

Audit Committee

28 November 2016

Internal Audit Progress Report Period Ended 30 September 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 2016 to 30 September 2016 as part of the 2016/2017 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.
 - Update on the outcome of the lessons learned following an internal audit review of an Employment Tribunal case.
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 Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 30 June 2016
Appendix 4	The number of high and medium priority actions raised and implemented
Appendix 5	Internal Audit Performance Indicators

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 2016 to 31 March 2017, was approved by the Audit Committee on 17 May 2016.

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 2016 and, where applicable, also gives the resultant assurance opinion. Note that the Council's Service Grouping structure has been amended. Appendix 2 aligns each audit to the new structure, with the previous alignment also shown for information.
7. A summary of the status of audits in 2016/17 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report / Complete
Transformation and Partnerships (TaP)	5	2	2	0	7
Adult & Health Services (AHS)	4	6	6	1	21
Children and Young People's Services (CYPS) – Excluding Schools	7	8	5	0	11
Children and Young People's Services (CYPS) - Schools	17	13	7	10	12
Regeneration and Local Services (ReaL)	10	18	6	3	33
Resources (RES)	18	18	20	6	24
TOTAL	61	65	46	20	108

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 4,748. As at 30 September, the service delivered 2,433 productive days, representing 51% of the total plan. The target at the end of the quarter was for 45% to be delivered, therefore performance is exceeding the target.

Audit Activity in the Quarter

Amendments to the Approved 2016/2017 Internal Audit Plan

10. The following six 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
Transformation and Partnerships (TaP)	Data Protection – Neighbourhood Services Health Checks	Assurance	Service request to cancel review as no further value to be added.
Adult & Health Services (AHS)	E Market Place	Advice and Consultancy	Review deferred to 2017/18.
Regeneration and Local Services (ReaL)	Local Pinchpoint Fund	Grant	Cancelled as there was no funding in 2015/16.
Regeneration and Local Services (ReaL)	CRM System Implementation	Advice and Consultancy	Review deferred to 2017/18.
Regeneration and Local Services (ReaL)	Bulky goods collection service	Advice and Consultancy	Review deferred to 2017/18.
Resources (RES)	Active Directory	Assurance	Review deferred to 2017/18 to provide time for new arrangements to bed in.

11. 35 unplanned reviews were added to the Internal Audit Plan in the quarter. Of these, 22 are potential fraud or irregularity investigations.
12. The 13 other reviews, which were sourced from the service contingency provision within the Internal Audit Plan, are detailed below:

Service Grouping	Audit	Audit Type	Reason
Transformation and Partnerships (TaP)	Community Leisure Accounts	Advice and Consultancy	Review added at the request of the Head of Partnerships and Community Engagement.
Transformation and Partnerships (TaP)	Community Buildings – Health & Safety Compliance	Advice and Consultancy	Review added to participate in a working group to assist in the clarification of responsibilities in ensuring that all community buildings comply with Health and Safety requirements.
Adult & Health Services (AHS)	Holiday Calculation & Payment Arrangements	Advice and Consultancy	Review added to the plan
Children and Young People's Services (CYPS)	Children's Homes - High Etherley	Assurance	Follow Up Review of Limited Assurance
Children and Young People's Services (CYPS)	Schools - Safe Recruitment and Selection	Assurance	Request from Head of Education following concerns raised in relation to arrangements at one school
Regeneration and Local Services (Real)	Carbon Reduction Commitment	Advice and consultancy	Review to verify the accuracy and compliance with the requirements for the submission of the annual report.
Regeneration and Local Services (Real)	West Rainton and Leamside CA	Advice and consultancy	Review to evaluate the risks associated with investing in West Rainton and Leamside Community Association.
Regeneration and Local Services (Real)	Local Transport Capital Block Funding for NECA	Grant	Review added
Regeneration and Local Services (Real)	LSTF Capital Block UTMC	Grant	Review added
Regeneration and Local Services (Real)	Local Growth Fund – Durham Station Gateway Scheme	Grant	Review added
Resources (RES)	Financial Services Support for CAS	Assurance	Review added at the request of the Head of Service.
Resources (RES)	Financial Services – COP Petty Cash Account	Assurance	Review added at the request of the Head of Service
Resources (RES)	Teaching Assistants – Data Accuracy	Advice and Consultancy	Review added at the request of the Head of Service.

Outstanding Management Responses to Draft Internal Audit Reports

13. There are 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 2016.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Transformation and Partnerships (TaP)	7	7	100	4.5
Adult & Health Services (AHS)	16	14	88	4.8
Children and Young People's Services (CYPS)	4	3	75	4.4
Schools	11	6	55	4.9
Regeneration and Local Services (ReaL)	26	23	88	4.3
Resources (RES)	24	23	96	4.4
TOTAL	88	76	86	4.5

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 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
Transformation and Partnerships (TaP)	13	13	0	0	0
Adult & Health Services (AHS)	139	137	2	2	0
Children and Young People's Services (CYPS) – Excluding Schools	74	66	8	8	0
Regeneration and Local Services (ReaL)	357	*325	32	32	0
Resources (RES)	292	271	21	21	0
TOTAL	875	812	63	63	0

* Note: Includes one high priority action, which is to be followed up to confirm implementation.

17. It is encouraging to note that, of the 875 actions due to be implemented, 812 (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 four audits finalised in this quarter that have been issued with a 'limited assurance' opinion. These are:

Service Grouping	Service Area	Audit
Adult and Health Services	Commissioning	Creditor Supplier Masterfile
Children & Young People's Services	Children's Services	Children's Home
Regeneration and Local Services	Planning and Assets	Asset Management
Resources	Corporate Finance and HR	Agency

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

Employment Tribunal Outcome Review

21. At Committee's last meeting members requested an update following a meeting that was to take place between the former teacher, Legal Services, Education and Internal Audit to discuss the lessons learned following the review. The former teacher cancelled the planned meeting and a number of subsequent dates have since been offered. At the time of writing there has been no acceptance of any of these dates.

Performance Indicators

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

Recommendations

23. Members are asked to note:
 - The amendments made to the 2016/2017 Annual Audit Plan.
 - Work undertaken by Internal Audit during the period ending 30 September 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.

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