

AUDIT COMMITTEE

17 MARCH 2016

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 REPORT ON INTERNAL AUDIT – DECEMBER 2015 to FEBRUARY 2016

(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 December 2015 – mid February 2016

EXECUTIVE SUMMARY

- With one exception all audits completed in the period achieved a satisfactory level of assurance.
- Scheduled audits that have been unable to be progressed in the current year have been taken into account in preparing the 2016/17 Audit Plan.

RECOMMENDATION(S)

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 June 2015 meeting of the Committee.

A self-assessment of the Internal Audit function against the standards is due and will be undertaken shortly. Following this the Quality Assurance and Improvement Programme will be updated. This will be used to inform the Annual Report on Internal Audit to be presented to the next meeting of the Committee.

CIPFA are currently consulting on proposed changes to the standards, with a view to changes being made from 1st April 2016, with further changes due 1st April 2017. Once the 2016 changes have been published work will be undertaken to revise the Internal Audit Manual and working practices to reflect those changes, as appropriate, at the earliest opportunity.

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.

At the last meeting, the Committee agreed to the deferral of a number of audits from the current year's plan. Since that meeting some further slippage has occurred as a result of an investigation that remains ongoing. The Audit Plan should though be considered as a rolling programme of work, and those audits remaining in the plan that cannot now be commenced this financial year have been considered and added, where appropriate to do so, to the 2016/17 plan, which is the subject of a separate report to the Committee. The 2016/17 plan also includes an enhanced provision for the carry forward of work in progress to accommodate audits that have commenced, but are expected to be incomplete at 31st March 2016.

Appendix A provides details of the status for each audit at mid-February 2016.

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		2	14	
Adequate		4	20	
Improvement Required		1	1	
Significant Improvement Required		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.

Asset Management Audit

This audit only achieved an Improvement Required assurance, due to corporate guidance and procedures remaining incomplete. This issue had also been reported at earlier audits. It is understood that the Assets Manager has been tasked with completing these early in the 2016/17 financial year. It is currently intended that progress will be monitored through the Action tracking process, with a follow up audit only being added at a later stage if required.

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	1	The ongoing investigation referred to earlier in the report impacts on the area of activity that this outstanding issue relates to
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	2	







BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix A – Internal Audit Plan 2015/16 Progress Report
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Audit Subject	Status February 2016	Opinion	Comments
<u>2014/15 Internal Audit Plan</u>			
<u>Assurance Work – Key Systems</u>			
Corporate and Ethical Governance	Completed	Substantial Assurance	Reported June 2015
Creditors	Completed	Adequate Assurance	Reported June 2015
Housing Benefits	Completed	Adequate Assurance	Reported June 2015
Housing Rents	Completed	Substantial Assurance	Reported June 2015
Main Accounting System	Completed	Substantial Assurance	Reported June 2015
Payroll	Completed	Substantial Assurance	Reported June 2015
Sundry Debtors	Completed	Adequate Assurance	Reported June 2015
<u>Assurance Work – Other Systems</u>			
Coast Protection	Completed	Substantial Assurance	Reported September 2015
S106 (Follow Up)	Draft Report		
Departmental Staffing – Public Experience	Completed	Adequate Assurance	Reported December 2015
Financial Strategy / Resilience	Completed	Substantial Assurance	Reported June 2015
Housing Repairs and Maintenance	Completed	Adequate Assurance	Reported June 2015
Licensing	Completed	Adequate Assurance	Reported June 2015
Private Sector Housing	Completed	Adequate Assurance	Reported June 2015
Risk Management	Completed	Adequate Assurance	Reported June 2015
Sale of Council Houses	Completed	Adequate Assurance	Reported June 2015
Tendring Careline	Completed	Adequate Assurance	Reported September 2015
<u>Assurance Work – Computer Audit</u>			
I T Governance	Completed	Substantial Assurance	Reported September 2015

