

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>21 NOVEMBER 2016</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

### INTERNAL AUDIT: HALF YEAR UPDATE 2016 / 2017

<b>R E C O M M E N D A T I O N S</b>	
<b>FROM :</b> John Harrison, Director of Strategic Resources	<b>Deadline date :</b> N/A
Audit Committee are asked that :	
<p>1. The Internal Audit Update Report to 30 September 2016 be received and the Committee note in particular:</p> <p style="margin-left: 40px;">(a) Progress made against the plan and overall performance of the section;  (c) Reports with an opinion of Limited or No Assurance; and  (d) Initial outcomes of the Internal Audit Customer Survey.</p>	

#### 1. ORIGIN OF REPORT

This report is submitted to Audit Committee as a routine planned report within the work programme of the Committee.

#### 2. PURPOSE AND REASON FOR REPORT

2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.1.1 To consider the annual audit report and opinion of the Executive Director (Strategic Resources) and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements".

2.2 The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the Council. It is based on the findings of completed internal audits from the Annual Audit Plan 2016 / 2017 as at 30 September 2016.

#### 3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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## 4. INTERNAL AUDIT UPDATE

### 4.1 Progress against Plan

4.1.1 **Appendix A** shows the status of those audits included in the original plan, as well as any unplanned audits that have arisen since the plan was approved. As is the norm, activity in the first six months has focused on jobs which have been date demand led as well as focusing on the closure of the previous year's reviews.

4.1.2 To date 6 grant certifications have been completed and 4 audit projects have been finalised. There are 20 audit projects in progress, including 3 at draft report stage. With a further 12 audit projects left to be undertaken in the second half of the year, progress against the 2016 / 2017 plan is as expected.

4.1.4 In addition, there are 7 audit projects underway for Vivacity, for whom Internal Audit also provides a service.

### 4.2 Performance

4.2.1 There has been 0.9 days of sickness absence per person, compared to a corporate target of 2.5 days for the half year to September.

4.2.2 There has been 100% acceptance of audit recommendations to date, against a target of 90%.

4.2.3 Follow-ups carried out to date show that 86% of agreed recommendations have been implemented, against a target of 90%.

### 4.3 Reports with Limited or No Assurance

4.3.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: **SUBSTANTIAL**; **REASONABLE**; **LIMITED**; and **NO ASSURANCE**. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews are included at **Appendix B**, once the audit review has been agreed and finalised.

4.3.2 There is one report that currently falls into this category – The Local Offer. All recommendations have been agreed and improvements were being made during the course of the audit review, so this is not a particular cause for concern.

### 4.4 Customer Survey

4.4.1 During the summer we surveyed Directors, Heads of Service and other selected managers with whom we have frequent contact. The aim was to obtain a view on our services and the scope of our work, as well as how well we perform our work and respond to the needs of the Council.

4.4.2 Overall the response was very positive, with the majority of our services regarded as critical or important, and our performance rated as excellent or good by many.

4.4.3 The main theme that emerged was around awareness and understanding of our role, and a possible divergence between that and the role specified within the professional audit standards to which we adhere. We will aim to increase dialogue between ourselves and managers, as well as improving the use of our internal webpage. A survey of members is also planned to be issued this year.

4.4.4 A detailed analysis of the results can be found at **Appendix C**.

## **5. CONSULTATION**

This report and the accompanying appendices have been issued to the deputy s.151 Officer for consideration.

## **6. ANTICIPATED OUTCOMES**

That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan and its business plan performance. In addition, that the Audit Committee is made aware of any key control issues highlighted by our work since the last progress report.

## **7. REASONS FOR RECOMMENDATIONS**

The Council is subject to the Accounts and Audit Regulations 2015 and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. This report and associated papers demonstrate how the audit service is progressing against the audit plan how it will contribute to the Statement.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

The alternative of not providing an Internal Audit service is not an option.

## **9. IMPLICATIONS**

### Corporate Resource Implications

During the year, Internal Audit makes a number of recommendations. While implementing these may have resource implications for the various areas under review, Internal Audit discuss and agree recommendations with the Auditee prior to the issue of the final audit report. Therefore, it is assumed that their implementation can and will be undertaken either with existing resources or with additional resources that they can readily call upon.

### Legal Implications

The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations. There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

**BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

Internal Audit Annual Plan 2016 / 2017  
Internal Audit reports

**APPENDICES:**

<b>Appendix A</b>	Progress of Audit Plan 2016 / 2017 (To 30 September 2016)
<b>Appendix B</b>	Completed Audits: Executive Summary of Audits With Limited / No Assurance
<b>Appendix C</b>	Internal Audit Customer Survey / Results 2016