

AUDIT COMMITTEE

16 MARCH 2017

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.2 REPORT ON INTERNAL AUDIT – December 2016 to February 2017

(Report prepared by Steve Blake and Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period December 2016 – mid February 2017

EXECUTIVE SUMMARY

- 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 2017/18 Internal Audit Plan, as part of a rolling programme and therefore there is no impact on risk exposure to the Council.

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 (PSIAS)

CIPFA have recently consulted on proposed changes to the standards, with a view to changes being made shortly. Once the 2017 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.

Standards 1311 Internal Assessments and 1312 External Assessments

At the last meeting in January, the Committee agreed the form of the external assessment required. The Audit and Governance Manager is currently in the process of consulting with qualified suppliers for the provision of the External Quality Assessment with a view to the assessment being completed well before the January 2018 deadline.

The Internal Assessment due for the current financial year will be undertaken shortly.

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.

Since the last meeting of the Committee it has become apparent that it will not be practical to commence two audits included in the current financial year's plan before 31st March due to circumstances outside of the control of the Internal audit function, on Walton – on – the - Naze Lifestyles due to its temporary closure, and on Coast Protection where data required to undertake the audit is awaited. The Audit Plan is considered to be a rolling programme of work, and these audits have now been incorporated into the 2017/18 Internal Audit Plan which is included as a separate report on this agenda, with no significant impact on exposure to risk.

Appendix A provides details of the status for each audit as at February 2017. Any outstanding work on audits in progress at 31st March will be rolled forward into 2017/18, the plan including a provision of time to enable this to happen, and those audits will be completed and reported to the Committee during the year as part of the regular reports on Internal 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 6 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	3	11	
Adequate	Light Green	3	20	
Improvement Required	Yellow	0	5	
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.

There were no issues identified in the audits completed in the period that were of a significant nature requiring reporting to the Committee.

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 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