

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL
AUDIT AND CORPORATE GOVERNANCE COMMITTEE

31 MARCH 2017

INTERNAL AUDIT PROGRESS REPORT 2016 / 2017

RECOMMENDATION:

Members of the Audit and Corporate Governance Committee are asked to consider, review, and provide challenge to the attached progress report on the delivery of the audit service up to 28 February 2017.

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1. INTRODUCTION

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit and Corporate Governance Committee and the Executive Director (Corporate Services), Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.
- 1.2 The purpose of this report is to bring the Committee up to date with progress made against the delivery of the 2016 / 2017 Internal Plan, as at February 2017. The information included in the progress report will feed into and inform our overall opinion in the annual Head of Internal Audit (HoIA) report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance. To obtain this assurance, this is partly based on the type of recommendations we make in each report. Our assurance ratings were amended at the start of this year (Members were notified via email on 18 April 2016).
- 1.4 Should an audit report identify LIMITED or NO assurance, then as a matter of course those areas are followed up. Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework.**

2. RESOURCES AND OUTPUTS

- 2.1 Since our last report to Audit and Corporate Governance Committee (October 2016) the following issues are brought to Members attention:
- There have been no changes to audit personnel during the year to date.
 - New arrangements are being worked on for the Shared Internal Audit Service (SIAS) following Huntingdonshire DC declining to join the service in November 2016 and the planned departure of Peterborough from the existing arrangements. Plans are in train to recruit to the post of Head of Internal Audit, although Peterborough will continue with the existing arrangements until September 2017 at the latest.

- 2.2 Work completed from the current plan are documented in **Appendix B**.
- 2.3 Those reports shaded have previously been brought to the attention of the Committee.

Steve Crabtree
Head of Internal Audit
February 2017

ISSUES ARISING FROM THE DELIVERY OF THE INTERNAL AUDIT PLAN DURING 2015 / 2016

Housing Benefits	Prior Review: FULL March 2015	New Assurance: REASONABLE	Critical: 0	High: 1	Medium: 0	Low: 1	Total: 2	There is an expectation that officers within the section notify their team leaders / managers of any individuals they may know who is on benefits. These accounts are then blocked from their access. Regular declarations are made by staff. However, while these are in place, they had not all been actioned on the system. Management agreed to review all declarations to ensure that they had been suppressed on the system.
Accounts Payable	Prior Review: SIGNIFICANT March 2015	New Assurance: REASONABLE	Critical: 0	High: 2	Medium: 0	Low: 0	Total: 0	There has been improvement in the use of the electronic system, E-BIS, to make payments, however further improvements can be made to reduce the reliance on manual intervention

ISSUES ARISING FROM THE DELIVERY OF THE INTERNAL AUDIT PLAN DURING 2015 / 2016 (continued)

Corporate Governance (Gifts and Hospitality)	Prior Review: Not applicable	New Assurance: NO	Critical: 0	High: 8	Medium: 1	Low: 0	Total: 9	<p>The Council has clear guidance in place in relation to Gifts, Hospitality and Sponsorship for both Officers and Members.</p> <p>There was no evidence that any declarations that have been made had been reviewed or who was responsible for such reviews. Furthermore, were the declarations were recorded electronically, no one had access to review these logs.</p> <p>Ownership has been agreed with the Head of Legal Practice who will instigate a full review following the appointment of the Deputy Monitoring Officer.</p>
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INTERNAL AUDIT PLAN 2016 / 2017

HOMES FOR OUR FUTURE								
Ermine Street Housing	WORK IN PROGRESS. The focus of this audit is to verify that appropriate governance arrangements are in place to protect the interests of the SCDC and that sound financial processes are in place to collect rent and any associated debts.							
Homelessness	Prior Review: Not applicable	New Assurance: LIMITED	Critical: 0	High: 3	Medium: 1	Low: 1	Total: 5	<p>The objective of the audit was to ensure that the Council complies with legislative changes, use of Bed and Breakfast accommodation and the management of data/systems.</p> <p>The audit did not undertake an in-depth assessment of other forms of temporary accommodation, or to assess whether the strategic leadership, direction and other aspects of the day to day management of the service were of an appropriate standard.</p> <p>A number of gaps, particularly in relation to policies and procedures; personal data storage; and the data systems were identified.</p>

AN INNOVATIVE AND DYNAMIC ORGANISATION

Banking Contract

WORK IN PROGRESS

This has been undertaken as a lessons learnt exercise to verify that “cross council” tendering has delivered the expected service improvements and that no issues were missed.

