the Welland
Welland
Internal Audit Consortium

MELTON BOROUGH COUNCIL

INTERNAL AUDIT UPDATE

SEPTEMBER 2015

Date**: 28th September 2015**

Introduction

1.1   The Welland Internal Audit Consortium provides the internal audit service for Melton Borough Council and has been commissioned to provide 235 audit days to deliver the 2015/16 Annual Audit Plan and undertake other work commissioned by the client.

1.2   The Public Sector Internal Audit Standards (the Standards) require the Governance Committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Consortium.

Performance

2.1   **Will the Internal Audit Plan for 2015/16 be delivered?**

The Welland Internal Audit Consortium is currently under the management of LGSS (Local Government Shared Services). The Welland Board has set LGSS the objective of delivering at least 90% of the Internal Audit plans for 2015/16 to draft report stage by the end of March 2016.

At the date of reporting, three assignments have been finalised; fieldwork on one assignment has been completed; and work is underway on another five assignments. Progress on individual assignments is shown in Appendix 1.

2.2   **Are audits being delivered to budget?**

Internal Audit is on target to deliver the Audit Plan within the 235 days budget. Any overruns on individual assignments are managed within the overall budget.

2.3   **Are clients satisfied with the quality of the Internal Audit assignments?**

Responses received to the Customer Satisfaction Questionnaire show that clients have rated all aspects of the audit assignments completed during the year to date as 'good' or 'outstanding'. A summary of the responses is provided in Appendix 2.

2.4   **Is the Internal Audit team achieving the expected level of productivity?**

As at the latest possible date for reporting purposes (week 22), the team has been delivering **91%** productivity, thereby exceeding the target set of 90%.

2.5   **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

Since the last Committee meeting, reports on two further assignments from the 2015/16 Internal Audit Plan have been finalised.

The Internal Audit review of **Health and Safety** resulted in a **Limited Assurance** opinion over the design and effectiveness of the controls in place to manage the identified risks.

The audit reviewed the controls in place to manage the risks of: reputational and financial damage as a result of non-compliance with Health and Safety legislation and Council Policy; the failure to identify health and safety risks, thereby exposing staff and stakeholders to potential hazards; and poor decision making in relation to health and safety due to a lack of management information.

Based upon the audit testing, it was concluded that the Council has a well-designed control framework and appropriate policies and procedures for managing health and safety in the workplace; however the application of these controls is inconsistent and in certain areas some key controls have not been applied.

Internal Audit visited four Council buildings and found that evidence of key health and safety controls such as fire alarm testing, evacuation drills, fire warden training, risk assessments, Control of Substances Hazardous to Health (COSHH) assessments and first aider records and training was not consistently available or up to date.

Furthermore, due to reporting issues with the online learning tool (MIKE), the Council would be unable to demonstrate that all employees had received appropriate health and safety training and completed the required assessments. Without sufficient evidence that health and safety controls are operating effectively, the Council is at risk of potential reputational damage and possible fines from the Health and Safety Executive should an accident/incident occur involving one of the Council's employees.

Within the audit report, 15 recommendations have been made and actions have been agreed with management to ensure compliance with the Council's control framework and the health and safety of Council staff and visitors. Two of the actions agreed were implemented by management with immediate effect and all high priority actions are due to be implemented by the end of September 2015.

The Internal Audit review of the **IT Helpdesk Service** resulted in a **Sufficient Assurance** opinion. The audit was designed to provide assurance over whether the Council has robust procedures in place to manage the following five risks: lack of incident reporting and classification; ineffective incident and problem management; inappropriate incident and problem closure; lack of Service Level Agreement (SLA) and reporting requirements; and failure to maximise use of "First Time Fixes".

Testing confirmed that procedures are in place and operating effectively to ensure that helpdesk incidents are suitably categorised, prioritised, logged and closed in accordance with the SLA. A clear, automated escalation process is operating to ensure that any calls that are not resolved in accordance with targets are highlighted to senior service provider officers and clearly identified on the helpdesk system. It is recommended that an aged performance report be produced and challenged by the Council at performance review meetings to seek assurance over actions taken.

An SLA is in place for the IT helpdesk and forms the basis for continuous performance monitoring and review. A number of key performance indicators (KPIs) are in place and subject to regular review. Verification checks have been performed by the ICT Manager to provide assurance over the accuracy of the monthly performance data provided.

Some areas for further improvement have been highlighted and six recommendations have been made in relation to pro-active use of the helpdesk information and service. This includes making use of helpdesk data to identify any recurring issues which may benefit from a corporate solution and reduce future incidents. There is also scope to encourage wider use of the 'First Time Fix' service.

Copies of all Internal Audit reports are available to Members at any time and can be requested via the Head of Internal Audit or the Head of Corporate Services.

