

Causeway Coast & Glens Borough Council

Annual Internal Audit Report 2018/19

To: Audit Committee
CC: Chief Executive
Director of Corporate Services

From: Internal Audit Service

Final: March 2019

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1 Introduction

We are pleased to present our annual report for the year 2018/19. This report builds on the individual audit reports and quarterly progress reports presented to the Audit Committee during this period and provides our overall conclusion on the system of governance, risk management and internal control operating in the Council during the year.

2 Audit Plan

Prior to commencing our audit work, an Annual Audit Plan, based on the Council's 3-year Internal Audit Strategy was developed. Our audit approach is risk based and the Strategy and plan was developed following an audit needs assessment exercise with senior officers to identify and prioritise key risk areas. The Annual Audit Plan was agreed by the Audit Committee on behalf of the Council in June 2018.

3 Independent and Objectivity

Our work is independent and objective and has been conducted within the scope defined in the Internal Audit Charter. We confirm that, during the year, there have been no matters arising which have impacted on the independence of our internal audit service and there have been no inappropriate scope or resource limitations on our internal audit work.

4 Audit Committee Reports

On a quarterly basis we have presented reports to the Audit Committee, summarising the results of internal audit assignments completed since the last meeting. These reports detail progress against the audit plan and for each assignment completed, a report provides a summary of the audit objectives tested, our findings and our overall assurance rating in relation to that area.

This annual report builds on the information contained in these internal audit reports and does not replicate details of the audit objectives, identified risks and our findings for each area tested. Rather, we have focused on the overall conclusion in each area audited. This annual report should, therefore, be read in conjunction with the internal audit reports produced and presented to the Audit Committee throughout 2018/19.

5 Assurance Work – Audit Approach and Assurance Process

The primary objective for each assurance assignment is to provide an overall assurance rating in relation to the area being audited. For each assurance assignment, our audit commences with the identification of audit objectives and risks for the area being audited. Audit testing is then carried out in relation to each risk to evaluate the efficiency and effectiveness of the controls within that area.

Our assurance process involves a two stage assessment:

- Firstly, based on our audit work we report findings in relation to each risk. Each finding is given a priority ranking, ranging from 1 to 3, with 1 being a high risk exposure and requiring urgent attention. If there are no findings in relation to an audit area, and the controls are operating effectively, we report this.
- Secondly, based on our assessment at risk level, we provide an overall assurance rating in relation to the area being audited. Our overall assurance ratings range from unacceptable to satisfactory and a full explanation of these is provided at Appendix I to this report.

6 Summary of Assurance Work for the Year 2018/19

The following table summarises assurance work carried out in the year.

| Audit Area | No of Days | Auditor | Status | Assurance Rating |
|--|------------|----------------|----------|------------------|
| Environmental Services Directorate | | | | |
| Building Control | 7 | In-house | Complete | Satisfactory |
| Grounds Maintenance | 7 | Moore Stephens | Complete | Satisfactory |
| Fuel Stamp Programme | 7 | Moore Stephens | Complete | Satisfactory |
| Estates & Facilities Servicing | 7 | Moore Stephens | Complete | Satisfactory |
| Street Cleansing (incl. other cleaning & PCs) | 7 | In- house | Complete | Satisfactory |
| Energy Management | 5 | Moore Stephens | Complete | Satisfactory |
| Landfill & Compost Management | 7 | In-house | Complete | Satisfactory |
| Harbours, Marinas and Terminals | 8 | In-house | Complete | Satisfactory |
| Off-Street Car Parking – enforcement & income collection | 8 | In-house | Complete | Satisfactory |
| Finance Directorate | | | | |
| Travel, Subsistence and Mobile Phones | 7 | In-house | Complete | Satisfactory |
| Use of Corporate Credit Card | 6 | In-house | Complete | Satisfactory |
| Treasury Management (incl. prudential indicators) | 7 | Moore Stephens | Complete | Satisfactory |
| Performance Directorate | | | | |
| Land and Property (from 2017/18) | 10 | In-house | Deferred | |

