

AUDIT COMMITTEE

30 JUNE 2016

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 REPORT ON INTERNAL AUDIT – MARCH – MAY 2016 AND ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2015/16 (Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for March to May 2016 and the Audit and Governance Manager's Annual Report for 2015/16, as required by professional standards.

EXECUTIVE SUMMARY

- Nine audits completed in the quarter of which two were rated Improvement Required
- The fieldwork stage of the investigation has been concluded, with the recovery process now under way. It is not possible to provide assurance regarding the control environment relating to procurement as a result.
- The annual report of the Audit and Governance Manager concludes that it is only possible to give a qualified assurance regarding the Council's control environment taking into account the results of the investigation, and the need for further audit coverage on procurement processes which will take place in 2016/17 where the level of assurance will be reviewed.

RECOMMENDATION(S)

That the report be considered and 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 to maintain 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 to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

CURRENT POSITION

REPORT ON INTERNAL AUDIT FOR MARCH - MAY 2016

In order to provide the Committee with as up to date information as is possible, this section of the report provides detail relating to the outstanding period in 2015/16 not previously reported, and in addition the early part of the new financial year.

Public Sector Internal Audit Standards

A self-assessment against the standards has been undertaken to establish the level of conformance at the end of the 2015/16 financial year. The standards require that a Quality Assurance and Improvement Programme (QAIP) be produced and presented to the Audit Committee. The QAIP produced reflects both the conformance issues identified as outstanding, and those previously identified at the previous self-assessment that were fully addressed during 2015/16.

The Public Sector Internal Audit Standards were updated from 1st April 2016. The only changes made at this time were the addition of brief sections relating to the **Mission of Internal Audit** and the **Core Principals for the professional Practice of Internal**

Auditing. As the Public Sector Internal Audit Standards Board had not issued any guidance regarding the changes at the time of undertaking the self-assessment above the new standards have been added as outstanding items to the QAIP pending any conformance work necessary being identified and undertaken.

With the exception of the new standards most of the outstanding issues have links to the requirement within the standards for an independent external assessment of the Internal Audit function on a 5 yearly basis, there being a requirement for the first such assessment to be undertaken by 31st December 2017. In common with several other Essex authorities, this assessment has yet to be undertaken. The Essex Audit Group is currently exploring a possible joint procurement for any interested authorities, including Tendring, which might enable each authority to benefit from potentially discounted prices compared with going it alone.

Internal Audit Plan – The 2015/16 plan was approved by this Committee on 19th March 2015, with the 2016/17 plan being approved by the Committee at its last meeting on 17th March 2016.

Internal Audit Plan 2015/16 Progress – Appendix B provides detail of the status of each audit in the plan at 31st March 2016 and an updated position in May 2016.

At 31st March 2015 the equivalent of 79% of the 2015/16 plan had been completed. The figure would have been higher if it had not been for the impact of an unscheduled investigation in the latter part of the year. As has previously been reported plan adjustments were necessary during the year to reflect a higher than anticipated carry forward of work from 2014/15 into 2015/16 and the work undertaken to implement a new computer system. Audits deferred during the year were considered for inclusion in the 2016/17 plan reported to the last meeting of the Committee.

The Audit and Governance Manager's Annual Report identifies that the effect of the changes made to the plan did not impact materially on the forming of an overall opinion on the Council's Internal Control environment or expose the Council to material risk. The plan is intended to be flexible and subject to change during a financial year, it being recognised that exposure to risk can change. A small number of audits were deferred where changes to the Council's operations made the timing of an audit in 2015/16 inappropriate. In other instances alternate approaches were adopted to provide coverage of key risks / controls from deferred audits within other audits undertaken, thus minimising the impact arising from the deferral. Deferred audits not falling into either category were those perceived to have a lower inherent risk exposure.

Although each Internal Audit Plan is described as relating to a specific year, in reality it should be considered as a rolling plan. Audits incomplete at 31st March have been rolled forward and progressed in the early part of 2016/17. With a small number of exceptions these audits have now either been completed or are substantially complete. Where an audit is not shown as completed any issues requiring reporting to the Committee will be brought to the meeting following issue of the final report on each assignment.

Internal Audit Plan 2016/17 Progress – Detail has been included in Appendix B of progress to date.

There are no issues at this time that require drawing to the attention of the committee.

Quality Assurance – Detail regarding performance has been included in the Annual Report.

