019	7
<b>INTERNAL AUDIT INTERIM REPORT AS AT 30<sup>TH</sup> NOVEMBER 2018</b>			

### PUBLIC ITEM

This item is for consideration in the public part of the meeting.

#### SUMMARY

The report summarises the work undertaken in respect of the Internal Audit 6 Month Plan 2018/19 for the period October 2018 to November 2018 and reviews finalised from the 2017/18 Internal Audit Plan. The report also provides members with the current position of agreed actions arising from Internal Audit work.

#### RECOMMENDATION

That the Committee note the report.

#### SUMMARY OF PREVIOUS DECISIONS

None

#### CORPORATE PRIORITIES

Spending your money in the most efficient way to achieve excellent services ( <b>Value for Money</b> )	✓
Delivering the services that customers expect of an excellent council ( <b>Clean and Green</b> )	✓
Working with all partners ( <b>Vibrant Economy</b> )	✓
To make sure Fylde continues to be one of the most desirable places to live ( <b>A Great Place to Live</b> )	✓
Promoting Fylde as a great destination to visit ( <b>A Great Place to Visit</b> )	✓

### BACKGROUND

This is the first progress report for 2018/19 Internal Audit Plan (6 month) and covers the period between 1<sup>st</sup> October 2018 and 30<sup>th</sup> November 2018. In addition, the report includes details of any work undertaken from the 2017/18 Internal Audit Plan which has not yet been reported to Committee.

#### INTERNAL AUDIT PLAN 2018/19

**Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2018/19 Internal Audit Plan, indicating which audits have been completed and their assurance rating, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits.

The table below highlights the work undertaken during the period together with any control issues identified, where applicable;

Audit Area	Assurance Rating	Comments
National Fraud Initiative	Not applicable	Internal Audit co-ordinated the Council's input to the 2018/19 main exercise and is making preparations for the Council Tax Single Person Discount / Electoral Register exercise later this year.
Safeguarding	Moderate	<p>The Council has a statutory duty to make arrangements to ensure that functions are discharged with regard to the need to safeguard and promote the welfare of children.</p> <p>Our work has established that the Council, largely has sufficient arrangements in place and that other sources of assurance are operating effectively. The Council has a recently revised Policy and the results of a Safeguarding survey confirmed that office based staff awareness of the Policy and the process to report a safeguarding concern is good.</p> <p>One role of a district council is to ensure that <b>all</b> staff and volunteers are aware of the Safeguarding Policy and that they feel that they have sufficient knowledge in order to be able to recognise signs of abuse or neglect. It is these areas where the current arrangements could be strengthened.</p>
Coastal Defence Project	Not applicable	We are a member of the project team to provide advice and guidance on governance, control and risk.

#### INTERNAL AUDIT PLAN 2017/18

There have also been a number of reviews finalised from the 2017/18 Internal Audit Plan and details of these are provided below.

Audit Area	Assurance Rating	Comments
Business Rates (FCAT)	Full	<p>Testing was performed on a quarterly basis to ensure the effectiveness of specific key financial internal controls.</p> <p>No control issues were found.</p>
Council Tax (FCAT)	Full	<p>Testing was performed on a quarterly basis to ensure the effectiveness of specific key financial internal controls.</p> <p>No control issues were found.</p>
Audit Area	Assurance Rating	Comments
Housing Benefit (FCAT)	Full	<p>Testing was performed on a quarterly basis to ensure the effectiveness of specific key financial internal controls.</p> <p>No control issues were found.</p>
Business Rates	Moderate	This was a joint review with Blackpool Council's Internal Audit Team where we were able to provide assurance over the effectiveness of:

