

AUDIT COMMITTEE

25 SEPTEMBER 2014

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 REPORT ON INTERNAL AUDIT – June 2014 to August 2014

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period June 2014 – August 2014.

EXECUTIVE SUMMARY

- All audits completed in the period achieved a substantial or adequate level of assurance.
- Vacant posts in the function have now been filled, and the function is looking to recover some of the slippage that has occurred in the year to date.
- The function will be upgrading its software later in the year to a more modern system. This will provide a more flexible solution to the delivery of future audits, but will have a resource impact whilst implementation takes place.
- Key financial systems audits are to be prioritised in the forthcoming quarter, with a review of audits in the plan to be undertaken to balance the plan to resources available.
- The planned audit relating to elections and electoral registration is proposed on being deferred given the current workload within the serve which would not present a significant risk at the present time.

RECOMMENDATION(S)

(a) That the contents of the report be noted.

(b) That the Elections and Electoral Registration audit be deferred to 2015/16.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The Internal Audit function is operating within the budget set.

Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

LEGAL

The Council has a statutory responsibility to maintain adequate and effective internal audit.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Public Sector Internal Audit Standards require the Audit and Governance Manager, in his role as Chief Audit Executive, to make arrangements for reporting periodically to senior management (Management Board) and to the board (Audit Committee).

CURRENT POSITION

Public Sector Internal Audit Standards

The standards were introduced from 1st April 2013. A report was presented to the March 2014 meeting of this committee providing an update regarding the work undertaken to move towards compliance with the standards. Since that date progress continues to be made to address outstanding issues with further updates planned on being presented to future meetings of the Committee.

Internal Audit Plan Progress – The Internal Audit Plan approved by the Audit Committee in March 2014 continues to be kept under review.

A vacancy arose in the Internal Audit function in April 2014. An internal appointment from within the team created a further vacancy which has now been filled and the function has been fully staffed from 1st September 2014. The Internal Audit Plan did not include provision for vacancies over such a period, and this has impacted upon the volume of work completed in the year to date although activity is underway to deliver as much of the planned programme of audits as possible by the end of the year.

The function needs to upgrade the software currently in use, as the supplier has indicated that no further development of the product will be undertaken. The opportunity is being taken to upgrade to a more modern system, with improved functionality, which will avoid any potential compatibility issues that might have arisen as the Council modernises its IT

infrastructure. Whilst no dates have been set yet, implementation is expected before the end of the current financial year. The need to upgrade was not anticipated at the time the Internal Audit Plan was produced, and therefore no provision was made. The new system takes a very different approach to the audit universe structure to provide greater flexibility, and as a result there will be a resource impact during system implementation.

Whilst it may prove possible to recover some of the time lost by the above issues, it may be necessary to defer some audits currently in the Internal Audit Plan to 2015/16. Priority will be given during the October – December quarter to key financial systems audits, with an assessment of remaining unallocated audits in the plan to be undertaken later in the year to prioritise the outstanding work.

An audit was included in the 2014/15 Internal Audit Plan on Elections and Electoral Registration. The Council's Corporate Risk Register includes a risk regarding failure to deliver Individual Elector Registration (risk 2b) and identifies that the Council controls this risk by having effective project management in place. A request has been received from the Corporate Director (Corporate Services) to defer this audit until 2015/16 due to workload within the Electoral Registration function resulting from implementation of the new system of electoral registration, holding by-elections and planning for the general and local elections in May 2015. Whilst a corporate risk currently exists, historically this is a function where the level of assurance has been of a satisfactory level, and therefore, subject to approval of the Committee it is proposed to defer this audit to summer 2015.

Appendix A provides detail of the status of each audit as at August 2014.

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. In the year to date 91% of the responses received indicated that the auditee was satisfied with the audit work undertaken.

Outcomes of Internal Audit Work

The standards require the Audit and Governance Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report 7 audits have been completed and the final report issued. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues – in the period under review there were no issues identified that require reporting.

Assurance	Colour	Number this Period	Year to Date	
Substantial	Dark Green	4	5	
Adequate	Light Green	3	8	
Limited	Amber	0	1	
Minimal	Red	0	0	

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

A review of the assurance classifications is currently in progress and will be reported to a future meeting of the Committee.