Outcomes of Internal Audit Work

The standards require the Audit and Governance Manager to report to the Audit Committee on the outcomes of internal audit work undertaken. 9 Internal Audit reports have been issued since the last report to this Committee.

Assurance	Colour	Number this Quarter	
Substantial	Green	4	
Adequate	Light Green	3	
Improvement Required	Yellow	2	Brief details provided below of key issues identified
Significant Improvement Required	Red	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.

S106 (Follow Up)

At the June 2013 meeting, the Committee's attention was drawn to the results of a s106 audit where only Limited Assurance (current classification Improvement Required) could be given. This was a consequence of the lack of knowledge of the system / processes following the loss of the former s106 officer. Since that audit the issues raised had been subject to action tracking to monitor progress made, with a view to a further audit being undertaken at an appropriate time. The follow up audit has now been completed, but found that there remained significant issues and the audit only achieved an Improvement Required assurance. Since the completion of the audit, the Planning Manager has advised that a subsequent Court of Appeal decision made impacts on the issues identified and actions agreed, and it will be necessary to identify which issues raised / actions agreed remain relevant – this task currently remains outstanding – the Committee's attention will be drawn to any significant issues remaining at its next meeting.

Sundry Debtors

This audit was given Improvement Required assurance due to the lack of availability to staff of a Debt Recovery Procedure. This issue had also been raised at the previous audits on Sundry Debtors in 2013/14 and 2014/15. The scope of the audit was restricted to central functions relating to Sundry Debtors only, the processes operated by individual functions were not examined as these would be covered within function specific audits as part of their income collection processes. Without a documented procedure available there is a risk regarding the effectiveness of such processes. The Head of Finance, Revenues and Benefits Services intends to have produced and circulated the procedure by 30th June 2016.

Asset Management

At the last meeting, the committee was advised of an issue regarding corporate guidance and procedures. The current position is that the drafting of the Asset Management Plan, Property Strategy and Property Programme is complete with the drafts being released in June 2016 for consultation. The practices document, setting out internal rules and processes, is being drafted.

Investigation

As referred to at the last meeting of the Committee, the Internal Audit function had been involved in undertaking an unscheduled investigation, but at that time it was not possible to disclose any detail to the Committee.

Significant issues regarding the procurement of works within one service area were identified. Issues identified related to the failure to follow the Council's Procurement Procedures Rules. Details are included in Appendix C.

As part of a robust and comprehensive response and in demonstrating good governance a recovery plan is in place to address the issues identified, and to put in place mechanisms to minimise the risk of any future repetition within the Council – this will include the issue of guidance to relevant staff and the provision of training. A verbal update regarding progress will be provided at the meeting.

Further Internal Audit work is in progress to identify other works undertaken by the contractors concerned and to evaluate the control processes in place in the functions where used to undertake works. The Internal Audit Plan approved at the March meeting includes sufficient time for this audit, and for undertaking further audit work in due course to examine further the effectiveness of the control environment across the Council regarding procurement.

Management Response to Internal Audit Reports – There are processes in place to track action taken regarding issues raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken, with follow up work being undertaken where necessary.

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 issued to relevant managers to establish the action taken / encourage resolution
Not yet due	6	

At the last Committee Meeting there was one high severity issue overdue more than 3 months, where it was reported that the then ongoing investigation had impacted on the area that the area that the outstanding issue related to. The overdue issue related to procurement of a repair and maintenance contract for public conveniences, the works having previously been let under a temporary arrangement where the Portfolio Holder approval for such an arrangement had expired. Since the last meeting tenders have been sought for a repair and maintenance contract for public conveniences and seafront assets, the tender documentation identifying a commencement date of 1st July 2016 for the new contract. This issue is therefore now considered satisfactorily resolved.

ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2015/16

Opinion on the Overall Adequacy and Effectiveness of the Council's Internal Control Environment

The Internal Audit function completed 35 scheduled audits during the year, and a further 8 2015/16 audits had been completed by May 2016. For the audits completed, assurance was classified as: -

Assurance	Number of Audits (2015/16)
Substantial	17
Adequate	23
Improvement Required	3
Significant Improvement Required	0

In addition there was one unscheduled investigation undertaken, and reported (see above) where significant control issues were identified.

The result of each audit completed has been included in periodic reports produced for the Committee with attention drawn to any significant issues where the level of assurance was classified as Improvement Required. Whilst there have been audits during the year given this level of assurance, the number at this level was low. No scheduled audit came close to being classified Significant Improvement Required.