		<ul style="list-style-type: none"> <li>▪ Policies and decisions in relation to empty properties, recovery action and the funding of the enterprise zone; and</li> <li>▪ The relationship with the Valuation Office Agency and the appeals process.</li> </ul> <p>No control issues were found.</p>
Council Tax Collection	Moderate	<p>This was also a joint review where Blackpool and Fylde's council tax in-year and five-year collection rate performance was benchmarked and analysed against CIPFA's nearest neighbour group of local authorities, taking into account a number of factors such as the introduction of Council Tax Reduction which replaced Council Tax Benefit.</p> <p>The audit resulted in management agreeing to the following improvements:</p> <ul style="list-style-type: none"> <li>▪ Explore further the good practices identified at other councils that were demonstrating good levels of council tax collection rates;</li> <li>▪ To continue to undertake a similar analysis performed by the auditors on annual basis to ensure collection rate levels were consistent with comparable authorities and to take action to make further improvements where necessary.</li> </ul>
Housing Benefit Risk Based Verification (joint review with Blackpool Council)	Not applicable	<p>This was also a joint review which assessed whether the change to a Risk Based Verification (RBV) approach to administering and assessing new housing benefit claims was achieving value for money in line with any anticipated savings whilst making improvements in detecting the possibility of fraud and error in claims at the earliest opportunity. At the conclusion of the audit management decided that they would stop using RBV and reinstate the previous arrangement where full verification is sought for all claims regardless of any risk potentially attached to a claim. Therefore, there were no recommendations arising from the review.</p>
<b>Audit Area</b>	<b>Assurance Rating</b>	<b>Comments</b>
Treasury Management	Full	<p>This was a key financial system review which examined the compliance and effectiveness of the Council's Treasury Management Policy in relation to the CIPFA Code of Practice and Cross-Sectoral Guidance for Treasury Management.</p> <p>No control issues were found.</p>
Community Project Funds	Not applicable	<p>This audit reviewed the adequacy and effectiveness of the controls in place in relation to the grant funding available.</p> <p>A sound system of internal control was found to be operating and there were no recommendations arising from the review.</p>
Disabled Facilities Grants	Substantial	<p>Whilst it was identified that there are sound arrangements in place in relation to the knowledge and experience of the team and supervisory checks, areas to be strengthened were identified which included:</p> <ul style="list-style-type: none"> <li>▪ Strengthening the procedures for the retention and disposal of data.</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Reviewing access requirements for CIVICA to strengthen data security.</li> </ul>
Car Parking (reported to A&S Committee March 2018)	Substantial	<p>This review focussed on the adequacy and effectiveness of the controls in place in relation to:</p> <ul style="list-style-type: none"> <li>▪ Income collection</li> <li>▪ Penalty Charge Notices</li> <li>▪ Permits</li> <li>▪ Other Contracts</li> <li>▪ Fraud &amp; Corruption</li> <li>▪ IT System Access &amp; Security.</li> </ul> <p>Several recommended improvements were agreed with management to strengthen the internal control environment which have all been implemented in full.</p>
Information Governance (reported to A&S Committee March 2018)	Limited	<p>This was a risk based audit which reviewed the adequacy and effectiveness of the controls in place in relation to:</p> <ul style="list-style-type: none"> <li>▪ Governance</li> <li>▪ Data Protection</li> <li>▪ Training and Awareness</li> <li>▪ Freedom of Information Requests</li> <li>▪ IT Security.</li> </ul> <p>A number of recommended improvements were agreed with management to strengthen the internal control environment, of which the majority have now been implemented in full.</p>

## INTERNAL CONTROL SYSTEM

For both the 2017/18 and the 2018/19 Internal Audit Plans, in total 10 reviews have been finalised and the following assurance ratings have been awarded:

Assurance Rating	Definition	Number of reviews
Full	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives.	4
Substantial	While there is basically a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk.	2
Moderate	While there is basically a sound system of control, there are some more significant/serious weaknesses, which may put some of the system objectives at risk.	3
Limited/None	There are significant weaknesses in key areas in the systems of control, which put the system objectives at risk and leaves the system open to significant error or abuse	1

For all the reviews completed to date, management have accepted all the findings and the agreed actions in these reports will be followed up and reported on at future meetings of this committee.

