

## AUDIT COMMITTEE

22 SEPTEMBER 2016

### REPORT OF AUDIT AND GOVERNANCE MANAGER

#### A.1 REPORT ON INTERNAL AUDIT – JUNE 2016 TO AUGUST 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 June 2016 – August 2016

##### EXECUTIVE SUMMARY

- All audits completed in the period achieved a satisfactory level of assurance, with one exception receiving an improvement required classification.

##### 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 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 revised from April 2016. 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 2016 meeting of the Committee.

During the last quarter the Internal Audit Manual has been updated to reflect changed working practices arising from the introduction of new audit management software during 2015/16, and to reflect the revisions to the standards, and the outstanding item regarding this in the Quality Assurance and Improvement Programme is now considered complete. The Audit Manual is a living document and will be subject to update as and when required.

#### Internal Audit Plan Progress

The Internal Audit Plan approved by the Audit Committee in March 2016 has been kept under review, in accordance with the requirements of the Public Sector Internal Audit Standards. No amendments are currently considered necessary.

Appendix A provides details of the status for each audit as at August 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 10 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	Green	1	5	
Adequate	Light Green	8	11	
Improvement	Yellow	1	3	

Required				
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.

### **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 systems / processes following the loss of the former s106 officer. The Committee at that time sought assurances from the then Portfolio Holder and the Planning Manager that effective action was being taken to resolve the issues identified. Since that audit the issues raised had been subject to action tracking to monitor progress with a follow up audit scheduled to be undertaken to review the effectiveness of the actions taken once sufficient progress had been made.

At the June 2016 meeting, the Committee's attention was drawn to the results of the S106 (Follow Up) audit which had been given an Improvement Required classification. However no details regarding the significant issues raised were reported as the Planning Manager had advised of a Court of Appeal decision that impacted upon S106 and further work was required to establish if those significant issues raised remained relevant. Since that meeting discussions have been had with the Head of Governance and Legal Services and relevant senior Planning staff and whilst that remains ongoing it appears that many of the issues raised in the Internal Audit report remain valid.

The report identified a limited number of high severity issues and a number of lower severity issues. These indicated that further improvements were required to improve the control environment to a level where substantial or adequate assurance could be given.

It is important to highlight that no money has been identified as repayable by the Council to date, and the actions being developed revolve around processes and improving the overall governance arrangements.

The outstanding issues are subject to action tracking with a deadline for completion of each action required having been agreed. A further follow up audit will be undertaken either later in the current financial year or early in 2017/18.

### **Housing Allocations**

The audit was given an Improvement Required classification as there were inadequate records available to demonstrate that each property let had been allocated to the highest priority suitable tenant on the waiting list at that time. There were software limitations that prevented an electronic solution, and it was agreed that a hard copy of the top of the waiting list annotated as appropriate be retained for each letting. The required action has been taken, and adequate controls are now in place.

**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	6	

**BACKGROUND PAPERS FOR THE DECISION**




Audit Reports

**APPENDICES**





Appendix A – Internal Audit Plan 2016/17 Progress Report

**Tendring District Council Internal Audit Plan**  
(Position at August 2016)

**Appendix A**

<b>Audit Subject</b>	<b>Status August 2016</b>	<b>Opinion</b>	<b>Comments</b>
<b><u>2014/15 Internal Audit Plan</u></b>			
(Audits where Final Report not issued by 31 <sup>st</sup> March 2016)			
<b><u>Assurance Work – Other Systems</u></b>			
S106 (Follow Up)	Completed	Improvement Required	Reported June 2016
<b><u>2015/16 Internal Audit Plan</u></b>			
(Audits where Final Report not issued by 31 <sup>st</sup> March 2016)			
<b><u>Assurance Work – Key Systems</u></b>			
Corporate and Ethical Governance	Completed	Substantial Assurance	Reported June 2016
Housing Benefits	Completed	Adequate Assurance	Reported June 2016
Housing Rents	Completed	Substantial Assurance	Reported June 2016
National Non Domestic Rates	Completed	Adequate Assurance	Reported June 2016
Sundry Debtors	Completed	Improvement Required	Reported June 2016
<b><u>Assurance Work – Other Systems</u></b>			
<b>Development Management</b>	<b>Completed</b>	<b>Adequate Assurance</b>	
Elections and Electoral Registration		Substantial Assurance	Reported June 2016
Emergency Planning	Completed	Adequate Assurance	Reported June 2016
<b>Household Waste and Recyclable Materials</b>	<b>Completed</b>	<b>Adequate Assurance</b>	
<b>Housing Repair and Maintenance</b>	<b>Completed</b>	<b>Adequate Assurance</b>	
Open Spaces, Horticulture and Play Areas	Draft Report		