| Audit Area | No of Days | Auditor | Status | Assurance Rating |
|--|------------|----------------|----------------|------------------|
| Time Recording and Overtime (from 2017/18) | 7 | In-house | Complete | Satisfactory |
| Staff Recruitment, Retention, Development and Appraisal | 8 | Moore Stephens | Report drafted | Satisfactory |
| Insurance (from 2017/18) | 6 | In-house | Complete | Satisfactory |
| Absence Monitoring/Sickness | 7 | In-house | Complete | Satisfactory |
| Corporate Health and Safety | 8 | In-house | Complete | Satisfactory |
| Reception Services | 8 | In-house | Complete | Satisfactory |
| Registration of Births Deaths and Marriages | 6 | In-house | Complete | Satisfactory |
| Performance Improvement | 7 | Moore Stephens | Report drafted | n/a |
| Safeguarding | 7 | Moore Stephens | Complete | Limited |
| Tourism Services | 8 | Moore Stephens | Complete | Satisfactory |
| Arts and Cultural Centres | 8 | In-house | In progress | |
| PCSP | 6 | In-house | In progress | |
| Town/Village Management | 7 | Moore Stephens | Complete | Satisfactory |
| Strategic Projects | 7 | In-house | Complete | Satisfactory |
| Peace IV | 8 | Moore Stephens | Complete | Satisfactory |
| Follow-up | | | | |
| Follow-up audits of prior year reports with Limited Assurance Opinions | | | | |
| Environmental Health | 3 | Moore Stephens | Complete | n/a |
| Animal welfare | 1 | Moore Stephens | Complete | n/a |
| Corporate and business planning | 3 | Moore Stephens | Complete | n/a |
| Performance improvement | 1 | Moore Stephens | Complete | n/a |
| Risk management | 2 | Moore Stephens | Complete | n/a |
| Corporate governance | 2 | Moore Stephens | Complete | n/a |
| Joey Dunlop Leisure Centre | 2 | Moore Stephens | Complete | n/a |
| Follow-up of any other prior year recommendations | 10 | In-house | Complete | n/a |
| Total | 231 | | | |

The above table shows that in conjunction with the Council's in-house internal auditor that we fully completed our audit work in all planned areas with 3 currently in progress and 1 deferred. A planned audit in the areas of Land and Property was deferred. There have been 24 assurance reports completed during 2018/19.

7 Management Response

As noted previously, our approach is to identify risks for each area under review and to assess the controls in place to mitigate these risks. If we find that controls are not adequate or effective, we raise the matter in the management action plan contained in the assignment report, setting out our observation, the risks arising from the issues identified and our recommended action to address the issues. These matters are discussed with management and their response is also included in the reports.

During 2018/19 a positive response has been received from management in respect of all the recommendations made and a course of action to address the issues identified has been agreed.

8 Consultancy Work

In addition to assurance work carried out during the year, we:

- Provided training to members of the Audit Committee in September 2018
- Provided on the job mentoring to the in-house internal auditor on an ongoing basis

Our consultancy work did not raise any concerns or issues that would significantly change the conclusions reached as a result of our assurance work.

9 Effectiveness of our Internal Audit Service

As a pre-requisite for giving an assurance opinion on the overall adequacy and effectiveness of the control environment, I am required, as Chief Audit Executive for the Council for 2018/19 to confirm the effectiveness of our internal audit service and therefore its fitness for purpose to carry out work that informs the opinion.

In order to confirm the effectiveness of internal audit we completed a self-assessment of the internal audit function against the Standards, using the CIPFA checklist in the Local Government Application Note on the Public Sector Internal Audit Standards and reported the outcome of this to the Audit Committee in March 2019 (further details are provided in Appendix II and Appendix III). We can report a substantial level of compliance with the Standards and do not consider there to be any significant deviations from the Public Sector Internal Audit Standards which warrant inclusion in the Council's Annual Governance Statement. Appendix III of this report contains a table setting out the observations as identified in the self-evaluation against the Standards.

10 Conclusions

We have completed 24 assurance assignments for the year 2018/19. We have also provided training to the Audit Committee and Council staff and provided consultancy support in the areas of risk management and assurance statements.

As the Chief Audit Executive for Causeway Coast and Glens District Council, I am responsible for providing assurance to the Chief Financial Officer to help him to sign the governance statement. In providing this assurance, it should be noted that the level of assurance provided can never be absolute. In assessing the level of assurance provided, I have taken into account the following:

- The results of all assurance assignments undertaken by Internal Audit during the period
- The fact that recommendations have been accepted and will be addressed by management
- Any limitations which may have been placed on the scope of our internal audit work
- The extent to which resource constraints may impinge on our ability to meet the full audit needs of the Council.

11 Overall Assurance Statement

In our opinion, based on our audit work carried out, we are able to provide the Council with the following overall assurance rating in relation to its system of internal control:
SATISFACTORY

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

(Further details of our assurance ratings are provided in Appendix I to this report).