2.6   **Are clients progressing audit recommendations with appropriate urgency?**

Since the last Committee meeting, nine actions from audit reports have been completed by officers. At the date of reporting, there are twelve agreed management actions which are overdue for implementation. Reasons have been provided and revised dates for implementation have been agreed, where appropriate. An analysis of the implementation of actions is provided in Appendix 3. Three of these actions were assessed as 'High Priority' and has been overdue for over three months and, as such, full details have been provided in Appendix 4.

Appendix 1: Progressing the Annual Internal Audit Plan

<table>
<tr><td colspan="3"></td><td colspan="8" align="center">KEY</td></tr>
<tr><td colspan="3"></td><td colspan="8">Current status of assignments is shown by ⬤</td></tr>
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Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks										
Procurement Cards	5	5						⬤	**Substantial**	
Debtors System and Debt Recovery	10	-	⬤							Quarter 4 2015/16
Financial Governance and Transparency	10	-	⬤							Quarter 3 2015/16
Financial System Key Controls	15	-	⬤							Quarter 4 2015/16
Revenues and Benefits	9	-	⬤							Consultancy as needed
IT Risks										
IT Helpdesk Service	15	19						⬤	**Sufficient**	
IT Roles and Responsibilities	15	-	⬤							Quarter 3 2015/16
Service Delivery Risks										
Housing Repairs	20	-	⬤							Quarter 3 2015/16
Intensive Housing Management Scheme	15	-		⬤						

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
New Build Programme	10	0.8			●					
Industrial Estates	10	-		●						Quarter 3 2015/16
Statutory Inspection Regimes (Communal areas)	15	5			●					
Wheels to Work	10	12				●				
Health and Safety	15	14.5						●	**Limited**	
Planning Applications	5	3			●					Consultancy support

Assignment	Budget	Actual	Comments
Other Client Support			
Advice & Assistance	2	0.5	
Committee Work, Support & Annual Report	15	3.7	
Recommendation Follow-Up	3	1.8	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	2.5	
Completion of 2014/15 Assignments	-	17	
Consortium Management Time	21	7	

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Substantial	There is a sound control framework designed to manage or mitigate risks to the achievement of defined objectives. Testing confirms that the controls are being applied consistently.
Sufficient	The control framework is basically sound but either • there are minor gaps or weaknesses which mean that some risks are not fully managed or mitigated; or • testing provides evidence of non-compliance sufficient to weaken the effect of some controls.
Limited	There are significant weaknesses in key elements of the control framework which mean that significant risks are not managed or mitigated. Testing demonstrates significant levels of non-compliance with prescribed processes and procedures
No	The controls identified are not sufficient to manage/mitigate identified risks to the achievement of defined objectives. Testing demonstrates high levels of non-compliance with prescribed processes and procedures.

Appendix 2: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The responses received in the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment			3		
Communication during Assignments		1	2		
Quality of Reporting		1	2		
Quality of Recommendations	1		2		
Total	**1**	**2**	**9**		

Appendix 3: Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and **implemented** since last Committee meeting	3	38%	-	-	6	75%	9	**43%**
Actions due within last 3 months, but **not implemented**	2	24%	1	20%	1	12.5%	4	**19%**
Actions due **over 3 months** ago, but **not implemented**	3	38%	4	80%	1	12.5%	8	**38%**
Totals	8	100%	5	100%	8	100%	21	100%

Appendix 4: 'High' Priority actions overdue for more than three months

Audit Title and Year	Service Area	Issue / Outstanding Action	Reason for Revised Implementation Timescale	Officer Responsible	Original Date	Revised Date
Main Accounting 2013/14	Regulatory Services	Head of Regulatory Services ensures the Business Continuity Plan is approved and communicated to all relevant officers subject to discussion on the effect of arrangements with partners in Parkside.	Work is in hand but the Business Continuity Plan is not complete. The previous version remains relevant in its approach and wider content, but some details are out of date.	Head of Regulatory Services	31st May 2013	To be agreed
Starters and Leavers 2014/15	Central Services	The process for informing Facilities and IT of new starters is be reviewed and amended so that there is one standard process/form that can be applied to both Partners and MBC employees.	New Starter Form yet to be revised, but due to be completed by end of September 2015.	Head of Central Services	31st March 2015	30th September 2015
Starters and Leavers 2014/15	Central Services	The process for informing Facilities and IT of Partners leaving employment is be reviewed and amended so that there is one standard process/form that can be applied to both Partners and MBC employees.	Leavers' Form yet to be revised, but due to be completed by end of September 2015.	Head of Central Services	31st March 2015	30th September 2015

Appendix 5: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

The Consortium is undertaking a programme of work agreed by the council's senior managers and approved by the Governance Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that the Consortium are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal   assignments; or were not brought to the Consortium's attention. As a consequence, the Governance Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to the Consortium's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:
- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Consortium endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.