

Bolsover District Council

Audit Committee

16th May 2018

<p>Internal Audit Consortium 2017/18 Annual Report to Bolsover District Council</p>
--

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

The purpose of this report is to:

- Present a summary of the internal work undertaken during 2017/18 from which the opinion on the internal control environment is derived
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
- Compare work actually undertaken with that which was planned and summarise performance
- Comment on compliance with the Public Sector Internal Audit Standards
- Confirm progress against the Internal Audit action plan that was developed following an external review of internal audit
- Comment on the results of the internal quality assurance programme
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter

1 Report Details

- 1.1 Appendix 1 details the audit reports issued in respect of audits included in the 2017/18 internal audit plan. The appendix shows for each report the overall assurance level on the reliability of the internal controls. An additional column shows the opinion given at the last audit for information. The report assurance levels can be summarised as follows:

Assurance Level	Number of Reports 2017/18	Percentage 2016/17	Number of Reports 16/17
Substantial	16	Good	22
Reasonable	12	Satisfactory	4
Limited	1	Marginal	4
Inadequate	0	Unsatisfactory	1
N/A	1	Unsound	0
Total	30		31

1.2 A definition of the above control levels is shown in Appendix 1.

1.3 There were no issues relating to fraud arising from the reports detailed in Appendix 1.

1.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2017/18		2018/19
	Plan	Actual	Plan
Cost per Audit Day	£280	£266	£287
Percentage Plan Completed (BDC)	96%	96%	96%
Sickness Absence (Days per Employee)	8.0 (Corporate Trigger)	4.0	8
Customer Satisfaction Score (BDC)	85%	90%	85%
To issue internal audit reports within 10 days of the close out meeting. (BDC)	90%	100%	90%
Number/proportion of audits completed within time allocation (BDC)	80%	86%	80%
% 2017/18 Agreed recommendations implemented by due date (BDC)	80%	78%	80%
Quarterly reporting to Audit Committee	100%	100%	100%

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

1.5 The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the council to inform its

governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisations framework of Governance, risk management and control.

- 1.6 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2017/18.
- 1.7 There are no qualifications to this opinion.
- 1.8 Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are a few areas where improvements are required.
- 1.9 Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.
- 1.10 Members will also be aware of risk areas that are detailed on the Council's Strategic Risk Register i.e.:-
 - Changes in Legislation/impact of Brexit
 - Budget Challenges
 - Operational service failure
 - Staff morale and recruitment difficulties
 - Delivery of major initiatives
 - Emergency Planning and Business Continuity Arrangements
 - Cyber crime
 - Lack of strategic direction
 - Data protection failures
 - Governance arrangements
 - HS2 Preparation and Delivery
- 1.11 These risks are all managed corporately and controls put in place to mitigate risk where possible.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 1.12 The internal control issues arising from audits completed in the year have been reported to the Joint Head of Service (Finance and Resources) for consideration during the preparation of the Annual Governance Statement. There has been one Limited Assurance report (Sheltered Housing) for which all the recommendations made have now been implemented. There have been no inadequate assurance reports. No issues have been recommended for inclusion in the Annual Governance Statement arising from the work of Internal Audit IN 2017/18.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 1.13 The Internal Audit Plan for 2017/18 was approved by the Audit Committee on the 11th April 2017. 96% of the 2017/18 planned audits have been completed and reported upon at the time of writing this report. The one remaining audit from 2017/18 is in the process of being finalised (system security) and will be issued and reported on in the 2018/19 financial year. An additional audit (Grounds Maintenance) has also been completed that was not in the original plan.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

- 1.14 During 2017/18 a self - assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non compliance.
- 1.15 In October 2016 the internal audit consortium was subject to an external review to ensure compliance with the Public Sector Internal Audit Standards. The review concluded that the Consortium was compliant with and in places exceeded the requirements of the PSIAS but a number of recommendations were made to further enhance the service provided by the Consortium. The action plan has been completed with the exception of ongoing areas. A further improvement plan will now be developed.
- 1.16 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Joint Head of Service (Finance and Resources) but has a direct and unrestricted access to senior management and the Audit Committee.
- 1.17 Quality control procedures have been established within the internal audit consortium as follows:
- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.
 - Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
 - Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal

Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.

- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff. A further review of the audit manual is scheduled for the summer of 2018.

- 1.18 The above quality control procedures have ensured conformance with the PSIAS.
- 1.19 Based on the customer satisfaction survey forms returned, the average score was 90% for customer satisfaction during 2017/18.
- 1.20 The results of the Client Officer survey for BDC was a score of 94% (33 out of a maximum of 35 - for the seven areas reviewed this represented 5 'very good' scores and 2 'good' scores).

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

- 1.21 The Audit Charter was last reported to and approved by the Audit Committee in June 2016. A review of the Charter is scheduled for the summer of 2018.
- 1.22 Based on the information provided in this report on the completion of the 2017/18 internal audit plan, it is considered that the requirements of the Charter were met during the year.

2 Conclusions and Reasons for Recommendation

- 2.1 To present to Members the annual report for the Internal Audit Consortium in respect of Bolsover District Council for 2017/18.
- 2.2 To ensure compliance with the Public Sector Internal Audit Standards.
- 2.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

3 Consultation and Equality Impact

- 3.1 Not Applicable.

4 Alternative Options and Reasons for Rejection

- 4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

This report ensures that Members are aware of the work undertaken by internal audit during 2017/18 and the Internal Audit Consortium Managers opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

5.2 Legal Implications including Data Protection

None.

5.3 Human Resources Implications

None

6 Recommendation

6.1 That the Internal Audit Consortium Annual Report for 2017/18 be noted.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000 <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Reports issued 2017/18
Background Papers	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

Appendix 1

Bolsover District Council – Internal Audit Reports Issued 2017/18

Ref	Report Title	Assurance Level 2017/18	Opinion Previous Audit
1	Business Continuity and Emergency Planning Arrangements	Reasonable	Good
2	Housing Allocations and Lettings	Reasonable	Satisfactory
3	Sickness Absence Management	Reasonable	Satisfactory
4	Land Charges	Substantial	Good
5	Sheltered Housing Scheme Review	Limited	N/A
6	Asset Management	Substantial	Good
7	Corporate Plan Targets	Substantial	Good
8	Contract Accounts and Procedures	Reasonable	Unsatisfactory
9	Disabled Facilities Grants	Substantial	Good
10	Procurement	Substantial	Satisfactory
11	Pleasley Mills Rent Collection	Substantial	Good
12	Treasury Management	Substantial	Good
13	Non Domestic Rates	Substantial	Good
14	Clowne Leisure Centre	Reasonable	Marginal
15	Budgetary Control	Substantial	Good
16	Main Accounting	Substantial	Good
17	Payroll	Substantial	Good
18	Cash and Bank	Substantial	Good
19	Council Tax	Substantial	Good
20	Food Hygiene	Reasonable	N/A
21	Transport Follow up	N/A	Unsatisfactory
22	Housing Rents	Reasonable	Good
23	Housing Benefits	Substantial	Good
24	Sundry Debtors	Reasonable	Good
25	Taxi Licensing	Reasonable	Marginal
26	Housing Repairs	Reasonable	Good
27	Safeguarding	Reasonable	Satisfactory
28	Grounds Maintenance	Substantial	Satisfactory
29	Creditors	Substantial	Good
30	Preparation for the General Data Protection Regulations	Reasonable	N/A

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.