

Audit, Governance and Standards Committee

12 March 2019

INTERNAL AUDIT UPDATE

Report by the Head of the South West London Audit Partnership (SWLAP)

Purpose

To provide the Committee with assurances around the Council's control environment based on the work carried out by Internal Audit since April 2018; including identification of significant issues arising from this work and providing assurance that appropriate action is being undertaken to address these issues.

Recommendation

To Resolve that the work undertaken by Internal Audit and Priority 1 recommendations raised and progress being made to address those issues identified is noted.

KEY POINTS

- A. The Audit, Governance and Standards Committee has, amongst other things, responsibility for the "review of internal audit strategy, plans and performance; consideration of a summary of the most significant issues arising from internal audit work; and obtaining assurance that appropriate action is being taken on those issues." This report has been provided to assist the Committee in meeting its responsibilities.
- B. It is considered that a quarterly update to the Committee on the work of Internal Audit is more helpful than ad-hoc reports to the Committee in meeting its responsibilities with respect to Internal Audit.

PROGRESS AGAINST PLAN 2018/19

1. Progress against the 2018/19 plan as at 31st January 2019 is as follows:

	Audits	Days
Number of audits in the plan (including audits c/f from 2017/18**)	43	557.5
Audit Days delivered		466
Number of audits finalised*	21	
Number of audits at draft report stage	0	
Number of audits in progress**	12	
Number of audits not started	2	
Number of audits cancelled or moved to 2019/20	8	

(* includes 2017/18 audits carried forward to this year's plan)

(** includes continuous audit)

2. The agreed deliverable audit days commissioned from the shared service was 697.5 days which included 557.5 days for RBK and 280 days for AfC, with the AfC days split equally between LBR and RBK (140 days each).
The agreed audit plan included 557.5 days and currently this number remains the same. The plan needs to remain flexible to account for in-year changes.
3. At the time of this report, approximately 84% of the plan has been completed based on number of days delivered, this compares to 79 % at this time last year.
4. The total number of pieces of audit work completed or which are work in progress is 33. A further 8 audits have been cancelled or moved forwards to the 2019/20 plan.
5. **Annex 1** details the 2018/19 Internal Audit Plan and shows the status of work to date with the assurance level for completed audits along with any audits that have been cancelled or moved.
6. Internal audit visits Directorate Management Teams a number of times throughout the year to discuss progress against the plan and to review the audits which are still to be undertaken to ensure they are still relevant and timely.
7. Internal audit applies a risk based audit approach to audit work, identifying key risks with the relevant manager, then identifying and testing controls in place to manage those risks. A formal overall conclusion is then reached as to whether a sound system of internal control is being maintained.

8. Each audit is given an opinion based on 4 levels of assurance depending on the conclusions reached and the evidence to support those conclusions. Members and management should note that the assurance level is an opinion of controls in operation at the time of the audit. The auditor will agree with management a number of recommendations which, when implemented, will result in a reduction of the exposure to risk. Each recommendation is given a priority ranking and an implementation date and these are monitored on a regular basis by the internal audit team. Priority 1 recommendations are defined as being those where major issues have been identified for the attention of senior management.

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified. (NB full assurance is based only on the sample tested and does not guarantee that there are no instances of control failure within a system that we have looked at unless we state that we have reviewed 100% of transactions).
Substantial Assurance	Whilst there is a largely sound system of control, there are some weaknesses, which may put a limited number of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
1	Major issues that we consider need to be brought to the attention of senior management.
2	Important issues which should be addressed by management in their areas of responsibility to avoid exposure to significant risk.
3	Minor issues where the risk is low. Action is advised to enhance control or improve operational efficiency.

