

AUDIT AND GOVERNANCE COMMITTEE

Thursday, 17 January 2019

INTERNAL AUDIT: PROGRESS AGAINST THE AUDIT PLAN 2018 - 19 (REP1791)**EXECUTIVE SUMMARY**

1. This report is being presented to the Audit and Governance Committee in accordance with the Committee's terms of reference which stipulate, (amongst other functions), that the Committee shall '...consider any reports dealing with the management and performance of the internal audit service'.
2. Internal Audit aims to operate in accordance with the Public Sector Internal Audit Standards (PSIAS).
3. This report provides members of the Committee with an update of progress made against the Internal Audit Plan for 2018 - 19, for the period of 1 April 2018 to 30 November 2018.

Is the report Open or Exempt?	Open
Wards Affected:	All Wards in the District
Cabinet Member:	Councillor B Provan, Cabinet Member for Resources
Supporting Officer:	Mrs Siobhan Martin Head of Internal Audit 01394 444254 siobhan.martin@eastsoffolk.gov.uk

1 INTRODUCTION

- 1.1 On 15 March 2018 the Audit and Governance Committee approved the Internal Audit Plan for 2018 - 19. This report seeks to inform the Audit and Governance Committee of the progress made against the Internal Audit Plan for the period 1 April 2018 to 30 November 2018.
- 1.2 Since 1 January 2009 Internal Audit has been delivered in partnership with Suffolk Coastal District Council, with a joint Internal Audit Plan being produced. The Head of Internal Audit and one of the Audit Managers are shared between Ipswich Borough Council (IBC), Suffolk Coastal District Council (SCDC) and Waveney District Council (WDC).

2 BACKGROUND

- 2.1 The establishment across SCDC and WDC is currently 6.2 full time equivalents which includes 1.6 full time equivalent provided to Ipswich Borough Council (IBC) as part of contracted partnership arrangements. Thus the team to deliver work for SCDC and WDC is 4.6 full time equivalents.
- 2.2 All Members can access the final Internal Audit reports through the Members' section (confidential reports) on the intranet. Copies are also sent and presented to Audit and Governance Committee, and the Senior Management Team, the relevant Cabinet Members and the External Auditors, as well as key officers who assisted in the completion of the review.
- 2.3 The Audit and Governance Committee has the opportunity to put forward requests for additional Internal Audit reviews.
- 2.4 The progress against the delivery of the agreed recommendations is actively pursued by Internal Audit, and the Head of Internal Audit can raise any serious concerns at meetings of the Corporate Management Team in accordance with the escalation procedures, before reporting any issues to the Audit and Governance Committee.

3. INTERNAL AUDIT PERFORMANCE/OUT-TURN FOR THE PERIOD 1 APRIL 2018 TO 30 NOVEMBER 2018

- 3.1 The Internal Audit Plan for 2018 -19 is unlikely (at present) to be completed in full as originally listed. The plan is risk based and all high risk time sensitive areas will be covered in 2018-19, with other areas which remain important to be deferred to 2019-20.
- 3.3 As would be expected, with the publicity surrounding the General Data Protection Regulation, the number of Data Protection Requests, Subject Access Requests and alleged breaches/incidents has increased. From 1 April to 30 November 2018, the Internal Audit Team has dealt with:
 - a) Data Protection Requests (including address checks, proof of life, Subject Access Requests, and Data Subject Right to Erasure and Rectification) – 136
 - b) Advice and guidance requests – 212
 - c) Potential/alleged Data Protection breaches/complaints/incidents – 31
 - d) Training provided to all Data Protection Champions on Information Asset Registers, Data Protection Privacy Notices, and Data Protection Impact Assessments. General Data Protection training provided to approx. 90 Housing Operatives (no access to online training).

- 3.4 This equates to 253 days worked by the Auditors and the Audit Manager on Data Protection. This has had a significant impact on the ability to deliver the 2018/19 Audit Plan and there is a likelihood that a number of agreed reviews will have to be deferred to 2019/20. However, additional resources are being sourced in early 2019.
- 3.5 In addition to the impact of Data Protection the following issues have affected the completion of the Audit Plan 2018/19:
- a) Intensive input into the review of the Contract Procedure Rules and Financial Procedure Rules.
 - b) Advice and Guidance requests from Service Areas given the changing status of SCDC and WDC next April.
 - c) Merger work undertaken by the Service Areas which has resulted in it being inappropriate for assurance reviews to be completed.
- 3.6 The following table represents the agreed WDC Internal Audit Plan for 2018/19, with additional detail over the progress to date:

Audit Area	Progress to Date
Accounts Payable - Creditors	Work in progress.
Accounts Receivable - Debtors	This work is planned to commence in Quarter 4.
Anglia Revenues Partnership (SCDC & WDC joint report) Bailiff Service.	Transferred – Work has been transferred to Fenland District Council as part of the ARP Service Level Agreement.
Annual Governance Statement (AGS)	Review, advice and best practice guidance provided to enable the successful completion of the 2018/19 AGS. The Head of Internal will be responsible for the completion of AGS in 2018/19.
Asset Management (SCDC & WDC joint status report)	Continuous advice and guidance has been provided throughout the year. Assurance testing will be undertaken at the start of 2019/20.
Bank Reconciliations and General Ledger.	This work is planned to commence in Quarter 4.
Car parks (SCDC & WDC joint report)	Likely to be deferred to 2019/20.
Cash & Banking (SCDC & WDC joint report) including Cash Receipting System.	This work is planned to commence in Quarter 4.
Charities	Complete.
Commercial Rents	Status Report produced – Assurance work deferred to 2019/20.
Consultancy and Special Investigations	Ongoing – Internal Audit remains available to provide professional advice for emerging issues and any required financial, whistleblowing or employment investigations.