Procurement and Commissioning

WORK IN PROGRESS

Focus on compliance with regulation brought in to enable for greater transparency of the contract / procurement process, allowing for better flexibility for use of small and medium sized enterprises.

Shared Services

WORK IN PROGRESS

Audit is included on Cambridge IA Plan and being undertaken jointly.

CORE SYSTEMS ASSURANCE WORK							
Accounts Receivable (Follow Up)	Prior Review: LIMITED	New Assurance: REASONABLE	Completed: 4	In Progress: 1	Outstanding 2	Cancelled: 0	Additional: 0
Benefits (Follow Up)	Prior Review: REASONABLE	New Assurance: REASONABLE	Completed: 1	In Progress: 1	Outstanding 0	Cancelled: 0	Additional: 0
VAT (Follow Up)	Prior Review: FULL	New Assurance: FULL	Completed: 0	In Progress: 0	Outstanding 0	Cancelled: 0	Additional: 0
Housing Rents (Follow Up)	Prior Review: SIGNIFICANT	New Assurance: REASONABLE	Completed: 1	In Progress: 1	Outstanding 0	Cancelled: 0	Additional: 0
Business Rates	WORK IN PROGRESS Follow up work – previous FULL assurance						
Council Tax	WORK IN PROGRESS Follow up work – previous FULL assurance						
Budgetary Control	DEFERRED Due to the ongoing works on implementing the Main Financial System across three councils – it has been considered appropriate to defer this audit into 2017 / 2018. Time has been reallocated to the Safeguarding Audit and the Ermine Street Housing Audit.						

ANNUAL GOVERNANCE AND ASSURANCE WORK		
Annual Opinion	Audit	<p>COMPLETED</p> <p>The Annual Audit Opinion was submitted to Audit and Corporate Governance Committee in June 2016, highlighting all Internal Audit activity for the previous 12 months together with any areas of concern.</p>
Annual Governance Statement		<p>COMPLETED</p> <p>The Annual Governance Statement will be submitted to Audit and Corporate Governance Committee in September 2016 following review at Executive Management Team in the same month. Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps. Internal Audit has provided suggestions and commentary on taking this forward.</p>
Internal Effectiveness	Audit	<p>WORK IN PROGRESS</p> <p>Feeds into the shared service forward plan. This will be included in quarter 4 and a separate statement within the annual Audit Opinion report for Committee in June 2017.</p>
Fraud and Corruption		<p>COMPLETED</p> <p>As part of the realignment of fraud investigations, Internal Audit has been an active member of the working group set up to provide appropriate solutions. A separate report on this is due to be submitted to EMT in Quarter 4.</p>
National Fraud Initiative		<p>WORK IN PROGRESS</p> <p>The bi-annual fraud initiative. Data matches were received back in February 2017 covering a series of datasets provided to an external body. Internal Audit has undertaken a routine sift and those requiring investigation have been allocated to a number of officers across the Council to investigate. At present Internal Audit retain the coordination role but this is covered in more detail within the above report for EMT.</p>

ANNUAL GOVERNANCE AND ASSURANCE WORK (continued)

Safeguarding	WORK IN PROGRESS The audit is focussed on the policies, procedures, awareness and evaluation of safeguarding across the Council. Matters arising from this audit have been provided to the Directors for comment prior to producing the report.							
Flexible Working Arrangements	Prior Review: Not applicable	New Assurance: REASONABLE	Critical: 0	High: 1	Medium: 3	Low: 2	Total: 6	The review focussed on the current policies and procedures in place as the Council looks to the future for a greater level of smarter ways of working. The existing policies, procedures and guidance while satisfactory, will need to be improved in order for the Council to be more agile.
Driver Competency	WORK IN PROGRESS. The audit was due to conclude in Quarter 3, however it was put on hold during testing following request from senior management. The audit will be resurrected as soon as approval is received.							
Performance Management (follow up)	Prior Review: LIMITED	New Assurance: REASONABLE	Completed: 4	In Progress: 0	Outstanding 0	Cancelled: 0	Additional: 4	Due to organisational changes within SCDC i.e. the use of Corporate Management Team to oversee aspects of Performance Management, additional actions were identified to improve on its governance arrangements.