**Tendring District Council Internal Audit Plan**  
(Position at August 2016)

<b>Audit Subject</b>	<b>Status August 2016</b>	<b>Opinion</b>	<b>Comments</b>
Parking Services	Completed	Adequate Assurance 	
Planning Enforcement	Completed	Adequate Assurance 	
Risk Management	Completed	Substantial Assurance	Reported June 2016
<b><u>Assurance Work – Computer Audit</u></b>			
ICT Business Continuity / Disaster Recovery	Completed	Adequate Assurance 	
IT Governance	Completed	Adequate Assurance 	

**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	Allocated
Creditors	Allocated
Departmental Procurement	
Procurement – Contractor Use	Fieldwork
Public Realm Procurement	Allocated
Housing Benefit	Unallocated
Housing Rents	Unallocated
Main Accounting System	Allocated

**Tendring District Council Internal Audit Plan**  
(Position at August 2016)

**Appendix A**

<b>Audit Subject</b>	<b>Status August 2016</b>	<b>Opinion</b>	<b>Comments</b>
Payments Received	Unallocated		
Payroll	Unallocated		
Sundry Debtors	Unallocated		
Treasury Management	Unallocated		
<b><u>Assurance Work - Emerging Key Projects</u></b>			
Audits to be arranged	Unallocated		
<b><u>Assurance Work – Other Systems</u></b>			
Beach Huts	Draft Report		
Bereavement Services	Allocated		
Building Control	Unallocated		
Coast Protection	Unallocated		
Financial Resilience	Allocated		
Fraud and Compliance Team	Unallocated		
Grants / Financial Assistance	Unallocated		
<b>Housing Allocations</b>	<b>Completed</b>	<b>Improvement Required</b>	
Housing Repairs and Maintenance	Unallocated		
<b>Leisure Services Development Programme</b>	<b>Completed</b>	<b>Substantial Assurance</b>	
Planning Policy	Unallocated		
Public Conveniences	Allocated		
Risk Management	Unallocated		
Staff Allowances			
Corporate Services Staffing	Fieldwork		
Operational Services	Allocated		
<b>Street Sweeping</b>	<b>Completed</b>	<b>Adequate Assurance</b>	

**Tendring District Council Internal Audit Plan**  
(Position at August 2016)

**Appendix A**

<b>Audit Subject</b>	<b>Status August 2016</b>	<b>Opinion</b>	<b>Comments</b>
Walton – on – the – Naze Lifestyles	Allocated		
<b><u>Assurance Work – Computer Audit</u></b>			
I T Governance	Unallocated		
I T Project Management	Allocated		
Payroll / Human Resources – Computer Application Review	Fieldwork		
Revenues and Benefits Computer Application Review	Fieldwork		
Uniform Application Review	Unallocated		
<b>Status Key</b>			
<b>Unallocated</b>	Audit in Audit Plan, but no work undertaken yet		
<b>Allocated</b>	Audit is being scoped / has been scoped and awaiting commencement		
<b>Fieldwork</b>	Audit in progress		
<b>Draft Report</b>	Audit fieldwork complete, but Final Report not yet issued		
<b>Completed</b>	Final Report issued and audit results reported to Audit Committee		
<b>Deferred</b>	Audit was in Audit Plan, but will now be undertaken in a later year. Deferred audits agreed by Audit Committee		
<b>Delayed</b>	Valid request from function being audited for audit to be undertaken later than proposed		