REPORTS FINALISED SINCE THE LAST AUDIT COMMITTEE AND SIGNIFICANT CONTROL WEAKNESSES

9. **Annex 3** sets out a schedule of the Priority 1 recommendations made since we last provided an update to Audit, Governance and Standards Committee in November 2018, together with the management response. There are 3 audits finalised since the last meeting with either Limited or No assurance and 5 Priority 1 recommendations raised:

Audit	Assurance	No. Priority 1 recommendations
GDPR	Limited	1 (15 issues identified)
Staff Training and Development	Limited	1
ASC Income	Limited	3

10. Achieving for Children (AFC) has an approved audit plan for 2018/19 of 280 days. The delivery of this plan is reported to the AFC Audit Committee. As at the 29th January 2018, 83% of the schools audit plan had been completed (**Annex 2**) and 3 Priority 1 recommendations have been raised since we last reported, summarised at **Annex 4**.

FOLLOW UP OF PRIORITY 1 RECOMMENDATIONS

11. Internal Audit follow up all Priority 1 recommendations and report progress to this committee. There are currently 10 recommendations at this level that have exceeded their initial agreed implementation date. These are detailed in the table below along with an updated management response.

Recommendation	Management Response
Commercial Leases	
The Corporate Landlord team should undertake an annual reconciliation with the help of the Capital team in Finance of critical data (property address, tenant name, rent amount and rent review amount) from the lease agreement to the Property Master spreadsheet to Agresso in order to ensure the completeness and accuracy of commercial property records.	<p>The review of commercial assets and critical data is completed. A report is being compiled to summarise the findings of this review and this will be reported to Audit, Governance and Standards Committee at the next meeting in May 2019.</p> <p>This asset information will be migrated to a new Property Database to ensure property records are complete, accurate and held in one place. Procurement of this system is likely to be complete by August 2019.</p>
The governance arrangements for the acquisition of commercial property should be reviewed to ensure that it is fit for purpose, allows the Council to respond to opportunities in a timely manner and is benchmarked against other Councils.	Reports and a commercial investment business case are scheduled to come before Members in April 2019. These will set out new governance arrangements for the acquisition of commercial property.

Recommendation	Management Response
Highways Maintenance follow up	
<p>Works Documentation Management sample checks should be undertaken on an ongoing basis to ensure that the LoHAC procedures introduced are being followed, from raising works orders through to final account and payment and that timescales specified are adhered to. Not all staff are able to scan documentation onto the Mayrise system, the reason for this issue should be investigated.</p>	<ul style="list-style-type: none"> - Defect register is an item on the agenda of bi-weekly meetings - Management checks is an agenda item on the Highways and Transport fortnightly group management meetings - The Mayrise issue has proved difficult to address but is thought to be linked to individual officers account set up in Modern Desktop. In any event, the service is imminently procuring a new replacement Highways system so this issue will be addressed. This is planned for October 2019.
<p>Contract and Performance Monitoring Further analysis of the total spend on LoHAC against budget across the different elements of the contract and year on year since the start of the contract should be undertaken, this should establish whether spend is within the annual upper spend threshold or whether a contract variation is required. The approach to monitoring total spend on contracts should be considered to ensure there is a process for highlighting to Service Managers/Heads of Service when the annual value of the contract is near its threshold. Issues raised at bi weekly meetings with Kier should have agreed actions with completion dates for resolution, where these deadlines are missed this should be escalated. KPI's for RBK Projects should be added to the Kier Quarterly Performance Report.</p>	<p>The spend analysis was undertaken in December 2018 and there is an ongoing dialogue with Procurement colleagues in the Corporate and Commercial directorate</p> <p>KPIs are reported and validated on a monthly basis. The Go-Cycle KPIs are reported as project KPIs</p>
Adult Education Follow Up	
<p>It is recommended that a plan is developed and resources allocated to review data held at KAE to ensure that it is held securely and confidentially and that there is a review of archived data within KAE to ensure that the correct retention and disposal timescales have been applied to existing archived data.</p>	<p>KAE have reviewed and updated their document retention policy.</p> <p>A substantial amount of work has been undertaken to review the data stored, to securely dispose of documents in accordance with the document retention policy and to maintain a record of what is held. This project is still work in progress and it is anticipated that this will be complete by August 2019.</p>