As referred to in the periodic report above, there was one unscheduled investigation undertaken during the financial year, relating to procurement which identified significant control issues with regards to one function. Due to the timing of the investigation, it was not feasible during 2015/16 to examine in depth the control environment relating to procurement across other functions of the Council and this work has been included in the Internal Audit Plan to be undertaken in 2016/17, and therefore it is not possible at this time to give the Committee assurance regarding this key system of the Council.

Taking into account the issues identified in the audits included in the table above and listed in Appendix B, the issues identified during the investigation and referred to above, and reviews by other assurance providers, it is only possible to provide qualified assurance regarding the systems of internal control operated by the Council. It should be noted that significant control issues were identified only in a small number of the assignments completed, however these issues related to key systems.

The assurance provided is based on the fact that many activities of the Council are audited on a less than annual frequency, and also it is not practical to examine every significant decision / transaction within those functions reviewed in any one year. It would therefore not be possible to provide absolute assurance.

Qualification to the Opinion

The opinion given above is based upon the level of Internal Audit activity that it proved possible to deliver with the resources available during the year. It was not possible to fully complete the planned work during the year as detailed elsewhere in this report, although all key audits have been undertaken or were in progress at the year-end. In forming an opinion, audit outcomes identified, but not reported until the 2016/17 plan year have been taken into account. The level of coverage achieved is considered sufficient to be able to provide the assurance required.

Summary of the Internal Audit Work Undertaken to Formulate the Opinion, and Reliance Placed on the Work by Other Assurance Bodies

The 2015/16 plan made provision for the audit of all key systems. It also included audits of a selection of other functions of the Council, selected using a risk assessment process to produce the plan. In addition audits incomplete at 31st March 2015 were completed during 2015/16. For those audits completed where the assurance was considered Improvement Required brief details of findings were included in appendices to the periodic reports presented to the committee throughout the year.

The Committee requested and received further details regarding issues raised as a result of work undertaken by the Internal Audit function.

The audit plan for 2015/16, in addition to assurance work on functions and systems, included some areas of focussed audit activity: -

- The Computer Audit element of the plan was undertaken in house. The number of audits undertaken was less than originally planned, but it was appropriate to defer two audits that related to ongoing projects where it became apparent during the year that the audit coverage might be better undertaken at a later date.
- Planned audit work regarding Major Council Projects had either been incorporated into the relevant assurance audits scheduled, or included as stand alone audits. The largest of these projects was the Coast Protection scheme, an audit being completed in early 2015/16. Whilst the plan included further time on this scheme, the control environment identified at the earlier audit did not justify a need for further work within the year.
- No stand alone Proactive Anti-Fraud Audits were undertaken, work undertaken being embedded in assurance audits.
- The Internal Audit function undertakes unscheduled investigations and ad hoc audit work as and when required. The Internal Audit function was involved in one unscheduled assignment of this type during the year, details of which have been incorporated elsewhere within this report.

In accordance with best practice and the requirements of the Public Sector Internal Audit Standards, the 2015/16 plan included arrangements for the follow up of issues found at previous audits. This took the form of: -

- Separate follow up audits and embedded follow up work within assurance audits. In these cases any ongoing outstanding issues were formally reported to management, with any significant issues drawn to the attention of the Committee.
- Action Tracking – monthly reminders being issued, and responses verified by evidence where it was appropriate to do so.

The Internal Audit function has also provided advice and assistance to functions of the Council upon request, and following audits, as appropriate during the year.

A schedule of the audits undertaken during 2015/16 is included at Appendix B.

Upon completion of each audit a draft report was issued to the appropriate Corporate Director / Head of Department, containing details of any findings requiring addressing that had been identified. Subsequent discussions were held with appropriate senior managers and final reports issued, which included detail of agreed actions to resolve the issues identified. There were no instances, for the reports issued during 2015/16, where a satisfactory action had not been identified and agreed.

No specific reliance has been placed upon the work of any other assurance provider in lieu of internal audit coverage during the year. There is a requirement however for the Audit and Governance Manager to take account in forming his annual opinion on the overall adequacy and effectiveness of the control environment, of the assurance given by other providers as well as directly by the Internal Audit function. The contents of reports issued by other providers have therefore been taken into account in the opinion made.

