

Audit Committee

19 May 2015

Internal Audit Progress Report Period Ended 31 March 2015



Report of the Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1. To inform Members of the work that has been carried out by Internal Audit during the period 1 January 2015 to 31 March 2015 as part of the 2014/2015 Internal Audit Plan.
2. The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operating across the Council that have been subject to an Internal Audit.
 - Advise of issues where controls need to be improved in order to effectively manage risks.
 - Advise of other types of audit work carried out such as grant certification or consultancy reviews where an assurance opinion on the control environment may not be applicable.
 - Advise of amendments to the Internal Audit Plan.
 - Track the progress of responses to Internal Audit reports and the implementation of agreed audit recommendations.
 - Advise of any changes to the audit process.
 - Provide an update on the performance indicators comparing actual performance against planned.
3. The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).

Appendix 1	Progress against the Internal Audit Plan
Appendix 2	Final Reports issued in the quarter ending 31 December 2014
Appendix 3	The number of high and medium priority actions raised and implemented
Appendix 4	Internal Audit Performance Indicators
Appendix 5*	Overdue Actions
Appendix 6*	Limited Assurance Audit Opinions

Background

4. As an independent, consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
5. The Internal Audit Strategy and Annual Internal Audit Plan covering the period 1 July 2014 to 31 March 2015 was approved by the Audit Committee on 26 June 2014.

Progress against the Internal Audit Plan

6. A summary of the approved Internal Audit Plan for each Service Grouping, updated to include work in progress and any audits brought forward from last year's plan, is attached at Appendix 1. The appendix illustrates the current status of each audit as at 31 March 2015 and where applicable also gives the resultant assurance opinion.
7. A summary of the status of audits in 2014/15 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report
Assistant Chief Executive (ACE)	0	0	4	0	12
Children and Adult Services (CAS) including Schools	0	9	13	1	50
Neighbourhood Services (NS)	0	2	7	1	29
Regeneration and Economic Development (RED)	0	3	6	0	12
Resources (RES)	0	6	14	4	41
TOTAL	0	20	44	6	144

8. A summary of the final audit reports issued in this quarter is presented in Appendix 2.
9. The total number of Productive Internal Audit days required to deliver the plan was 3,222. As at 31 December the service has delivered 3,119 productive days representing 96% of the total plan. The target at the end of the quarter was for 90% to be delivered therefore performance has exceeded target.
10. This is against a current backdrop of higher than average levels of sickness within the section which is being actively managed.

Audit Activity in the Quarter

Amendments to the Approved 2014/2015 Internal Audit Plan

11. The following amendments to the approved Internal Audit Plan have been agreed between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager in this quarter:

Service Grouping	Audit	Amendment Type	Reason
Children and Adult Services (CAS)	Foster Carer Payments	Deferred to 2015/2016	New scheme now in place. Defer to give time for new scheme to be established and ensure a more useful review.
Neighbourhood Services (NS)	Grounds Maintenance Charging (inc. Clean and Green Follow Up)	Deferred to 2015/2016	Deferred into new year to allocate Audit Resource.
Neighbourhood Services (NS)	Compliance with Construction, Design and Maintenance	Deferred to 2015/2016	Review deferred to 2015/16 following amendments to Procurement Rules and awaiting feedback following work from Health and Safety.
Regeneration and Economic Development (RED)	Energy Management – Warm Up North	Deferred to 2015/2016	Grant required to be examined in 2015/16.
Regeneration and Economic Development (RED)	Spatial Policy	Cancelled	Audit no longer required.
Resources (RES)	Agency System	Deferred	New Agency arrangement put in place with De Poel. Time given for system to become established.

12. 14 unplanned reviews have been added to the Internal Audit Plan in this quarter. Of these, 12 are potential fraud or irregularity investigations.
13. The two other reviews, which are to be sourced from the service contingency provision within the Internal Audit Plan, are detailed below:

Service Grouping	Audit	Audit Type	Reason
Assistant Chief Executive (ACE)	Data Quality – 3 Specific Performance Indicators – Follow Up Audit	Assurance	Follow Up of Limited Assurance
Resources (RES)	Debtors	Assurance	Follow Up of Limited Assurance

Outstanding Management Responses to Draft Internal Audit Reports

14. There are currently no draft audit reports overdue at the time of writing.

Responses to Audit Findings and Recommendations

15. Details of the numbers of High and Medium priority ranked recommendations that have been raised and those that are overdue, by Service Grouping are presented in Appendix 3

16. A summary of progress on the actions due, implemented and overdue as at 31 March 2015 is given in the table below:

Service Grouping	Number of Actions Due to be Implemented	Number of Actions Actually Implemented	Actions Overdue by Agreed Original Target Date	Actions with an Agreed Revised Target Date	Actions Overdue by Revised Target Date
Assistant Chief Executive (ACE)	4	4	0	0	0
Children and Adult Services (CAS)	72	70	2	2	0
Neighbourhood Services (NS)	177	168	9	9	0
Regeneration and Economic Development (RED)	64	53	11	11	0
Resources (RES)	382	362	20	20	0
TOTAL	699	657	42	42	0

17. It is encouraging to note, of the 699 actions due to be implemented, that 657 (94%) have been implemented. The Chartered Institute of Public Finance and Accountancy (CIPFA), benchmarking exercise indicates that average performance in this area to be between 70% to 80%. At present the Council is delivering in excess of this target.

18. Details of the actions that are overdue following their agreed original target dates are included at Appendix 5.

Limited Assurance Audit Opinions

19. There have been two audits finalised in this quarter that have been issued with a 'limited assurance' opinion. These are:

Service Grouping	Service Area	Audit
Children and Adult Services (CAS)	Adult Services	Adaptations
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Animal Health

20. Further details of the findings from these audit reviews are included within Appendix 6.

Performance Indicators

21. A summary of our actual performance at the end of March 2015 compared with our agreed targets is illustrated in Appendix 4.

Recommendations

22. Members are asked to note:

- The amendments made to the 2014/2015 Annual Audit Plan.
- Work undertaken by Internal Audit during the period ending 31 March 2015 and the assurance on the control environment provided.
- The performance of the Internal Audit Service during the period.
- Progress made by service managers in responding to the work of Internal Audit.