

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Report to Audit & Accounts Committee

8 February 2019

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| TITLE: | 2018/19 Internal Audit Periodic Report October 2018 to January 2019 |
| PORTFOLIO HOLDER: | Councillor Sybil Ralphs - Council Leader SMDC |
| CONTACT OFFICER: | John Leak – Internal Audit Manager |
| WARDS INVOLVED: | Non-Specific |

**Appendices Attached – Appendix 1 Audit Reports Issued Between 1st October
2018 and 31st January 2019**

**Appendix 2 Internal Audit 2018/19 Progress Information
as at 31st January 2019**

**Appendix 3 2017/18 Audit Recommendations
Implementation**

1. Reason for the Report

- 1.1 The Accounts and Audit Regulations 2015 requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. In accordance with the Public Sector Internal Audit Standards, the Audit Manager must report periodically to the Audit Committee on the internal audit activity’s performance relative to its plan.

2. Recommendation

- 2.1 That the committee note the progress information contained within this report.

3. Executive Summary

- 3.1 The purpose of this report is to summarise current year performance information for the Council’s Internal Audit service for the 2018/19 financial year. This includes a breakdown of audits in progress and completed to date, the number and classification of recommendations made, agreed and where applicable, implemented by management.

3.2 All audit recommendations have been agreed, and to date 100% of 2018/19 audit recommendations that are due have been implemented. Where deficiencies in internal control have been identified and not corrected, Internal Audit are satisfied that they will be resolved in an appropriate manner and they will continue to monitor such cases. It should be noted that it is the responsibility of relevant Managers to implement agreed recommendations.

4. **How this report links to Corporate Priorities**

4.1 The assurance provided by the work of Internal Audit informs the Annual Governance Statement and therefore helps to confirm effective use of financial and other resources to ensure value for money.

5. **Alternative Options**

5.1 There are no options to consider.

ANDREW P STOKES
Executive Director (Transformation) and Chief Finance Officer

| Web Links and Background Papers | Location | Contact details |
|--|-----------------|---|
| None | N/A | John Leak Audit Manager john.leak@staffs Moorlands.gov.uk |

6. Detail

6.1 Introduction

6.1.1 The purpose of this report is to summarise current year performance information for the Council's Internal Audit service for the 2018/19 financial year. This includes a breakdown of audits in progress and completed to date, the number and classification of recommendations made, agreed and where applicable, implemented by management.

6.1.2 The work of the internal audit service is primarily based upon an annual risk assessed audit plan, which for the financial year 2018/19 was agreed by this Committee at the 25th May 2018 meeting. The Internal Audit service also carry out work outside of the audit plan for which a contingency is usually built in. This unplanned work consists mainly of internal control consultancy work and special investigations into suspected fraud and irregularity.

6.2 Audits Reports Issued & Status of Agreed Recommendations

6.2.1 A summary of the Audit Reports issued during the period 1st October 2018 to 1st January 2019 is shown in the table below. Further details of these audits outlining key issues and strengths and improvements are shown in **Appendix 1**.

| Service | Audit | Recommendations | | | Assurance |
|---|-------------------------------|-----------------|-------------|----------|--------------|
| | | High Risk | Medium Risk | Low Risk | |
| Environmental Services | Housing Agency | 0 | 1 | 6 | Satisfactory |
| Visitor Services | Markets | 0 | 3 | 6 | Satisfactory |
| Democratic & Community Services | Community Safety | 0 | 2 | 2 | Satisfactory |
| Customer Services | On-line Payment & Misc Income | 0 | 1 | 11 | Satisfactory |
| Organisational Development & Transformation | ICT Asset Management | 0 | 1 | 7 | Satisfactory |
| Democratic & Community Services | Ethics & Culture | 0 | 1 | 8 | Satisfactory |
| Organisational Development & Transformation | Risk Management | 0 | 0 | 1 | Substantial |

6.2.2 A further breakdown of all of the audits in progress and completed during the current financial year including the current status of audit recommendations is detailed in **Appendix 2**. All audit recommendations have been agreed, and to date 100% of 2018/19 audit recommendations that are due have been

implemented. Where deficiencies in internal control have been identified and not corrected, Internal Audit are satisfied that they will be resolved in an appropriate manner and they will continue to monitor such cases. It should be noted that it is the responsibility of relevant Managers to implement agreed recommendations.

