

## **Audit Committee**

**30 November 2015**

### **Internal Audit Progress Report Period Ended 30 September 2015**



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## **Report of the Chief Internal Auditor and Corporate Fraud Manager**

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### **Purpose of the Report**

1. To inform Members of the work that has been carried out by Internal Audit during the period 1 April 2015 to 30 September 2015 as part of the 2015/2016 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 of systems and processes.
  - 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 Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 2	Progress against the Internal Audit Plan
Appendix 3	Final Reports issued in the quarter ending 31 December 2014
Appendix 4	The number of high and medium priority actions raised and implemented
Appendix 5	Internal Audit Performance Indicators
Appendix 6*	Overdue Actions

## 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 April 2015 to 31 March 2016, was approved by the Audit Committee on 29 June 2015.

## 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 2. The appendix illustrates the current status of each audit as at 30 September 2015 and, where applicable, also gives the resultant assurance opinion.
7. A summary of the status of audits in 2015/16 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report
Assistant Chief Executive (ACE)	1	5	2	1	6
Children and Adult Services (CAS) excluding Schools	2	26	15	0	14
Children and Adult Services (CAS) - Schools	18	8	8	7	22
Neighbourhood Services (NS)	1	24	8	3	13
Regeneration and Economic Development (RED)	1	9	3	2	9
Resources (RES)	12	30	15	4	22
<b>TOTAL</b>	<b>35</b>	<b>102</b>	<b>51</b>	<b>17</b>	<b>86</b>

8. A summary of the final audit reports issued in this quarter is presented in Appendix 3.

9. The total number of Productive Internal Audit days required to deliver the plan is 4,888. As at 30 September, the service has delivered 2,321 productive days representing 47% of the total plan. The target at the end of the quarter was for 45% to be delivered, therefore performance is in line to achieve the target.

### **Audit Activity in the Quarter**

#### **Amendments to the Approved 2015/2016 Internal Audit Plan**

10. The following seven reviews are to be removed from the approved Internal Audit Plan this quarter following agreement between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager:

<b>Service Grouping</b>	<b>Audit</b>	<b>Audit Type</b>	<b>Reason</b>
Assistant Chief Executive (ACE)	Strategy for Social Media	Advice & Consultancy	The service requested that this advice & consultancy review be cancelled.
Assistant Chief Executive (ACE)	Durham Ask Governance	Advice & Consultancy	The service requested that this advice & consultancy review be cancelled.
Assistant Chief Executive (ACE)	Community Engagement (Consultation Strategy)	Advice & Consultancy	The service requested that this advice & consultancy review be cancelled.
Children and Adult Services (CAS)	Adoption Service	Assurance	The service requested to defer the review to 2016/17 given the extent of change currently being faced in the area.
Children and Adult Services (CAS)	Arrangements for the management and monitoring of contract information across the service	Assurance	The service requested to defer the review to 2016/17 pending the outcome of the post contract arrangements review being implemented.
Regeneration and Economic Development (RED)	EU Structural Funds Programme	Assurance	The service requested that this review be deferred to 2016/17 as there will be an insufficient number of projects to test going through the new process to be able to provide an assurance opinion.
Resources (RES)	Occupational Health	Assurance	This review was cancelled as assurance is provided on the service via external accreditation.

11. Nine unplanned reviews have been added to the Internal Audit Plan in this quarter. Of these, five are potential fraud or irregularity investigations.

12. The four 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
Neighbourhood Services (NS)	Local Highways Maintenance Funding - Incentive Element	Advice & Consultancy	Service request to review evidence used to support a self-assessment questionnaire prior to submitting it to the DfT
Neighbourhood Services (NS)	Woodland Burial Trust	Assurance	Service request to undertake review in response to concerns raised in relation to the Trust's operating practices.
Regeneration and Economic Development (RED)	Disabled Facilities Grant	Assurance	This review was added at the request of the Corporate Director, Resources, following a supplier complaint.
Resources (RES)	Agency System	Advice & Consultancy	Service request to add this advice and, prior to a planned assurance review being carried out later in the year.

### Outstanding Management Responses to Draft Internal Audit Reports

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

### Survey Response Rate

14. The table below sets out the response rate and average score, by Service Grouping, for the customer satisfaction surveys issued during the period up to the end of September.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Assistant Chief Executive (ACE)	3	2	67	4.4
Children and Adult Services (CAS) excluding Schools	8	6	75	4.3
Children and Adult Services (CAS) - Schools	18	7	39	4.8
Neighbourhood Services (NS)	10	9	90	4.6
Regeneration and Economic Development (RED)	7	4	57	4.7
Resources (RES)	21	14	67	4.2
<b>TOTAL</b>	<b>67</b>	<b>42</b>	<b>63</b>	<b>4.4</b>

### 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 4.

16. A summary of progress on the actions due, implemented and overdue, as at 30 September 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)	10	7	3	3	0
Children and Adult Services (CAS)	134	134	0	0	0
Neighbourhood Services (NS)	201	193	8	8	0
Regeneration and Economic Development (RED)	80	67	13	13	0
Resources (RES)	433	419	14	14	0
<b>TOTAL</b>	<b>858</b>	<b>820</b>	<b>38</b>	<b>38</b>	<b>0</b>

17. It is encouraging to note that, of the 858 actions due to be implemented, 820 (96%) 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 6.

### Limited Assurance Audit Opinions

19. There were no audits finalised in this quarter that were issued with a 'limited assurance' opinion.

### Performance Indicators

20. A summary of our actual performance at the end of September 2015 compared with our agreed targets is illustrated in Appendix 5.

## **Recommendations**

21. Members are asked to note:

- The amendments made to the 2015/2016 Annual Audit Plan.
- Work undertaken by Internal Audit during the period ending 30 September 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.

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## **Appendix 1: Implications**

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### **Finance**

No direct implications as a result of this report.

### **Staffing**

None

### **Risk**

None

### **Equality and Diversity/Public Sector Equality Duty**

None

### **Accommodation**

None

### **Crime and disorder**

None.

### **Human rights**

None

### **Consultation**

All Corporate Directors and Heads of Service.

### **Procurement**

None

### **Disability Issues**

None

### **Legal Implications**

None