Dr Rosemary Peters Gallagher

**Partner
Moore Stephens (NI) LLP
Chartered Accountants and Registered Auditors
March 2019**

Appendix I: Definition of Assurance Ratings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Appendix II: Performance of the Internal Audit Service in 2018/19

Performance indicators

The table below sets out progress against performance indicators for the internal audit function.

| Progress Against Annual Audit Plan | | | | |
|--|----------------|------------------------|----------------------------------|----------|
| Description | Auditor | Number of days planned | Number of days completed to date | Variance |
| Fuel Stamp | Moore Stephens | 5 | 5 | - |
| Building Control | In-house | 7 | 7 | - |
| Grounds Maintenance | Moore Stephens | 7 | 7 | - |
| Estates & Facilities Servicing | Moore Stephens | 7 | 7 | - |
| Street Cleansing (incl. other cleaning & PCs) | In-house | 7 | 7 | - |
| Energy Management | Moore Stephens | 5 | 5 | - |
| Landfill & Compost Management | In-house | 7 | 7 | - |
| Harbours, Marinas and Terminals | In-house | 8 | 8 | - |
| Off-Street Car Parking – enforcement & income collection | In-house | 8 | 8 | - |
| Travel, Subsistence and Mobile Phones | In-house | 7 | 7 | - |
| Use of Corporate Credit Card | In-house | 6 | 6 | - |
| Treasury Management (incl. prudential indicators) | Moore Stephens | 6 | 6 | - |
| Land and Property (from 2017/18) | In-house | 10 | | |
| Time Recording and Overtime (from 2017/18) | In-house | 7 | 7 | |
| Staff Recruitment, Retention, Development and Appraisal | Moore Stephens | 8 | 8 | - |
| Absence Monitoring/Sickness | In-house | 7 | 7 | |
| Corporate Health and Safety | In-house | 8 | 8 | |
| Reception Services | In-house | 8 | 8 | |
| Registration of Births Deaths and Marriages | In-house | 6 | in progress | n/a |
| Performance Improvement | Moore Stephens | 7 | 7 | - |
| Safeguarding | Moore Stephens | 7 | 7 | - |
| Tourism Services | Moore Stephens | 8 | 8 | - |
| Arts and Cultural Centres | In-house | 8 | In progress | n/a |
| PCSP | In-house | 6 | In progress | n/a |
| Town/Village Management | Moore Stephens | 7 | 7 | - |
| Strategic Projects | Moore Stephens | 7 | 7 | - |
| Peace IV | Moore Stephens | 8 | 8 | - |
| Follow-up of prior year reports | | | | |
| Environmental Health | Moore Stephens | 3 | 3 | - |
| Animal Welfare | Moore Stephens | 1 | 1 | - |
| Corporate and business planning | Moore Stephens | 3 | 3 | - |
| Risk Management | Moore Stephens | 3 | 3 | - |
| Corporate governance | Moore Stephens | 2 | 2 | - |

| | | | | |
|---|----------------|-----|-----|---|
| Joey Dunlop Leisure Centre | Moore Stephens | 2 | 2 | - |
| Follow-up of any other prior year reports | In-house | 10 | 10 | - |
| | | 216 | 196 | |

| Other Performance Indicators | Progress |
|--|--|
| Percentage of audit recommendations from Moore Stephens audit reports accepted by management | 100% |
| Client Satisfaction Survey Results | <ul style="list-style-type: none"> For all surveys issued and returned there was positive feedback in all areas |

Quality Assurance and Improvement Framework

During the year the service has operated according to our internal quality assurance programme. There have been no significant deviations from this framework during the year. Ongoing performance monitoring has been conducted throughout the year through:

- supervision of the in-house auditor by the Director of Corporate Services
- supervision of the Moore Stephens internal audit team by our Internal Audit Partner
- the production of written quarterly update reports to the Audit Committee including an overview of assurance work completed during the quarter and progress against performance indicators (see above)
- a self-evaluation against the Public Sector Internal Audit Standards with the results presented to the Audit Committee in March 2018.

We continue to monitor and develop our quality assurance programme to ensure it meets the requirements of the Public Sector Internal Audit Standards.

Appendix III: Observations from Self-Assessment for PSIAS at March 2019

| Ref | Standard | Commentary | Actions |
|----------------------------------|---|--|----------------------------|
| Performance Standard 2050 | Coordination Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources? | No other sources of assurance are considered in our risk-based plan. This is not considered to be a significant issue. | No action proposed. |
| Performance Standard 2050 | Coordination Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance? | No other sources of assurance are considered in our risk-based plan. This is not considered to be a significant issue | No action proposed. |
| Performance Standard 2110 | Governance Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities? | The Audit Plan was based on an audit needs assessment and separate ethics-related objectives, programmes and activities were not included in the Plan. We consider any relevant ethics-related issues when developing the terms of reference for each individual assignment. | No action proposed |