Issues Relevant to the Preparation of the Annual Governance Statement

The overall opinion given in this report is relevant to the Annual Governance Statement. The statement needs to reflect control issues identified from the investigation undertaken relating to procurement, and additionally the significant issues reported regarding the Sundry Debtors and Asset Management audits.

Performance of the Internal Audit Function

The performance measures used during 2015/16 were as follows: -

Performance Measure	Actual 2015/16	Actual 2014/15	Actual 2013/14	Actual 2012/13	Actual 2011/12
Percentage of Audit Plan Completed	79% *	71%	94%	91%	81%
Percentage of Satisfactory Responses to Satisfaction Surveys Issued with Final Audit Reports	96%	96%	100%	96%	98%

The performance measure is based upon planned work undertaken, and excludes the unscheduled investigation undertaken. If the investigation had been included performance would have been above 90%.

*At the time of producing this report 90.5% of the 2015/16 plan had been completed.

The 2015/16 plan approved by the Audit Committee in March 2015 was of a similar size to that provided in previous years, and was set at a level deemed appropriate to provide an adequate level of Internal Audit coverage. A new computer system was implemented during the year, and the need to allocate resource in this project in excess of that originally planned impacted upon performance, as did the investigation referred to above. The Audit Plan was subject to adjustment during the year with changes subject to consideration by the Audit Committee, audits incomplete were rolled forward into 2016/17.

All audits are subject to a quality review following completion of the fieldwork stage on each assignment. Audits were not considered complete and reports were not issued until all quality issues had been addressed.

Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards were introduced from 1st April 2013. Progress updates have been periodically reported to the Committee, on the work being undertaken to demonstrate conformance with the requirements of the Standards. Since their introduction alternate solutions have been agreed by the Audit Committee regarding the following standards: -

1110 Organisational Independence

The standards require specific input from the Chief Executive and Chair of Audit Committee regarding the Audit and Governance Manager's performance appraisal. Alternate arrangements that enable both to comment on performance of the Audit and Governance Manager at any time, rather than through the formal appraisal process, have been agreed.

1130 Impairment to Independence or Objectivity

The Audit and Governance Manager has operational responsibilities regarding Corporate Governance and Risk Management in addition to his Internal Audit duties. The standards identify that audits of activities where such a conflict of interest arises should be overseen by someone outside of Internal Audit. As there are practical issues identifying suitable staff external to the Internal Audit function who do not have a conflict of interest, the alternate arrangement agreed was for the Principal Auditor to undertake the Audit and Governance Manager role for such audits, with the latter's role in the audit being solely that of auditee. This avoids any conflict of interest and ensures that those audits have been managed by a member of staff with Internal Audit skills and expertise.

As referred to in the periodic report above, a small number of issues mostly linked to external assessment remained outstanding at 31st March 2016, and are listed at Appendix A. Until that external assessment has been undertaken successfully, the Internal Audit function cannot be considered fully compliant with the Standards. There are no significant issues of being in this position in the short term, the standards requiring the first external assessment before 2018.

BACKGROUND PAPERS FOR THE DECISION

Internal Audit Reports
Reports to Audit Committee in 2015/16

APPENDICES

Appendix A – Quality Assurance and Improvement Programme
Appendix B – Internal Audit Plan Progress
Appendix C – Outcomes of Investigation

Public Sector Internal Audit Standards – Quality Assurance and Improvement Programme

Tendring District Council – Self Assessment – May 2016 (including update of previous QAIP)

PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
1110 Organisational Independence (57)	Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (Audit and Governance Manager)?	Direct input / feedback is not in conformance with the Council's one – to – one process. Performance appraisal and target setting for Audit and Governance Manager is undertaken by the Finance and Procurement Manager. The process allows for cascade down through tiers of management targets, and therefore indirectly the Chief Executive could contribute. Chief Executive able to comment on performance at any time.	Low	Alternate solution reported to Audit Committee - June 2015	Completed

APPENDIX A

PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
1110 Organisational Independence (58)	Is feedback sought from the chair of the Audit Committee for the Chief Audit Executive's (Audit and Governance Manager) performance appraisal?	Direct input / feedback is not in conformance with the Council's one – to – one process. Committee receives reports on operation of Internal Audit function, but is not involved in day to day operations. Chairman / Committee able to comment on performance at any time	Low	Alternate solution reported to Audit Committee - June 2015	Completed
1310 Requirements of the Quality Assurance and Improvement Programme (98)	Does the QAIP include both internal and external assessments?	Currently only internal self assessments have been undertaken. External assessment has to be before 2018. Essex Audit Group currently exploring possible joint procurement option as this may result in a discounted price compared with going it alone.	Medium	External assessment to be arranged Steve Blake – 2016/17	Partially compliant
1311 Internal Assessments (103)	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	There are no service level agreements in place and no plans to introduce any. Performance targets to be revisited following completion of implementation of computer system. Senior management to be consulted and revised targets reported to Audit Committee.	Medium	Identify solutions following completion of system implementation Steve Blake – 2016/17	Partially compliant based upon existing targets in use.