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -







Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	2	Regular reminders are issued to relevant managers to establish that corrective action has been taken / encourage resolution of each issue
Not yet due	4	

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix A – Internal Audit Plan 2014/15 Progress Report

Audit Subject	Status August 2014	Opinion	Comments
<u>2013/14 Internal Audit Plan</u> (Audits where Final Report not issued as at 31 st March 2014)			
<u>Assurance Work – Key Systems</u>			
Cashiers / Income Control	Completed	Adequate Assurance	Reported June 2014
Corporate Governance	Completed	Adequate Assurance	
Housing Benefits	Completed	Adequate Assurance	Reported June 2014
Main Accounting System	Completed	Substantial Assurance	Reported June 2014
National Non Domestic Rates	Completed	Adequate Assurance	Reported June 2014
<i>Procurement</i>			
Public Experience Procurement	Completed	Limited Assurance	Reported June 2014
Planning Procurement Follow Up	Completed	Adequate Assurance	
Sundry Debtors	Completed	Adequate Assurance	Reported June 2014
<u>Assurance Work - Other Systems</u>			
Grants / Financial Assistance	Completed	Substantial Assurance	
Member and Civic Support	Completed	Substantial Assurance	
Risk Management	Completed	Adequate Assurance	
Theatres and Entertainments	Draft Report		
<u>Assurance Work - Computer Audit</u>			
Northgate Housing Application Review	Completed	Adequate Assurance	Reported June 2014
IT Governance	Completed	Substantial Assurance	


Tendring District Council Internal Audit Plan
(Position at August 2014)

Appendix A

Audit Subject	Status August 2014	Opinion	Comments
<u>2014/15 Internal Audit Plan</u>			
<u>Assurance Work – Key Systems</u>			
Bank Account	Unallocated		
Cashiers / Income Control	Unallocated		
Corporate and Ethical Governance	Unallocated		
Council Tax	Allocated		
Creditors	Allocated		
Departmental Procurement – Corporate Services	Fieldwork		
Housing Benefits	Unallocated		
Housing Rents	Unallocated		
Main Accounting System	Unallocated		
National Non Domestic Rates	Unallocated		
Payroll	Unallocated		
Sundry Debtors	Unallocated		
Treasury Management	Unallocated		
<u>Assurance Work – Other Systems</u>			
Cemeteries and Crematorium	Unallocated		
Clacton Leisure Centre	Draft Report		
Coast Protection	Unallocated		
Community Infrastructure Levy / S106	Allocated		
Community Leadership Projects	Unallocated		
Credit and Debit Card Payments	Fieldwork		
Departmental Staffing – Public Experience	Unallocated		
Elections and Electoral Registration	Deferred		Proposed to be defer to 2015/16
Financial Strategy / Resilience	Allocated		
Fixed Penalty Notices	Allocated		

Tendring District Council Internal Audit Plan
(Position at August 2014)

Appendix A

Audit Subject	Status August 2014	Opinion	Comments
Fraud Investigation Team	Unallocated		
Frinton Walton Pool	Unallocated		
Health and Safety	Unallocated		
Housing Allocations	Fieldwork		
Housing Repairs and Maintenance	Unallocated		
Housing Strategy and Development	Unallocated		
Information Management	Allocated		
Insurance	Fieldwork		
Land Charges	Completed	Substantial Assurance	
Leisure Services Development Programme	Unallocated		
Licensing	Fieldwork		
Office Rationalisation and Modernisation	Unallocated		
Parking Services	Unallocated		
Private Sector Housing	Allocated		
Regeneration	Unallocated		
Risk Management	Unallocated		
Sale of Council Houses	Allocated		
Seafront	Allocated		
Tendring Careline	Allocated		
VAT	Draft Report		
Workforce / Succession Planning	Allocated		
<u>Assurance Work – Computer Audit</u>			
Firewalls, Device and Data Security	Fieldwork		
ICT Project Management	Unallocated		
I T Governance	Unallocated		
Payroll / Human Resources Computer Application Review	Unallocated		

Audit Subject	Status August 2014	Opinion	Comments
<u>Proactive Anti Fraud Audits</u>			Audits to be determined following publication of Protecting the Public Purse