



Report to: Audit and Governance Committee, 18th September 2019

Report of: Head of Internal Audit Shared Service, Worcestershire Internal Audit Shared Service

Subject: INTERNAL AUDIT PROGRESS REPORT TO 31st JULY 2019.

1. Recommendation

1.1 The Committee note the report.

2. Background

2.1 To provide an update on Internal Audit's progress towards meeting its objectives as set out in the audit plan for 2019/2020 as approved by the Audit Committee on 20th March 2019, and, reporting on 2018/19 completed reviews.

2.2 The Council is required under Regulation 5 of the Accounts and Audit Regulations 2015 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".

3. Summary of Activity:

3.1 2019/20 Internal Audit Plan.

3.2 Progress continues to be made in regard to the 2019/20 plan with the following audits on-going as at the 31st July 2019 and progressing through the testing stage:

- Procurement
- ICT
- Debtors

3.3 The following review is awaiting a management response before completion:

- Museums

3.4 Confirmation of the level of assurance and summary details of the outturns in each case will be provided for committee perusal when they have been finalised.

3.5 A rolling testing programme on Debtors commenced in Q1 and is continuing. Testing results so far do not indicate any new or emerging risks to be brought to the attention of Committee. The rolling testing programme will continue through Q2 and will be reported at the next Committee.

3.6 The report commissioned by the Internal Audit Committee concerning lessons learnt in regard to the Sansome Walk Swimming Pool project has been completed and reported separately.

3.7 **2018/19 Internal Audit Plan.**

3.8 **Reports completed since the 20th March 2019 in regard to the 2018-19 Internal Audit Plan.**

3.9 **Council Tax**

3.10 The review found the following areas of the system were working well:

- The receipt and processing of customer payments.
- Refunds for accounts with a credit balance.
- The monitoring of collection rates.
- Procedures and protocols for identifying new domestic dwellings.
- The IT systems used outside of the Civica system.
- The correct protocol is being followed with regards to the first and any subsequent reminders and appropriate suppression is being managed.
- User profiling and system access rights.

3.11 The review found the following areas of the system where controls could be strengthened:

- Evidencing of supporting documentation
- Approval of monthly reconciliations back to the general ledger
- Suspense Accounts
- Credit Accounts
- Timeliness of processing Council Tax changes
- Inaccuracies when processing, exemptions and discounts

3.12 There were 2 'medium' and 4 'low' priority recommendations reported.

Type of Audit:	Full System
Report issued:	25 th March 2019
Assurance:	Significant

3.13 **NNDR**

3.14 The review found the following areas of the system were working well:

- The setting up of new accounts is timely with accurate billing taking place
- Performance and collection monitoring is occurring on a regular basis with subsequent reporting
- Write off procedures and reports enabling consistent and accurate write offs
- The correct protocol is being followed with regards to first and subsequent reminders
- User profiling and access rights are sufficient to provide a good standard of security

3.15 The review found that the following areas of the system where controls could be strengthened:

- The application of reliefs and exemptions on units, and respective billing amounts
- The reconciliation of cash receipts between the NNDR module and the general ledger.

3.16 There were 2 'medium' priority recommendations reported.

Type of Audit: Full System
Report issued: 25th March 2019
Assurance: Significant

3.17 **Treasury Management**

3.18 All transactions from 1st April 2018 to 31st December 2018 were tested to ensure that:

- The investments could be traced out and back into the Council's bank account or were included on the statement of investments at the end of quarter 3.
- Investments were made in line with the Treasury Management Policy/Strategy.

3.19 From the audit work carried out we have given an opinion of full assurance over the control environment in this area.

Type of Audit: Light Touch System
Report issued: 28th March 2019
Assurance: Full

3.20 **Debtors**

3.21 Testing of 90 debtors invoices randomly selected across the period was undertaken to ensure that:

- Invoices clearly stated the Debtors name and reference, goods/services supplied, charge and VAT amounts
- Were raised in a timely manner after the supply of goods/services
- Were raised in line with the Council's approved fees and charges.

3.22 From the audit work carried out we have given an opinion of full assurance over the control environment in this area.

