

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
24 October 2017

From: Director of Finance (s151 Officer)

Subject: **INTERNAL AUDIT FIRST PROGRESS REPORT 2017/18**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015). The council has formalised its arrangements for internal audit within the Audit Charter. Internal Audit work is undertaken by Veritau who carries out work in accordance with the Public Sector Internal Audit Standards.
- 1.2 The Audit and Governance Committee approved the Internal Audit Plan for 2017/18 at its meeting held on the 21 March 2017. The purpose of this report is to inform Members of the progress made to date in delivering the 2017/18 Internal Audit Plan and any developments likely to have an impact on the plan throughout the remainder of the financial year.

2.0 THE REPORT

- 2.1 Veritau is progressing in the delivery of the agreed internal audit plan. Within the report there is a summary of progress made against the plan and information on planned start dates for the remaining work. Draft timings for future 2017/18 audits have been discussed and agreed with officers. There are no significant delays anticipated and therefore the programme of work is expected to be completed by the end of the year.
- 2.2 In the period between 1 April 2017 and 29 September 2017 one piece of work (on Broadacres) has been completed. Work is ongoing on four assignments (Payroll, Pre Employment Checks, Licensing and Design and Maintenance). Planning for three audits has also commenced.
- 2.3 It is important that agreed actions are formally followed-up to ensure that they have been implemented by managers. The internal audit team carries out follow-up work throughout the year of previously agreed actions and escalates any issues that have not been addressed, with senior managers. Where necessary, the issues will also be brought to the attention of this committee. There are currently no matters to bring to the attention of Members.

3.0 LINK TO COUNCIL PRIORITIES

- 3.1 The work of internal audit supports the council's overall aims and priorities by promoting probity, integrity and honesty and by helping support the council to become a more effective organisation.

4.0 RISK ASSESSMENT

- 4.1 There are no risks associated with this report.

5.0 **FINANCIAL IMPLICATIONS:**

5.1 There are no financial implications associated with this report.

6.0 **LEGAL IMPLICATIONS:**

6.1 There are no legal implications associated with the recommendations in the report.

7.0 **EQUALITIES AND DIVERSITY ISSUES:**

7.1 There are no equalities or diversity issues associated with the report.

8.0 **RECOMMENDATIONS:**

8.1 It is recommended Members note the work undertaken by internal audit in the year to date.

LOUISE BRANFORD WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: None

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Hambleton District Council

Internal Audit Progress Report 2017/18

Period to 29 September 2017

Audit Manager: Stuart Cutts
Head of Internal Audit: Max Thomas

Circulation List: Members of the Audit, Governance and Standards Committee
Head of Service - Finance (s151 Officer)

Date: 29 September 2017



Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report, to 'those charged with governance' progress against the internal audit plan agreed by the Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the Internal Audit Plan 2017/18 at their meeting on the 21 March 2017. This report summarises the progress made to date in delivering the agreed programme of work.
- 3 This is the first Internal Audit progress report to be received by the Audit, Governance and Standards Committee in 2017/18. This report updates the Committee on the work completed between 1 April 2016 and 29 September 2017.

Internal Audit work completed

- 4 In the period between 1 April and 29 September 2017 we have completed one piece of work reviewing financial information on Broadacres Housing Association. Further information on that work is included in paragraph 8. Four further assignments are ongoing and planning work has started for three other audits.
- 5 We have agreed timings with management for all 2017/18 audits. For those audits we have yet to start we have provided proposed start dates in this report. We are on target to deliver the agreed Audit Plan by the end of April 2018.
- 6 Further information is included in **Appendix A**.

Audit Opinions

- 7 For most reports we provide an overall opinion on the adequacy and effectiveness of the controls under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Details of the definitions used are included in **Appendix B**.

Wider Internal Audit work

- 8 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Audit, Governance and Standards Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice to Members.
 - **Ongoing support to management and officers;** we meet regularly with management to provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council.

- **Financial assessments;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Rating Agency) to assess the financial standing of potential contractors. In August and September 2017 we worked alongside the Director of Finance (s151 officer) and the Corporate Finance Manager to appraise the financial and management information of Broadacres Housing Association. This work provided important due diligence information to Management and will be used in future decision making.
- **Follow up of previous audit recommendations;** it is important agreed actions are regularly and formally 'followed up'. This helps to provide assurance to management and Members that control weaknesses have been properly addressed. We have followed up agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report as a result of our follow up work.
- **Risk Management;** Veritau advise on the Council's risk management processes.
- **Investigations;** We perform special or ad-hoc reviews or investigations into specific issues.

Minor revisions to the 2017/18 Audit Plan

- 9 Following the last Audit, Governance and Standards Committee we have agreed some minor revisions to the 2017/18 plan with the Director of Finance (s151 officer). As per the Audit Charter and the audit plan, 'Changes to the plan will be agreed with the Director of Finance (s151 officer) and will be notified to this committee.' Overall there is no change to the total number of audit days.
- 10 We have completed the work referred to in paragraph 8 on Broadacres. We have used 4 days originally allocated for PCIDSS (where we have met with officers, discussed current progress and agreed work is best targeted in 2018/19) and 5 days from project management to complete the requested agreed work.
- 11 Work towards PCIDSS compliance is currently ongoing and being developed. It was agreed that a full review in 2018/19 will be more appropriate and add more value. 10 days for Project Management is suitable as procedures in this area are still being developed. A full review will be carried out in future years once policies and procedures are fully defined.
- 12 The Payment Card Industry Data Security Standard (**PCI DSS**) is a set of security standards designed to ensure that all companies that accept, process, store or transmit credit card information maintain a secure environment

Stuart Cutts
Audit Manager
Veritau Ltd

29 September 2017

Table of 2017/18 audit assignments to 29 September 2017

Appendix A

Audit	Status	Assurance Level / Planned Start date	Audit Committee
Director of Finance (s151 Officer)			
Revenues and Benefits			
Council Tax and NNDR	Planning	-	
Housing Benefits	Not Started	Quarter 3	
Corporate Finance			
Payroll	In Progress	-	
Creditors	Not Started	Quarter 4	
Sundry Debtors	Not Started	Quarter 3	
Income and Receipting	Not Started	Quarter 3	
Performance and Improvement			
Risk Management	Not Started	Quarter 4	
Project Management	Not Started	Quarter 4	
ICT	Not Started	Quarter 3	
Projects			
Purchase to Pay	Planning	-	
Payment Card Industry Data Security Standard (PCI DSS)	Deferred	-	
Financial Appraisals – Broadacres	Completed	No opinion	October 2017
Director of Leisure and Communities			
Emergency Planning, Business Continuity and Disaster Recovery	Not Started	-	
Pre Employment Checks	In Progress	-	
Environmental Health	Not Started	Quarter 4	
Director of Law and Governance			
Procurement	Planning	-	
Contract Management	Not Started	Quarter 4	
Licensing	In Progress	-	
Director of Economy and Planning			
Design and Maintenance	In Progress	-	
Development Management	Not Started	Quarter 4	
Follow-Ups	Ongoing		

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.