

## AUDIT AND RISK COMMITTEE REPORT

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Leader
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<b>OPEN</b>	

**Committee:** Resources and Performance – Audit & Risk Committee  
**Date:** 23<sup>rd</sup> June 2015  
**Subject:** Internal Audit Plan 2014/15 –End of Year Progress report.

<b>Summary</b>	This report shows the Internal Audit activity for the second half 2014/15 against the Strategic Audit Plan.
<b>Recommendation</b>	Members are asked to note the report on the Internal Audit workplan 2014/15.

### 1.0 Introduction and Background

- 1.1 The Strategic Audit Plan 2014/15, endorsed by the Audit and Risk Committee on 25<sup>th</sup> February 2014, sets out the work Internal Audit expect to carry out during the year. This work complies with the requirement under section 4(1) of the Accounts and Audit Regulations 2011 for the Council to ensure it has a sound system of internal control.
- 1.2 Performance Standard 2060 of the Public Sector Internal Audit Standards (PSIAS) requires the Audit Manager to report to the Audit and Risk Committee on the internal audit activity and performance relative to this plan.

### 2.0 Audit work in second half 2014/15.

- 2.1 On completion of each audit a formal report is issued to the relevant line managers, the Executive Director and Portfolio Holder. Copies are also sent to the Chief Executive, Assistant Director and the external auditors, Ernst and Young. The report contains an action plan, with target dates, that has been agreed with the managers to address the observations and recommendations raised by Internal Audit. This forms the basis of the follow-up audit, which is carried out approximately six months later to assess progress in implementing the agreed actions.

## 2.2 *Reports issued*

The following audits have been completed during the last quarter and reports issued as described above:

- NORA – Joint Venture
- Cremator Refurbishment Project
- Planning Support
- Care and Repair
- Property Services – Asbestos
- Property Services – Building Maintenance
- Policy and Partnerships
- Democratic Services
- Housing Benefits
- Inventories and Asset Management
- Cremator Refurbishment Project follow-up
- Property Services – Asbestos Management follow-up
- Property Services – Building Maintenance follow-up
- Policy and Partnerships follow-up
- King's Court Shared Accommodation follow-up
- Environmental Quality – Flood and Water Management follow-up

A summary of the reports is attached as **Appendix 1** and the full versions are available under the relevant year to members of the Audit & Risk Committee on InSite.

## 2.3 *Work ongoing*

The following audits were ongoing at the end of the year and will be reported to the Committee in the next progress report:

- Payroll
- Council Tax
- Leisure Services
- General Ledger

## 2.4 *Other work carried out*

Apart from the standard audits, Internal Audit also undertook other work during the year including the following:

- Annual review of the processes to compile the Annual Governance Statement
- Reviewing the data matches returned for the latest National Fraud Initiative exercise.
- Producing a summary of the leisure trust arrangements.
- Creation of an Assurance Framework and supporting risk assessments to use in compiling the Strategic Audit Plan.

## 2.5 *Changes to the Audit Plan*

During 2014/15 there were several factors that affected the work of the Internal Audit Team. The Senior Auditor left in February 2014 and his replacement did not start until beginning of August, resulting in reduced staff resources for 6 months. The new auditor also needs to familiarise himself with the Council's systems and processes, which in turn means that each audit takes longer than anticipated. However it is preferable to spend

longer and ensure a thorough audit is performed rather than adhere to the timescales.

The Trainee Accountant had been allocated to Internal Audit on the basis of the equivalent of one day a week. However his accountancy work in connection with the leisure trust arrangements has proved to be too time consuming to enable him to fulfil his audit role. As a result the audits allocated to him have been reallocated.

Finally the Audit Manager has been involved in a fraud investigation that required detailed examination of emails and other documents. She was also absent from work from November until mid-February.

As a result the 2014/15 audit plan was not completed by the end of the financial year and a number of core audits have been carried over from 2014/15 to 2015/16, namely:

- Creditors and Payments
- Business Rates Retention Scheme
- Accounts Receivable
- Treasury and Cashflow Management

However due to the Audit Manager's absence at the end of the year, the audit plan for 2015/16 has only just been prepared and so work could continue on the carried over audits.

### 3.0 Performance Indicators

3.1 Delivery of the Audit Plan – a target of 95% has been set to take in to account any work that may overlap at year end and also to allow for any additional work that may arise during the year. The table below summarises the position against the planned audits contained in the Audit Plan 2014/15.

2014/15 Status of Audits	Audit days used	Percentage of Plan (in days)
Completed and reported	135	39%
In Progress	107	30%
Removed from plan	25	7%
Planned for future quarters	85	24%
<b>Total Planned Audits</b>	<b>352</b>	100%

3.2 Planned audit time – a target of 68% has been set for the full year with an actual figure of 57%. This refers to the proportion of the total available time that is spent on planned audit work rather than management, training, general administration and holidays. The reasons for the reduction have been explained in paragraph 2.5 above.

### 5.0 Conclusion

5.1 The progress against the plan has been less satisfactory than usual due to the exceptional circumstances during 2014/15. The planned work will be completed,

albeit late, and will feed in to the audit plan for 2015/16. Sufficient work has been completed on which the Audit Manager can base an opinion on the systems of internal control as required in the Annual Audit Report and the Annual Governance Statement.

- 5.2 This report provides Members with an overview of the audit activity and outcomes over the period, and provides an opportunity for Members to seek further information if required.

## Notes to support the summary in Appendix 1

The following tables provide an explanation of the terms used to grade the recommendations contained in the final audit reports, and the overall opinion attributed as the result of each audit.

