

AUDIT COMMITTEE

24 SEPTEMBER 2015

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 REPORT ON INTERNAL AUDIT – JUNE 2015 TO AUGUST 2015

(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 2015 – August 2015

EXECUTIVE SUMMARY

- All audits completed in the period achieved a satisfactory level of assurance.
- Plan adjustments will be required in due course to reflect the level of work carried forward from the previous year and the impact of implanting the new computer system.

RECOMMENDATION(S)

(a) That the contents of the report be noted

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, and updates regarding compliance with the standards have been regularly brought to the attention of the Committee. The Quality Assurance and Improvement Programme required by the standards was reported to the last meeting of the Committee. There are no issues to report at this time.

Internal Audit Plan Progress – The Internal Audit Plan approved by the Audit Committee in March 2015 has been kept under review.

As previously reported to the Committee the volume of work incomplete at the financial year end and therefore carried forward into 2015/16 exceeded that allowed for in the 2015/16 audit plan. The plan included a provision of time for implementation of the new Internal Audit computer system, but that provision has been found to be insufficient, and adjustment to the plan will be required to accommodate the additional time required to complete the project – the possible need for such an adjustment was acknowledged by the Committee at its March 2015 meeting.

Whilst the need for plan adjustments has been identified, it is not proposed to make those changes at this time, but to defer such changes to the December meeting of the Committee. This will enable the ongoing impact of the computer system implementation to be taken into account when the adjustments are made. Traditionally the forthcoming period is when work on audit of the key financial systems is undertaken, this work being considered compulsory in terms of being able to form an annual overall opinion of the control environment at the end of the financial year, and as such deferral of a decision on plan adjustments has little impact at this time.

It is currently expected that the new computer system will go live before the next meeting of the Committee.

Appendix A provides details of the status for each audit.

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. In the period under review 93% 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 8 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.

Assurance	Colour	Number this Period	Year to Date	
Substantial	Dark Green	5	10	
Adequate	Light Green	3	11	
Improvement Required	Pink	0	0	
Significant Improvement Required	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.

Regarding the audits completed since the last periodic report, there are no issues requiring the Committee's attention.

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	0	Regular reminders are issued to relevant managers to establish that corrective action has been taken / encourage resolution of each issue
Not yet due	6	

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix A – Internal Audit Plan 2015/16 Progress Report