Audit Subject	Status February 2016	Opinion	Comments
<u>AUDITS SCHEDULED TO COMMENCE IN 2015/16</u>			
<u>2015/16 Internal Audit Plan</u>			
<u>Assurance Work – Key Systems</u>			
Bank Account	Completed	Adequate Assurance	
Cashiers / Income Control	Completed	Adequate Assurance	
Corporate and Ethical Governance	Fieldwork		
Council Tax	Completed	Adequate Assurance	
Creditors	Completed	Substantial Assurance	Reported December 2015
<i>Departmental Procurement</i>	Completed	Adequate Assurance	Reported September 2015
Life Opportunities Procurement	Deferred		Deferred December 2015 – restructuring
Public Experience Procurement (Follow Up)	Fieldwork		
Housing Benefits	Allocated		
Housing Rents			
Main Accounting System	Completed	Substantial Assurance	
National Non Domestic Rates	Draft Report		
Payroll	Completed	Adequate Assurance	
Sundry Debtors	Fieldwork		
Treasury Management	Completed	Substantial Assurance	
<u>Assurance Work – Other Systems</u>			

Audit Subject	Status February 2016	Opinion	Comments
Asset Management	Completed	Improvement Required	X
BACS	Completed	Substantial Assurance	Reported September 2015
Business Continuity	Deferred		Deferred December 2015 – covered within Emergency Planning audit
Cemeteries and Crematorium	Completed	Substantial Assurance	Reported September 2015 – Cremator contract
Clacton Leisure Centre	Completed	Adequate Assurance	Reported September 2015
Coast Protection	Unallocated		Incorporated into 2016/17 plan
Community Leadership Projects	Deferred		Deferred December 2015 – included in 2016/17 plan
Corporate Services Staffing	Delayed		
Development Management	Allocated		
Dovercourt Bay Lifestyles	Completed	Adequate Assurance	Reported December 2015
Elections and Electoral Registration	Draft Report		
Emergency Planning	Fieldwork		
Food Safety	Deferred		Deferred December 2015
Fraud Investigation Team	Deferred		Deferred December 2015 – included in 2016/17 plan
Health and Safety	Deferred		Deferred December 2015
Household Waste and Recyclable Materials	Allocated		
Housing Repair and Maintenance	Allocated		
Leisure Services Development Programme	Allocated		
New Build / Acquisition of Housing Stock	Deferred		Deferred December 2015 – covered within Asset Management audit
Office Rationalisation and Modernisation	Deferred		Deferred December 2015 – ICT Project Management audit in 2016/17 will cover IT element
Open Spaces, Horticulture and Play Areas	Allocated		

Audit Subject	Status February 2016	Opinion	Comments
Parking Services	Fieldwork		
Planning Enforcement	Fieldwork		
Procurement	Completed	Adequate Assurance	Reported December 2015
Public Conveniences	Unallocated		Incorporated into 2016/17 plan
Regeneration	Unallocated		2016/17 plan includes provision of time for emerging key projects
Risk Management	Allocated		
Seafront	Completed	Substantial Assurance	Reported September 2015 - Spot check only
Theatres and Entertainments	Completed	Adequate Assurance	Reported December 2015
Tourist Information Centres	Completed	Adequate Assurance	Reported December 2015
<u>Assurance Work – Computer Audit</u>			
Agresso Computer Application Review	Completed	Substantial Assurance	Reported December 2015
ICT Business Continuity / Disaster Recovery	Allocated		
ICT Project Management	Unallocated		Incorporated into 2016/17 Plan
IT Governance	Allocated		
Payroll / Human Resources Computer Application	Unallocated		Incorporated into 2016/17 Plan

Status Key

Unallocated

Audit in Audit Plan, but no work undertaken yet

Allocated

Audit is being scoped / has been scoped and awaiting commencement

Fieldwork

Audit in progress

Draft Report

Audit fieldwork complete, but Final Report not yet issued

Completed

Final Report issued and audit results reported to Audit Committee

Deferred

Audit was in Audit Plan, but will now be undertaken in a later year. Deferred audits agreed by Audit Committee

Delayed

Valid request from function being audited for audit to be undertaken later than proposed