### Recommendations

The observations and recommendations are allocated a grading High, Medium or Low as defined below:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft report.
Low	Matters of limited risk. Action should be taken as resources permit.

Please note - 'Low' recommendations are not summarised in this report due to the insignificant nature of the issue.

### Audit Opinion

At the conclusion of the audit an overall audit opinion is formed for the audit area. The definition for each level of assurance is given below.

Full Assurance	A sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
Limited Assurance	A system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Audits completed October to March 2014-15	Overall Opinion
<p><u>NORA – Joint Venture</u> Report published in July 2014. There was just one ‘Medium’ recommendation to ensure cashflow predictions were produced regularly. This was completed at the time of the audit.</p>	Substantial Assurance
<p><u>Cremator Refurbishment Project</u> Report published in July 2014. There were two ‘Medium’ recommendations relating to the tender evaluations, and to the need to consider the timing of replacing the cremators in respect of booked services.</p>	Substantial Assurance
<p><u>Planning Support</u> Report published in November 2014. The report contained 14 recommendations of which 5 were graded as ‘High’, 6 as ‘Medium’ and 3 as ‘Low’. The ‘High’ recommendations related to:</p> <ul style="list-style-type: none"> <li>• the need for a monthly reconciliation of planning income records to accountancy reports;</li> <li>• checking that all required redactions have been made before publishing documents on the website;</li> <li>• improve system change control to ensure all changes are adequately documented.</li> <li>• implement password process in line with corporate policy</li> <li>• update the Business Continuity Plan</li> </ul> <p>The ‘Medium’ recommendations largely related to the administration of recording income and to the monitoring of discharge conditions.</p>	Substantial Assurance
<p><u>Care and Repair</u> Report published in December 2014. The report contained 7 recommendations of which 2 were graded as ‘High’ and 5 as ‘Medium’. The ‘High’ recommendations related to the need to improve the system of approving the work required; and to identify a method of adding a warning flag to the electronic case file. The ‘Medium’ recommendations concern improving the workflow involving Occupational Therapists; improving data for reporting and monitoring; use of a framework contract and improving the management of contractor workloads.</p>	Limited Assurance

Audits completed October to March 2014-15	Overall Opinion
<p><u>Property Services – Asbestos Management</u>            Report published in October 2014.            The report contained 1 'High' and 4 'Medium' recommendations. The 'High' recommendation referred to the need to appoint a Dutyholder at a corporate level. The 'Medium' recommendations concerned the need for a new asbestos survey and software to record the results; the production of contractor booklets to cover all Council buildings; improved systems to monitor and record the condition of asbestos; and asbestos awareness training.</p>	Limited Assurance
<p><u>Property Services – Building Maintenance</u>            Report published in October 2014.            The report contained 1 'Medium' recommendation concerning the development of a Planned Building Maintenance Programme.</p>	Substantial Assurance
<p><u>Policy and Partnerships</u>            Report published in September 2014.            The report contained 3 'Medium' recommendations concerning the need for project plans; formal agreements with service providers; and the review and update of the Service Level Agreements.</p>	Substantial Assurance
<p><u>Democratic Services</u>            Report published in September 2014.            The report contained 1 'High' recommendation relating to the need to ensure all Councillors have fully completed the Register of Members' Disclosable Pecuniary Interests form.</p>	Substantial Assurance
<p><u>Housing Benefits</u>            Report published in December 2014.            The report contained 3 'Medium' recommendations. These referred to the parameters set for checking reports; the need to complete a backdating authorisation form for part claims; and the use of DataPA to produce write off reports.</p>	Substantial Assurance

<b>Audits completed October to March 2014-15</b>	<b>Overall Opinion</b>
<p><u>Inventories and Asset Management</u> Report published in February 2015. The report contained 2 'High' and 1 'Low' recommendations. The 'High' recommendations related to the update of the Council's Constitution with the latest version of the Financial Regulations; and update the for used for acquisition and disposals under the Scheme of Delegation.</p>	Substantial Assurance



Follow-up audits completed October to March 2014-15	Original report	Follow-up progress
<u>Cremator Refurbishment Project</u> The report issued in July 2014 contained 2 'Medium' recommendations, both of which have been completed satisfactorily.	July 2014 Substantial Assurance	April 2015 Very Good
<u>Property Services – Asbestos Management</u> The report issued in October 2014 contained 1 'High' and 4 'Medium' recommendations, all of which are either completed or progressing satisfactorily.	October 2014 Limited Assurance	April 2015 Good
<u>Property Services – Building Maintenance</u> The report issued in October 2014 contained 1 'Medium' recommendation, which has not been implemented. Since Alive Management has taken over responsibility for maintaining the leisure buildings, there are very few building left for Property Services to maintain. In addition a stock survey of the remaining buildings has been completed and identified work planned in the Capital Programme.	October 2014 Substantial Assurance	May 2015 Adequate
<u>Policy and Partnerships</u> The report issued in September 2014 contained 3 'Medium, recommendations, all of which progressing satisfactorily.	September 2014 Substantial Assurance	April 2015 Good
<u>King's Court Shared Accommodation</u> The report issued in April 2014 contained 1 'High' and 2 'Medium' recommendations all of which have been implemented.	April 2014 Substantial Assurance	December 2014 Good
<u>Environmental Quality – Flood and Water Management</u> The report issued in April 2014 contained 2 'Medium' recommendations both of which are being implemented satisfactorily.	April 2014 Limited Assurance	January 2015 Very Good