Type of Audit: Light Touch System
Report issued: 25th March 2019
Assurance: Full

3.23 **Creditors**

3.24 Testing was undertaken to ensure that:

- Invoices were addressed to the Council
- The goods/services were in line with that expected for use by the Council
- Where applicable the Purchase Order number is clearly stated on the invoice.
- The Purchase Order has been raised prior to the supply of the goods/services
- The payment has been made within 30 days of the Tax Point
- Calculation on the invoice are correct
- Where applicable the VAT number is valid.

3.25 From the audit work carried out we have given an opinion of significant assurance over the control environment in this area.

Type of Audit: Light Touch System
Report issued: 25th March 2019
Assurance: Significant

3.26 **ICT**

3.27 The review found the following areas of the system were working well:

- Controls in place for secure remote access of systems.
- The actions taken to address IT specific GDPR requirements.
- User access controls.
- The assessment and monitoring of network security requirements and updates.

3.28 The review found the following areas of the system where controls could be strengthened:

- Network Activity Monitoring
- Business Continuity Testing

3.29 There were 2 'medium' priority recommendations reported.

Type of Audit: Full System
Report issued: 10th July 2019
Assurance: Significant

3.30 **Benefits**

3.31 The review found the following areas of the system were working well:

- The project management for the implementation of Universal Credit.
- General management of the processing of claims.
- The review of the self employment cases.
- Housing Benefit over payment project.

3.32 The review found the following areas of the system where controls could be strengthened:

- Overpayment Recovery Procedure
- Application Form
- Underlying Entitlement
- Recovery of Housing Benefit Overpayments
- E-Claims
- Write off Procedures

3.33 There were 4 'medium' and 2 'low' priority recommendations reported.

Type of Audit: Full System
Report issued: 18th July 2019
Assurance: Moderate

3.34 **Main Ledger**

3.35 Testing was undertaken to ensure that:

- Suspense Accounts – are being monitored and cleared on a regular basis and in a timely manner
- Reconciliations – are undertaken regularly, up to date and any differences have been identified. (Bank, Debtors Creditors, VAT, Purchase card and Payroll reconciliations were included within this review. Revenues and Benefits reconciliations were covered in their own 2018/19 audits and any issues reported separately)
- Journals – are prepared and approved by separate officers and the reason for them being raised is considered appropriate.

3.36 From the audit work carried out we have given an opinion of significant assurance over the control environment in this area.

Type of Audit: Light Touch System
Report issued: 9th April 2019
Assurance: Significant

3.37 **Payroll**

3.38 The review found the following areas of the system were working well:

- Checks and procedures around "Leavers"
- Statutory Deduction from payslips (excluding TUPEd staff)
- Authorisation of Overtime forms

3.39 The review found the following areas of the system where controls could be strengthened:

- Calculation of Employer Pension Contributions
- Emerging Risk of Data Input to System
- Claiming of Expenses
- Review of Access Rights
- Loss of Information

3.40 There were 2 'high', 2 'medium' and 1 'low' priority recommendations reported.

Type of Audit: Full System
Report issued: 3rd May 2019
Assurance: Moderate

3.41 **Cemeteries and Crematorium**

3.42 The review found the following areas of the system were working well:

- Checks to ensure that all income has been entered onto the Burial and Cremations Administration System (BACAS) for recharging
- Fees and charges are charged in line with the Councils approved fees and charges for 2018/19
- Procurement is undertaken in line with the Councils procedures and contracts are in place where required.
- Debts are chased in line with Corporate procedures and where relevant monies are requested in advance of supply

3.43 The review found the following areas of the system where controls could be strengthened:

- Using reports on system activity as a Management tool
- Payment Card Data Security Standards
- Reconciliation of monies received in advance

3.44 There were 2 'high' and 1 'medium' priority recommendations reported.

Type of Audit: Full System
Report issued: 26th April 2019
Assurance: Moderate

3.45 **Street Scene**

3.46 The review covered:

- Customer reporting

- Street Scene Work Schedules
- Performance Measures

3.47 No assurance has been provided on this review as this was not an audit review of controls but a critical friend review. There is still some work to be undertaken in deciding what performance measures are required and how these will be monitored to provide evidence that the new way of working in relation to Street Scene have provided service improvements. This will need to add value to the service and help to provide management information that will help to drive service improvement.