6.2.3 Members will note that in addition to every individual audit recommendation being allocated a risk, every audit completed has been given an 'assurance opinion' based upon Internal Audit's assessment of the internal control environment. These assurance opinions inform the annual audit opinion on the overall adequacy and effectiveness of the Council's internal control environment. The control levels are defined as follows:

| Control Level | Definition |
|----------------|---|
| Substantial | There is a robust framework of controls designed to achieve the objectives and controls are consistently applied. |
| Satisfactory | There is a sufficient framework of controls which for the most part, are consistently applied. However, weakness in the design or inconsistent application of controls within a few areas put achievement of particular objectives at risk. |
| Limited | Weaknesses in the system or the level of non compliance with controls in a number of areas are such to put the system objectives at risk. |
| Unsatisfactory | There is a significant breakdown in the framework of controls, which leaves the system open to significant abuse or error. |

6.2.4 **Appendix 3** is a summary of recommendations made in the previous financial year 2017/18 implemented to date. This information will keep Members informed of progress made to ensure that all previous year audit recommendations are implemented. Due dates for implementation of some previous year recommendations will fall into 2018/19 and beyond depending on when the audit was carried out so this appendix will show when those recommendations become due for implementation. In due course, all recommendations will fall due and it will be possible to clearly identify which recommendations have not been implemented.

6.2.5 To date 96% of 2017/18 audit recommendations that are due have been implemented. Where deficiencies in internal control have been identified and not corrected, Internal Audit are satisfied that they will be resolved in an appropriate manner and they will continue to monitor such cases. It should be noted that it is the responsibility of relevant Managers to implement agreed recommendations.

6.3 Audits In Progress

6.3.1 The status of audits that are currently in progress is shown in the table below.

| Service | Audit | Status |
|---------------------------------|-------------------------------|--|
| Legal & Election Services | Electoral Registration | Audit Complete. Management response. |
| Finance & Procurement | Sundry Debtors | Audit Complete. Management response. |
| Finance & Procurement | Capital Accounting | Audit Complete. Management response. |
| Development Services | Building Control | Audit Complete. Management response. |
| Democratic & Community Services | Enforcement | Audit Complete. Quality control stage. |
| Finance & Procurement | Budgetary Control | Audit Complete. Quality control stage. |
| Environmental Services | Pollution | Audit in progress. |
| Finance & Procurement | Treasury Management | Audit in progress. |
| Finance & Procurement | NNDR | Audit in progress. |
| Democratic & Community Services | GDPR / Information Governance | Audit in progress. |
| Finance & Procurement | Council Tax | Audit in progress. |
| Finance & Procurement | Creditor Payments | Audit in progress. |

6.4 Progress against Audit Plan

6.4.1 The current year to date has seen steady progress against planned audits and all of the audits in progress or nearing completion as detailed in 6.3 above will be completed soon. It is anticipated at this stage that a satisfactory year end position will be achieved.

6.4.2 Current key progress information is summarised in the following table, excluding unplanned work unless otherwise stated:

| Summary Progress Information to 31st January 2019 | |
|--|------|
| Percentage of Audit Plan completed / substantially completed | 54% |
| Percentage of Audit Plan In Progress | 22% |
| Number of recommendations made (including unplanned work) | 95 |
| Percentage of recommendations agreed with Service Managers (including unplanned work) | 100% |
| Percentage of recommendations implemented within agreed timescale (including unplanned work) | 100% |

6.4.3 Should recommendations have not been agreed, compensating controls exist or service managers have accepted the risk / inefficiency of the current system for the benefit of service delivery.