APPENDIX A

PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
1320 Reporting on the Quality Assurance and Improvement Programme (117)	The results of both external and internal periodic assessment must be communicated upon completion	Internal Assessments – Results are reported to Audit Committee External Assessments – cannot be reported until assessment undertaken	Medium	Results of External Assessment to be reported to Audit Committee following completion of assessment Steve Blake - 2016/17	Partially compliant
1320 Reporting on the Quality Assurance and Improvement Programme (119)	The results must include the assessor's or assessment team's evaluation with regard to the degree of the internal audit activity's conformance with the PSIAS	This cannot be independently achieved until an assessment other than a self assessment is undertaken .	Medium	External assessment to be arranged Steve Blake - 2016/17	Non compliant
2040 Policies and Procedures (162)	The policies and procedures are regularly reviewed and updated to reflect changes in working practices and standards	Policies and procedures for Internal audit are detailed in the Internal Audit Manual. This was last updated in October 2014. Changes resulting from the migration to new software have not yet been reflected in the Audit Manual. Note that the Team have been made aware of the changes made, and where possible the new computer system has been configured to display relevant guidance.	High	Audit Manual to be updated to reflect system, operational and corporate changes. Steve Blake – Summer 2016	Partially compliant






APPENDIX A

PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
2050 Coordination (164)	Has the Audit and Governance Manager carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance	Details are periodically sought from Departments in order to identify external sources of assurance. Mapping of assurance will be completed following completion of implementation of computer system. Approach to the use of data from other assurance providers documented.	Low	Assurance mapping exercise to be undertaken Steve Blake - 2016/17	Partially compliant
Section 3 Mission of Internal Audit	The Mission of Internal Audit articulates what Internal audit aspires to accomplish within an organisation	New from April 2016. Guidance awaited regarding interpretation of this section.	Medium	Appropriate action to achieve compliance, if any, to be undertaken once guidance received Steve Blake – 2016/17	Non compliant
Section 5 Core Principles for the Professional Practice of Internal Auditing	For an Internal Audit function to be considered effective, all principles should be present and operating effectively	New from April 2016. Guidance awaited regarding interpretation of this section	Medium	Appropriate action to achieve compliance, if any, to be undertaken once guidance received Steve Blake – 2016/17	Non Compliant

Tendring District Council Internal Audit Plan
(Position at May 2016)



Appendix B

Audit Subject	Status 31st March 2016	Status May 2016	Opinion	Comments
<u>2014/15 Internal Audit Plan</u>				
(Audits where Final Report not issued by 31 st March 2015)				
<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	Completed	Improvement Required	X
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>				
IT Governance	Completed		Substantial Assurance	Reported September 2015

Audit Subject	Status 31 st March 2016	Status May 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	Reported March 2016
Cashiers / Income Control	Completed		Adequate Assurance	Reported March 2016
Corporate and Ethical Governance	Fieldwork	Completed	Substantial Assurance 	
Council Tax	Completed		Adequate Assurance	Reported March 2016
Creditors	Completed		Substantial Assurance	Reported December 2015
<i>Departmental Procurement</i>				
Life Opportunities Procurement	Completed		Adequate Assurance	Reported September 2015
Public Experience Procurement (Follow Up)	Deferred			Deferred December 2015 – restructuring
Housing Benefits	Fieldwork	Completed	Adequate Assurance 	
Housing Rents	Allocated	Completed	Substantial Assurance 	
Main Accounting System	Completed		Substantial Assurance	Reported March 2016
National Non Domestic Rates	Draft Report	Completed	Adequate Assurance 	
Payroll	Completed		Adequate Assurance	Reported March 2016
Sundry Debtors	Fieldwork	Completed	Improvement Required 	
Treasury Management	Completed		Substantial Assurance	Reported March 2016


Tendring District Council Internal Audit Plan
(Position at May 2016)