Recommendation	Management Response
	<p>Clarification has been sought from ESFA who confirm they do allow for the digital storing of records.</p> <p>A GDPR working group has been set up to progress.</p> <p>Head of KAE to continue with GDPR group.</p>
<p>A decision should be made with representatives of KAE Business Support, Finance and ICT as to whether it is cost effective to try and resolve the system interface issues between PICS, Agresso and iTrent. If it is a plan should be agreed detailing how the issues will be addressed and assigning roles, responsibilities, timescales and resources required.</p> <p>The feasibility of enrolments for KAE courses being taken on line must be investigated as a priority. An options appraisal should be undertaken and reported upon within a specified timescale and officers allocated specific tasks within that.</p>	<p>KAE are working with the Digital Design Team to see whether KAE could be the pilot for Pay For It. Possible date for new digital platform is 1 April 2019.</p> <p>The requirement for a booking and payment mechanism has been added to the corporate list being developed for the corporate digital platform projects/implementation. The Digital Service Design work happening across Kingston will also capture other opportunities; for services within the Communities directorate this will happen in Q1 2019/20 financial year.</p>
<p>The Statement of Particulars sent to sessional tutors should be reviewed by the SLLP and legal opinion sought as a priority. Changes that should be considered to include the ten-day allowance for sick pay which was agreed in 1997 and has not been reviewed since. The issue of sessional staff acquiring employment rights after 2 years also needs to be investigated by HR and Legal Services. A clear policy and subsequent change to employment rights should be drafted and agreed depending upon the outcome.</p>	<p>Contracts have all been updated. The consultation has started but has been extended for an additional month. Revised completion date April 2019.</p> <p>Samples of existing live contracts were sent to Legal for scrutiny and advice. Three different types of contract templates have now been finalised. Informal consultation with Unions started at the beginning of February 2019 and has been extended for an additional month. Revised completion date April 2019.</p>
<p>Clarity as to whether KAE Tutors undertaking more than 1 hour of work should have been entitled to join the Pension Scheme should be sought and recorded. A thorough review of staff affected by the pension's administrative errors must be undertaken by HR and</p>	<p>It was noted that there were mistakes in the pension arrears figures and these were queried with Teachers Pensions. This has been chased several times and it is hoped that a response will be received before the end of February 2019.</p>

Recommendation	Management Response
<p>Finance so that a complete and accurate list is produced. Steps can then be taken to put staff in the position they would have been in if the appropriate action had been taken at the time.</p>	
Housing Repairs Follow up	
<p>The Housing Team should thoroughly explore the options available to deliver the new Housing model ensuring that the system requirements and future service needs are taken into consideration and documented.</p>	<p>This work is ongoing - 2 routes/options are being considered/worked up to address the need for a new Housing IT system and will be presented to the Project Board for decision - date of board meeting still to be confirmed but hopefully before end of this financial year (Option A - a partnership approach to developing a system & digital solutions with an RP, Option B - a market procurement approach for a new system with internal RBK digital solutions) once board decision is confirmed more clarity will be provided on timescales for likely implementation.</p>
<p>Recharges A decision needs to be made as to whether all monies owed to RBK for rechargeable repairs from December 2016 to date will be written off or whether they should be invoiced at the earliest opportunity. If there are issues with the system, a manual workaround must be considered on an interim basis to enable residents to be invoiced and monies recouped for repairs performed. It is understood that the policy to charge residents £200 prior to commencing rechargeable works has not yet been implemented. This needs to be enforced with immediate effect.</p>	<p>HRA Recharge policy drafted and now being aligned where possible with temporary accommodation recharge approach. Policy will need to go to SHAP for final approval, committee date yet to be confirmed. Rechargeable void works being invoiced since June 2018.</p>

11. We will continue to track progress against these recommendations and report back to Committee.

Resource Implications

There are no resource implications arising directly from this report's recommendations.

Background papers – held by the author of the report:

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