Audit Area	Progress to Date
Consultancy and Agency Usage (SCDC & WDC joint report)	Work in progress.
Contract Management (SCDC & WDC joint status report)	Continuous advice and guidance has been provided throughout the year. Assurance testing will be undertaken at the start of 2019/20.
Corporate Governance and Risk Management	Ongoing – Attendance on Corporate Governance Days and provision of independent professional advice.
Council Tax	Work in progress – work being undertaken by West Suffolk Council.
Criminal Finances Act	Status Report produced – Assurance work deferred to 2019/20
Data Protection (DP)	Ongoing – Advice, Guidance and Support provided on general DP issues and the new GDPR legislation. Please refer to Section 2 above for additional information.
Disabled Facility Grant (DFG)	N/A – Assurance work not required for 2018/19.
Ethics & Culture	Work in progress.
Fixed Asset Register	No individual reviews undertaken due to the continuous work on Asset Management and the re-writing of the Contract Procedure Rules and Financial Procedure Rules for the new Council. Assurance work deferred until 2019/20.
Health & Safety Inspection Regime at SCDC/WDC with Partners	Continuous advice and guidance has been provided throughout the year. Assurance testing will be undertaken at the start of 2019/20.
Homelessness Grant Payments	Work in progress.
Housing Benefits	Work in progress – work being undertaken by West Suffolk Council.
Housing Rents	This work is planned to commence in Quarter 4 – likely to be deferred to 2019/20.
Housing Repairs and Maintenance	This work is planned to commence in Quarter 4 – likely to be deferred to 2019/20.
IDOX/UNIFORM Process (SCDC & WDC joint report)	Review complete awaiting report acceptance.
Lowestoft Charter Trustees	Complete - assurance level not applicable.
Members Requests	Ongoing – Internal Audit remains available to undertake any requests received.
Merger	Ongoing advice, no direct review requested to date.
National Fraud Initiative (NFI)	Ongoing .

Audit Area	Progress to Date
National Non Domestic Rates (NNDR)	Work in progress – Internal Audit is undertaking a review of NNDR across all 7 Suffolk District Councils.
Organic Green Waste	This work is planned to commence in Quarter 4 – likely to be deferred to 2019/20.
Parishing	Ongoing – Internal Audit remains available to provide advice and guidance.
Payroll	Work in progress.
Procurement	No individual reviews undertaken due to the continuous work on Asset Management and the re-writing of the Contract Procedure Rules and Financial Procedure Rules for the new Council. Assurance work deferred until 2019/20.
Public Sector Internal Audit Standards Self Assessment	Self Assessment complete – assurance level ‘acceptable’.
Safeguarding Self Assessment Review	Complete – Self assessment assurance level ‘good’.
Strategic and other partnerships (SCDC & WDC joint report)	No individual reviews undertaken due to the continuous work on Contract Management and Health & Safety Contract Management.
Treasury Management	Complete – assurance level ‘good’.

3.7 In addition to the above work, Internal Audit continues to provide advice and support at the quarterly Corporate Governance Day, the Annual Governance Statement Working Group and the Corporate Risk Management Group. Corporate governance advice is provided continuously by the Head of Internal Audit on strategic and operational matters.

4 EXTERNAL AUDITOR

4.1 As from 1 November 2012, Ernst and Young replaced the Audit Commission as the Council’s External Audit provider. The Head of Internal Audit has reviewed the Internal and External Audit Protocol and meets regularly with the External Audit Manager. Any significant changes to working practices and expectations upon Internal Audit will be reported to the Audit and Governance Committee.

5 CONTRACTED WORK

5.1 The Council’s Internal Audit team is continuing to complete its contractual requirements for 2018/19 and continues to provide Ipswich Borough Council and Suffolk Coastal District Council with strategic and operational audit and fraud services.

5.2 Strategic management continues with the sharing of the Head of Internal Audit contracted IBC, SCDC and WDC to direct Internal Audit and Corporate Fraud.

6 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

6.1 The Audit and Governance Committee is directly responsible for supporting good governance arrangements and practices at the Council which underpin the Council’s entire strategic and operational workings including the East Suffolk Business Plan.

7 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 7.1 Internal Audit reports and recommendations aim to create and foster a robust corporate governance foundation to support a sustainable service to all its stakeholders. As a consequence, Internal Audit aims to mitigate the risk of losses arising from error, irregularity and fraud. In addition, efficiency, effectiveness and economy reviews form part of the work undertaken, and this represents a fundamental function in delivering the Council's corporate governance responsibilities.
- 7.2 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require a relevant authority to '...undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards and guidance'.
- 7.3 The implications and benefits of agreed recommendations produced by the audit work undertaken affect all these areas by improving controls and processes, which contribute towards efficient and effective management of services.

8 OTHER KEY ISSUES

- 8.1 This report does not require us to have considered the results of an equality impact assessment, a sustainability impact assessment or a partnership impact assessment.

9 CONSULTATION

- 9.1 Where appropriate internal consultation has taken place to complete this report.

10 OTHER OPTIONS CONSIDERED

- 10.1 No further options have been considered.

11 REASON FOR RECOMMENDATION

- 11.1 To support the Council's overall governance arrangements and to ensure the Audit and Governance Committee fulfils its terms of reference by considering a summary of Internal Audit activity.

RECOMMENDATION

1. That the Audit and Governance Committee comment upon the output of Internal Audit from 1 April 2018 to 30 November 2018.

BACKGROUND PAPERS - None