Appendix B

Audit Subject	Status 31st March 2016	Status May 2016	Opinion	Comments
<u>Assurance Work – Other Systems</u>				
Asset Management	Completed		Improvement Required	Completed March 2016
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	Deferred			Incorporated into 2016/17 plan
Community Leadership Projects	Deferred			Deferred December 2015 – included in 2016/17 plan
Corporate Services Staffing	Delayed			Due to changes in Departmental Structure early in 2016/17, this will now be included within 2016/17 Staff Allowances audit
Development Management	Fieldwork	Draft Report		
Dovercourt Bay Lifestyles	Completed		Adequate Assurance	Reported December 2015
Elections and Electoral Registration	Completed		Substantial Assurance	
Emergency Planning	Draft Report	Completed	Adequate Assurance	
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	Draft Report		

Tendring District Council Internal Audit Plan
(Position at May 2016)

Appendix B

Audit Subject	Status 31st March 2016	Status May 2016	Opinion	Comments
Housing Repair and Maintenance	Allocated	Fieldwork		
Leisure Services Development Programme	Allocated	Fieldwork		
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	Fieldwork		
Parking Services	Draft Report	Draft Report		
Planning Enforcement	Fieldwork	Draft Report		
Procurement	Completed		Adequate Assurance	Reported December 2015
Public Conveniences	Deferred			Incorporated into 2016/17 plan
Regeneration	Deferred			2016/17 plan includes provision of time for emerging key projects
Risk Management	Draft Report	Completed	Substantial Assurance	
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	Fieldwork	Fieldwork		
ICT Project Management	Deferred			Incorporated into 2016/17 Plan
IT Governance	Allocated	Draft Report		

Tendring District Council Internal Audit Plan
(Position at May 2016)

Appendix B

Audit Subject	Status 31st March 2016	Status May 2016	Opinion	Comments
Payroll / Human Resources Computer Application	Deferred			Incorporated into 2016/17 Plan

AUDITS SCHEDULED TO COMMENCE IN 2016/17

2016/17 Internal Audit Plan

Assurance Work – Key Systems

Bank Account	Unallocated
Business Rates	Unallocated
Corporate and Ethical Governance	Unallocated
Corporate Procurement Review	Unallocated
Council Tax	Unallocated
Creditors	Unallocated
Departmental Procurement	Allocated
Housing Benefit	Unallocated
Housing Rents	Unallocated
Main Accounting System	Unallocated
Payments Received	Unallocated
Payroll	Unallocated
Sundry Debtors	Unallocated
Treasury Management	Unallocated

Assurance Work - Emerging Key Projects

Audits to be arranged	Unallocated
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Assurance Work – Other Systems

Beach Huts	Allocated
Bereavement Services	Allocated
Building Control	Unallocated

Tendring District Council Internal Audit Plan
(Position at May 2016)

Appendix B

Audit Subject	Status 31st March 2016	Status May 2016	Opinion	Comments
Coast Protection		Unallocated		
Financial Resilience		Unallocated		
Fraud and Compliance Team		Unallocated		
Grants / Financial Assistance		Unallocated		
Housing Allocations		Draft Report		
Housing Repairs and Maintenance		Unallocated		
Leisure Services Development Programme		Fieldwork		
Planning Policy		Unallocated		
Public Conveniences		Unallocated		
Risk Management		Unallocated		
Staff Allowances		Unallocated		
Street Sweeping		Allocated		
Walton – on – the – Naze Lifestyles		Allocated		
<u>Assurance Work – Computer Audit</u>				
I T Governance		Unallocated		
I T Project Management		Allocated		
Payroll / Human Resources – Computer Application Review		Allocated		
Revenues and Benefits Computer Application Review		Unallocated		
Uniform Application Review		Unallocated		
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
Delayed**

Audit was in Audit Plan, but will now be undertaken in a later year. Deferred audits agreed by Audit Committee
Valid request from function being audited for audit to be undertaken later than proposed

