

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 4
<b>9 NOVEMBER 2015</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Aitken, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Corporate Director Resources Steve Crabtree, Chief Internal Auditor	☎ 452 398 ☎ 384 557

### INTERNAL AUDIT: HALF YEAR UPDATE 2015 / 2016

<b>RECOMMENDATIONS</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 2015 be received and the Committee note in particular:</p> <p style="padding-left: 40px;">(a) Progress made against the plan and the overall performance of the section.</p>	

#### 1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee as a routine planned report within the work programme of the Committee. It sets out Internal Audit performance and progress with regards to the 2015 / 2016 Audit Plan (Audit Committee approval: 16 March 2015).

#### 2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to inform the Audit Committee on Internal Audit activities and performance progress against the Annual Audit 2015 / 2016 as at 30 September 2015.

2.2 The report is for the Committee to consider under its Terms of Reference No. 2.2.1.3 – To consider reports dealing with the management and performance of the providers of internal audit services.

#### 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. OVERVIEW

- 4.1 This report outlines the work undertaken by Internal Audit up to 30 September 2015, progress against our plan and other issues of interest.

#### 5. ASSURANCE OPINION

- 5.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: **FULL**; **SIGNIFICANT**; **LIMITED**; and **NO ASSURANCE**. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews will be included in an appendix to this report, once the audit review has been agreed and finalised. **There is one report that currently falls into this category in this Audit Committee update.**
- 5.2 Initial work throughout the first six months has focused on activities which have been date demand led as well as focussing on the closure of previous years reviews. These have included 7 audit projects involving the verification and certification of grants. As a result of the implementation of the Agresso system, Internal Audit has revisited its audit activities in this area to include Accounts Payable, Accounts Receivable and General Ledger. This work will be on-going until the system goes live in November. In addition to this Internal Audit continues to work with the Investigations team where two reviews have proven to be resource intensive. As much of the work has been specific to the area being reviewed, the Chief Internal Auditor is unable to provide an opinion on the internal control environment across the organisation at this stage.

#### 6. AUDIT PLAN 2015 / 2016

##### 6.1 Progress against Plan

- 6.1.1 **Appendix A** shows the status of those audits included in the original plan, as well as those unplanned audits that have arisen since the plan was approved.
- 6.1.2 At present 19 audit projects are in progress, 6 are at draft report stage and 18 have been finalised. In addition 7 grant certifications have been completed.
- 6.1.3 There are 22 audit projects left to be undertaken in the second half of the year, along with the completion of the 19 currently in progress. Since the audit plan was approved resources have reduced slightly as a result of a Senior Auditor temporarily reducing their hours to 0.8fte. The impact of this is the reduction in approximately 30 available audit days, 2-3 reviews. Progress against the 2015/2016 plan is reasonable and any audits that may not be delivered as a result of the reduced resources will be risk assessed and prioritised during the next six months based on business need or focus.
- 6.1.4 Internal Audit also undertakes audit activities for Vivacity. During the year to date, 4 carried forward audits have been finalised with 5 reviews in progress. There are a further 5 reviews to commence during the remainder of the year.
- ##### 6.2 Other Performance Matters
- 6.2.1 There has been 0.58 days of sickness absence per person, compared to a target of 2.5 days.
- 6.2.2 There has been 100% acceptance of audit recommendations to date.

## **7. CONSULTATION**

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

## **8. ANTICIPATED OUTCOMES**

- 8.1 That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan. In addition, that the Audit Committee is made aware of any key control issues highlighted by our work.

## **9. REASONS FOR RECOMMENDATIONS**

- 9.1 The Council is subject to the Accounts and Audit Regulations 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.

## **10. ALTERNATIVE OPTIONS CONSIDERED**

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

## **11. IMPLICATIONS**

### **11.1 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.

### **11.2 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.

## **12. BACKGROUND DOCUMENTS**

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

- 12.1 Internal Audit Annual Plan 2015 / 2016

## **13. APPENDICES:**

<b>Appendix A</b>	Progress of Audit Plan 2015 / 2016 (To 30 September 2015)
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