

AUDIT COMMITTEE

17 DECEMBER 2015

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 REPORT ON INTERNAL AUDIT – September 2015 to November 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 September 2015 – November 2015

EXECUTIVE SUMMARY

- The proposed budget for Internal Audit for 2016/17 provides sufficient resources to enable the current level of provision to be maintained.
- Plan adjustments have been identified taking account of Council needs and resource availability.
- All audits completed in the period achieved a satisfactory level of assurance.

RECOMMENDATION(S)

- (a) That the contents of the report be noted;
- (b) That the Committee considers the proposed Internal Audit budget for 2016/17 and determines if it has any comments for Cabinet; and
- (c) That the deferral of audits as detailed in the report be approved.

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 June 2015 meeting of the Committee.

Standard 1110 Organisational Independence includes a requirement for the Audit Committee to “**approve the internal audit budget and resource plan**”. Guidance issued subsequently by CIPFA regarding Audit Committees indicates that the Committee could have a role, but does not indicate that it is mandatory. The Council’s Constitution has been updated in 2015 to enable the Audit Committee to “**consider the annual budget for the Internal Audit service as part of the Council’s budget setting process**”.

The proposed budget for Internal Audit for 2016/17 is currently £167,770. This figure could change as the result of decisions made by Cabinet or Council. If there is any significant change made, this will be drawn to the Committee’s attention in the Annual Internal Audit Plan report at its March 2016 meeting. The comparable figure for 2015/16 was £160,200. Whilst the work required to establish the audit needs assessment, and the resource plan, for 2016/17 has not yet been undertaken, the budget available is sufficient to enable an Internal Audit Plan of similar size to that for 2015/16 to be produced, and is expected to provide sufficient audit coverage.

Internal Audit Plan Progress – The Internal Audit Plan approved by the Audit Committee in March 2015 has been kept under review, in accordance with the requirements of the Public Sector Internal Audit Standards.

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 volume of work carried forward has been estimated at 106 days compared with provision in the plan of 50 days.

The 2015/16 plan included an allocation 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 is required to accommodate the additional time required for the project – the possible need for such an adjustment was acknowledged by the Committee at its March 2015 meeting. Training for the new system was undertaken mid November 2015, and the system effectively went live the following week. Audits in progress at that time are being completed in the old system to avoid the need for data transfer, with all new audits now being commenced in the new system. Although the system has gone live some implementation work continues to bring full functionality on line.

Following a review of audits not yet undertaken in 2015/16, taking into account changes within the Council, the current position regarding those activities scheduled to be audited, coverage that has been / can be provided in other audits, and risk, it is proposed that the following audits be deferred at this time. The work to be undertaken to prepare the 2016/17 Internal Audit Plan will take into account deferrals agreed by this Committee.

Public Experience Departmental Procurement Follow Up (5 Days)

This was included in the plan as a result of an earlier audit being rated Limited Assurance (Improvement Required under the current assurance terminology). Assurance that corrective action has been taken regarding many of the issues identified has been provided through the Action Tracking process in place. However for the level of assurance awarded, it is custom and practice for a follow up audit to be scheduled after an appropriate interval.

With the recent change to the senior management structure of the Council, the constituent parts of the Public Experience Department are being managed within the remaining departments on an interim basis until the wider management restructuring is finalised. This makes it impractical at this time to carry out the audit as planned. There is some coverage possible within other audits planned for the remainder of the financial year which provides an opportunity to revisit the more significant issues previously identified, and these audits will be scoped to reflect this.

Departmental procurement audits have historically been included each year on a rolling programme with each department being typically audited every three to four years.

Fraud Investigation Team (10 Days)

With the recent transfer of part of the team to the Department of Work and Pensions, it is an inappropriate time to undertake an audit of this function.

New Build / Acquisition of Stock (10 Days)

There has been limited new build to date. The Asset Management audit currently being undertaken is providing coverage on the purchase of land / property. Therefore this audit is not required at the current time.

Business Continuity (10 Days)

There is a degree of overlap between this and the ICT Business Continuity / Disaster Recovery audit. An element of Business Continuity Planning has been incorporated into the Emergency Planning audit thus providing coverage of non ICT aspects. A separate Business Continuity audit is therefore not now required in 2015/16.

Office Rationalisation and Modernisation (10 Days)

An officer report on transforming working arrangements was last presented to Cabinet on 12th December 2014. Audit of the IT investment programme that forms a key element of

office rationalisation and modernisation is now intended to be covered within the scheduled ICT Project Management audit.

Community Leadership Projects (10 Days)

Food Safety (10 Days)

Health and Safety (10 Days)

Whilst these audits had been included in the Annual Internal Audit Plan, there is no perceived additional risk if the audits are deferred to 2016/17.

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 100% 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.

Assurance	Colour	Number this Period	Year to Date	
Substantial	Dark Green	2	12	
Adequate	Light Green	5	16	
Improvement Required	Orange	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	1	Regular reminders are issued to relevant mangers 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 2015/16 Progress Report
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