Investigation Issues Identified / Action Plan

'RECOVERY' PHASE

Issue	Service Specific Action	
	Action	Comments / Update
No specifications of works required / inadequate details on orders	Review all work ordered over last 18 months from specific contractors to ensure that:	Review scheduled for completion by the end of June 2016.
No orders raised / orders raised after invoices received	<ul style="list-style-type: none"> • Work has been provided / completed to Council's satisfaction / required standard of workmanship. 	To date money has been identified as being overcharged / invoiced by the contractor. Action is being taken to recover this sum from the relevant contractor(s)
Inadequate / compromised quotation processes	<ul style="list-style-type: none"> • Work invoiced for matches what was actually undertaken. 	To date two contractors have been suspended from undertaking any further work for the service.
Disaggregation of works	<ul style="list-style-type: none"> • The price charged for works reasonable reflect the works actually undertaken 	To date two contractors have been suspended from undertaking any further work for the service.
Inadequate due diligence of contractors at tender evaluation stage	The service needs to be satisfied that	Work undertaken by relevant the contractor(s) elsewhere within the Council is currently being reviewed to identify if issue is being replicated in other areas.
Incomplete works / Substandard works	<ul style="list-style-type: none"> • works 'on the ground' undertaken by contractor match what was requested 	Work undertaken by relevant the contractor(s) elsewhere within the Council is currently being reviewed to identify if issue is being replicated in other areas.
Lack of inspections / lack of evidence of inspections	<ul style="list-style-type: none"> • for example duplicate work not put through by Contractor. 	Invoices have now been recoded to the correct codes in 2015/16.
Inadequate detail on invoices / potentially inflated invoices / incorrect completion of invoice certification slips / duplication of invoices	<ul style="list-style-type: none"> • the contractor has not inflated prices for works completed 	Invoices have now been recoded to the correct codes in 2015/16.
Miscoding of payments	Subject to outcomes from above, the Service needs to consider whether to continue to use contractor(s) in the future	
Payments to contractor in advance of works being carried out	Review invoices paid in 2015/16 to ensure that they have been coded to the correct place in the financial system	

‘IMPROVEMENT’ / CORPORATE’ RESPONSE PHASE

Issue	‘Corporate’ Actions / ‘Improvement’ Phase	
	Action	Comments
<p>No specifications of works required / inadequate details on orders</p> <p>No orders raised / orders raised after invoices received</p> <p>Inadequate / compromised quotation processes</p>	<p>To publish guidance to staff promoting the need to follow Procurement Procedure Rules when conducting procurement. Mandatory training for officers with procurement responsibilities on all aspects of procurement, including protection from fraud. Also when an officer is covering the duties of another officer then they should be identified and have completed the necessary training.</p> <p>To explore the ‘centralisation’ where practical of repair / maintenance type work with the aim of reducing the potential for untrained staff to become involved in the procurement / ordering process, and to ensure that value for money is achieved..</p> <p>To investigate including a mandatory ‘check statement’ within ordering systems so any officer placing an order confirms that they have read and understood the various procurement / financial rules.</p> <p>Access to key financial / ordering systems restricted where training has not been undertaken</p> <p>Clear guidance to be issued to staff with procurement responsibilities regarding the nature / level of assistance that can be provided to people / organisations bidding for Council work.</p> <p>Anti collusion rules to ensure that both officer and contractor anti collusion requirements are clear</p>	<p>Guidance / training currently being developed</p> <p>This is currently being investigated.</p> <p>This is currently being investigated.</p> <p>This is currently being investigated.</p> <p>Anti-collusion certificate to be reviewed and included in future tender processes</p>

Issue	'Corporate' Actions / 'Improvement' Phase	
Disaggregation of works	Guidance to be issued to all staff with procurement responsibilities that disaggregation of works to avoid aspects of Procurement Procedure Rules is not permitted	Guidance / training currently being developed
Inadequate due diligence of contractors at tender evaluation stage	Provide guidance / checklist regarding checks that should be made to ensure potential contractors have capacity / financial stability to deliver contract	Guidance / training currently being developed
<p>Incomplete works / Substandard works</p> <p>Lack of inspections / lack of evidence of inspections</p> <p>Inadequate detail on invoices / potentially inflated invoices / incorrect completion of invoice certification slips / duplication of invoices</p>	Provide guidance / checklist regarding activities that need to be completed before payment made to contractors.	Guidance / training currently being developed
Miscoding of payments	<p>Guidance to relevant staff relating to the ensure correct coding in financial systems</p> <p>To explore the opportunities to introduce a commitment accounting system within the Council's financial systems to assist budget management.</p>	<p>Guidance / training currently being developed</p> <p>This has been identified as a key project within Finance, Revenues and Benefits in 2016/17</p>
Payments to contractor in advance of works being carried out	Guidance to relevant staff that contractors not to be paid in advance, except where Council contractually obliged to do so	Guidance / training currently being developed