## FOLLOW UP OF AGREED ACTIONS

In totality, there were 68 actions emanating Internal Audit's work which should have been implemented by the 30<sup>th</sup> November 2018. We have been working closely with senior officers to establish the current status of each actions and can now confirm the following:

Total number of actions due to implemented by 30 <sup>th</sup> November 2018	68
Number of actions implemented in full	66
Number remaining outstanding	2
Percentage implementation rate (target implementation rate – 90%)	97%

The 2 outstanding actions are categorised as shown in the table below and we will continue to work with managers until they are fully implemented:

Priority Category	Number of actions outstanding
High	0
Medium	2
Low	0

## AUDIT DEVELOPMENTS

### Review of Internal Audit Processes

In line with the latest Internal Auditing practices, from 2019/20 we are introducing a risk based approach to auditing. This will involve working with managers to compile a risk register / risk and control self-assessment for each significant function / system / process for which they are responsible.

The main objectives of this approach are to encourage greater ownership of risk and control issues within services and to optimise the benefits from the Internal Audit Service.

To facilitate this change in approach, a risk management system - GRACE – (Governance, Risk and Control Evaluation) has been procured and between January and March 2019, will be configured and officers trained in order for the system to be populated from April 2019 onwards.

### Audit Planning 2019/20

Internal Audit will shortly commence the process for compiling the Annual Audit Plan for 2019 / 2020. The Plan will be compiled following a risk assessment which considers a range of risk factors, such as items in the Corporate Risk Register, significant changes in staffing, systems and procedures and the length of time since an area was last audited. There will also be consultation with Senior Managers.

If there are any topics which members would like to be included in the next Audit Plan, please inform Dawn Highton on either [dawn.highton@fylde.gov.uk](mailto:dawn.highton@fylde.gov.uk) or 01253 658413 by **Friday 8th February** and these will be taken into account as part of the overall risk assessment.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	There are no Health and Safety implications arising from this report. The Audit Plan has been developed using a risk based approach.

LEAD AUTHOR	CONTACT DETAILS	DATE
Dawn Highton	<a href="mailto:Dawn.highton@fylde.gov.uk">Dawn.highton@fylde.gov.uk</a> Tel 01253 658413	17 <sup>th</sup> December 2018

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Annual Plan	20/9/18	Internal Audit Office, Town Hall

Attached documents

**Appendix 1** – Internal Audit Plan as at 30<sup>th</sup> November 2018

## INTERNAL AUDIT PLAN – Oct 2018 to March 2019

Internal Audit Annual Plan 2018/19 as at 30th November 2018.					
FYLDE COUNCIL	QTR	EST DAYS	ACTUAL DAYS	Balance	Comments
<b>CORPORATE AREAS</b>					
Annual Governance Statement	4	15	0.1	14.9	Due to commence Q4
Anti-Fraud & Corruption	ALL	2	1.6	0.4	On-going
NFI	ALL	13	2.5	10.5	On-going
<b>RESOURCES</b>					
<b>Heath &amp; Environment</b>					
Licensing Adminstration and Enforcement	4	15	5	10	In progress
Safeguarding	3	15	11.5	3.5	Complete
<b>Customer &amp; ICT</b>					
IT Resilience and Recovery	3	10	1	9	In progress
<b>Finance</b>					
Creditors	4	15	0	15	Due to commence Q4
Income collection	3	15	1.6	13.4	Due to commence Q4
<b>DEVELOPMENT SERVICES</b>					
<b>Parks, Leisure and Cultural Services</b>					
Maintenance and Inspection Regimes: Trees & Playgrounds	3	20	11	9	In progress
<b>Technical Services</b>					
Building Control	3	15	9.7	5.3	In progress
Coastal Defence Project	ALL	5	2.7	2.3	On-going
<b>Planning &amp; Regeneration</b>					
Housing Standards (inc HMO)	4	15	0.6	14.4	Due to commence Q4
<b>GENERAL AREAS</b>					
Post Audit Reviews	ALL	5	2.4	2.6	On-going
Contingency / Irregularities	ALL	5	1	4	On-going
Committee Reporting / Effectiveness Review	All	15	6.1	8.9	On-going
<b>FYLDE COUNCIL</b>		<b>180</b>	<b>56.8</b>	<b>123.2</b>	