

Audit Committee

17 May 2016

Internal Audit Progress Report Period Ended 31 March 2016



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 April 2015 to 31 March 2016 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 Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 2015
Appendix 4	The number of high and medium priority actions raised and implemented
Appendix 5	Internal Audit Performance Indicators
Appendix 6*	Overdue Actions
Appendix 7*	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 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 31 March 2016 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 / Complete
Assistant Chief Executive (ACE)	0	1	2	2	8
Children and Adult Services (CAS) excluding Schools	1	1	7	2	42
Children and Adult Services (CAS) - Schools	0	7	8	0	46
Neighbourhood Services (NS)	0	4	6	3	37
Regeneration and Economic Development (RED)	0	3	1	5	14
Resources (RES)	0	7	14	6	51
TOTAL	1	23	38	18	198

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 was 4,888. As at 31 March, the service delivered 4,762 productive days, representing 97% of the total plan. The year-end target was for 90% to be delivered, therefore performance has exceeded the target.

Audit Activity in the Quarter

Amendments to the Approved 2015/2016 Internal Audit Plan

10. The following 13 reviews were removed from the approved Internal Audit Plan in the quarter, following agreement between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager:

Service Grouping	Audit	Audit Type	Reason
Assistant Chief Executive (ACE)	Data Protection – Information Asset Registers	Assurance	Cancelled due to a separate exercise being carried out within CAS on information asset registers.
Assistant Chief Executive (ACE)	Business Continuity Planning	Assurance	This review is to be deferred to 2016/17.
Children and Adult Services (CAS)	Foster Carer Payments	Assurance	Deferred to 2016/17 with agreement of key contact.
Children and Adult Services (CAS)	Children's Homes - Cash handling - High Etherley / Framwellgate Moor	Assurance	Deferred to 2016/17 as priority given to Pathways Closure reviews. Children's Homes rescheduled to begin April 2016.
Regeneration and Economic Development (RED)	Project Management arrangements	Advice & Consultancy	This review is to be deferred to 2016/17, to allow for work within the service to be completed beforehand.
Regeneration and Economic Development (RED)	Warm Up North	Advice & Consultancy	At the request of the service, this review is to be cancelled.
Resources (RES)	General Ledger	Key system	Defer to 2016/17
Resources (RES)	MTFP	Key system	Defer to 2016/17
Resources (RES)	Capital Accounting	Key system	Defer to 2016/17
Resources (RES)	Housing Benefits Sundry Debtor Overpayments	Key system	Defer to 2016/17
Resources (RES)	Windows Security	Assurance	Defer to 2016/17
Resources (RES)	Variations to Contracts	Assurance	Defer to 2016/17
Resources (RES)	Unix review	Advice & Consultancy	Cancelled as work no longer required.

11. Nine unplanned reviews were added to the Internal Audit Plan in the quarter. Of these, five are potential fraud or irregularity investigations.
12. The four other reviews, which were sourced from the service contingency provision within the Internal Audit Plan, are detailed below:

Service Grouping	Audit	Audit Type	Reason
Children and Adult Services (CAS)	Council arrangements in handling Employment Tribunal Case.	Advice & Consultancy	CMT request following a judgement that a significant financial payment be made to a former employee.
Children and Adult Services (CAS)	Certification of School Direct (Salaried) and Collaborative Fund expenditure	Grant Certification	Certification of DFE grant payments to schools.
Resources (RES)	Teaching Assistants	Advice & Consultancy	This review was added at the request of the service.
Resources (RES)	Employee Car Leasing Scheme	Advice & Consultancy	Involvement in working group for the proposed employee car leasing scheme

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 March 2016.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Assistant Chief Executive (ACE)	4	2	50	4.4
Children and Adult Services (CAS) excluding Schools	13	10	77	4.5
Children and Adult Services (CAS) - Schools	44	32	73	4.6
Neighbourhood Services (NS)	21	18	86	4.5
Regeneration and Economic Development (RED)	12	11	92	4.4
Resources (RES)	40	30	75	4.1
TOTAL	134	103	77	4.4

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 31 March 2016, 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)	17	14	3	3	0
Children and Adult Services (CAS)	169	153	16	16**	0
Neighbourhood Services (NS)	261	242*	19	19	0
Regeneration and Economic Development (RED)	107	100	7	7	0
Resources (RES)	348	333	15	15	0
TOTAL	902	842	60	60	0

* Note: This figure includes 5 high priority actions for which evidence of implementation is to be reviewed as part of follow up audit.

**Note: This figure includes 16 actions from one report where revised target dates are to be confirmed prior to follow up.

17. It is encouraging to note that, of the 902 actions due to be implemented, 838 (93%) 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 have been three 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	Children's Services	Aycliffe Locality Office, Residential and Secure Services
Neighbourhood Services	Culture and Sport	Locomotion Museum
Resources	All Services	Trading Arrangements (Service Direct Newco Ltd.)

20. Further details of the findings from these audits are included within Appendix 7.

Performance Indicators

21. A summary of our actual performance, at the end of March 2016, compared with our agreed targets is illustrated in Appendix 5.

Recommendations

22. Members are asked to note:

- The amendments made to the 2015/2016 Annual Audit Plan.
- Work undertaken by Internal Audit during the period ending 31 March 2016 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

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