Type of Audit: Critical Friend
 Report issued: 7th August 2019
 Assurance: N/a

3.48 **Front Line Housing (Homelessness)**

3.49 The review found the following areas of the system were working well:

- Temporary accommodation is being allocated to customers in line with relevant criteria
- Payment is correct relating to actual use/occupancy.

3.50 The review found the following areas of the system where controls could be strengthened;

- Access to System
- Jigsaw System Customer Risk Assessments
- Temporary Accommodation Customer Data and Documentation
- Resilience

3.51 There were 2 'high' and 2 'medium' priority recommendations reported.

Type of Audit: Full System
 Report issued: 20th May 2019
 Assurance: Limited

3.52 **Welfare Assistance**

3.53 The review found the following areas of the system were working well:

- Applications and eligibility are being assessed according to the Scheme's criteria.
- Controls are in place to ensure that awards are authorised via the Hub and the Housing team.
- The award of white goods provided to customers can be verified against that which was originally granted.

3.54 The review found the following areas of the system where controls could be strengthened:

- The authorisation of awards relating to the scheme
- The authorisation of awards relating to the scheme.

3.55 There were 2 'medium' priority recommendations reported.

Type of Audit: Full System
 Report issued: 13th June 2019
 Assurance: Significant

3.56 A summary table is provided below of the finalised audits:

2018/19	Assurance
Council Tax	Significant
NNDR	Significant
ICT	Significant
Welfare Assistance	Significant
Benefits	Moderate
Payroll	Moderate
Cemeteries and Crematorium	Moderate
Front Line Housing (Homelessness)	Limited

4. National Fraud Initiative (NFI)

4.1 The 2018/19 NFI upload of data took place during October 2018. Various data sets were required, for example, Payroll, Creditors, along with a host of others provided by Worcestershire Regulatory Services and Civica. WIASS can confirm that all the required data sets have been uploaded for Worcester City Council. A further data upload took place during December in regards to the single person discount and electoral registration. WIASS continues to play a supporting role for all the Partners in regard to this exercise.

5. Follow-Up Audits

5.1 Where appropriate follow-up audit work has been undertaken the results of which are compiled on an on-going basis and provided in summary form for information at Appendix 4. Any material exceptions arising from audit 'follow up' are reported to Audit Committee. There are no exceptions to report at this time.

6. Risk Management

6.1 Embedding the revised risk process continues and Committee will be appraised of the key risk areas on a regular basis. The Pentana system continues to be developed and is used to capture and report on risk. Regular reporting has been established in regards to risk information with updates being brought before this Committee.

7. Quality Assurance Improvement Plan

7.1 WIASS delivers the audit programme in conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) as published by the Institute of Internal Auditors. Further improvement has been identified through the self assessment process which was carried out in April 2019 and a quality assurance improvement plan (QAIP) has been formulated and is reported at Appendix 5.

8. Appendices

8.1 Appendix 1 shows the progress that has been made since 1st April 2019 to the 31st July 2019 towards delivering the Internal Audit Plan set for the year. As at 31st July 2019 a total of 119 days had been delivered against a target of 320 days for 2019/20.

- 8.2 Appendix 2 shows the performance indicators for the service. These indicators were agreed by Audit Committee on the 20th March 2019.
- 8.3 Appendix 3 shows the 'high' and 'medium' priority recommendations which have been reported for finalised reviews.
- 8.4 Appendix 4 provides the Committee with audit report 'Follow Up' actions that have been undertaken to monitor audit recommendation implementation progress by management.
- 8.5 Appendix 5 provides the Committee with an update in regard to the Quality Assessment Improvement Plan.

Ward(s):	N/A
Contact Officer:	Andy Bromage.
Telephone:	01905 722051
Email:	andy.bromage@worcester.gov.uk
Background Papers:	None