



**REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT AND  
IMPROVEMENT**

**INTERNAL AUDIT PROGRESS REPORT – 1<sup>ST</sup> APRIL 2015 TO 30<sup>TH</sup>  
SEPTEMBER 2015**

**Purpose of the Report**

1. To inform Audit Committee of the work carried out in the first half of the 2015/16 financial year and to highlight any key issues arising.

**Information and Advice**

2. The Authority has a statutory responsibility to undertake an adequate and effective internal audit of the County Council's operations. This responsibility is discharged by the Internal Audit Service which has unrestricted access to all activities undertaken by the County Council.
3. The work carried out by Internal Audit involves reviewing and reporting on the control environment established by management to:-
  - a) determine and monitor the achievement of the Authority's objectives
  - b) identify, assess and appropriately manage the risks to achieving the Authority's objectives
  - c) facilitate policy and decision making
  - d) ensure the economical, effective and efficient use of resources
  - e) ensure compliance with established policies, procedures, laws and regulations
  - f) safeguard the Authority's assets and interests
4. Internal Audit's work is planned to cover these areas and to provide an independent assessment of whether the Authority's systems and procedures are working appropriately. The work of Internal Audit is carried out in compliance with the Public Sector Internal Audit Standards. It is good practice to provide an interim report on Internal Audit work to senior management (CLT) and the Board (Audit Committee) and this report satisfies this expectation.

## Summary of Internal Audit Work 01/04/15 to 30/09/15

5. A wide range of audits have been completed during the period covering the Authority's operations at establishment, divisional, departmental and corporate levels. It is important to complete work at different levels of the Authority to provide assurance that the Authority is effective in setting strategy, implementing strategies and operating efficiently by using sound systems which minimise error and the risk of fraud. The time spent on audit work compared to that planned is shown in Appendix 1. Overall, the number of days spent carrying out audits was 824 days, which is below the planned level of 860 days. The shortfall is mainly due to the long term sick leave of two people within the Section. It is anticipated that the Audit Plan will not be completed by the end of the year due to the ongoing sick leave of two people. Alternative resources are being sought in order to mitigate the shortfall in completing the Audit Plan.
6. In the first six months of the year, a total of 60 County Council audits have been completed against a planned coverage of 142 audits for the year. For 50 of the completed audits, a formal report has been issued which includes an audit opinion on the level of internal control. A detailed analysis of the reports issued is shown in Appendix 2, setting out the area covered, the Audit Opinion, and the number of recommendations made and accepted. The other 10 audits covered a range of areas including provision of detailed written advice, assisting in developing policy and providing statutory reports.
7. During the period there were seven internal audit reports issued with a "Limited" audit opinion. Limited assurance opinions were issued in respect of four schools, with copies of the report sent to the Headteacher and Chair of Governors. Three of the limited assurance opinions related to departmental services and details of these reports are set out below.

**ASCH 1511 – Care and Support Centres – June 2015.** The key risks identified were failure to have up-to-date agreements with health partners on provision of beds, central coding of income precluding accurate management information and lack of a current service plan. In addition bed charges had been set in 2011 and income for a service provided at one home was being paid into the Social Fund rather than the official accounts. Fifteen recommendations were made and agreed to address control weaknesses.

**CFCS 1602 – School Swimming Service – September 2015.** The majority of the risk areas were being effectively managed. However, the key concern arose from an ongoing overspend against the budget. Although the level of income for 2014/15 was in excess of the budgeted income this was more than offset by the overspend on expenditure. This trading pattern suggests poor control of costs or incorrect pricing. Recommendations have been agreed to address this.

**XC 1506 – Information Governance – July 2015.** This audit covered a comprehensive range of issues arising from the need to manage information effectively. A total of 29 recommendations were made and agreed to address identified weaknesses. These included, amongst other things, staff training, corporate awareness of security of information, access to offices, vetting of staff, induction procedures, compliance with clear desk policy and third party access to systems.

## Internal Audit Performance Indicators

8. Progress against the Section's performance indicators, as at 30 September 2015, is detailed in the table below:-

**Table 2: Internal Audit Performance Indicators 2015/16**

<b>Performance Measure/Criteria</b>	<b>Target</b>	<b>Outcome as at 30/09/14</b>
Comply with Public Sector Internal Audit Standards	Compliance achieved	Substantial Compliance
Completion of Audit Plan - Days	90%	96%
- Jobs	90%	85%
Positive customer feedback	Feedback good or excellent	Achieved (average score is 1.8 where 1 is excellent and 2 is good)
Recommendations agreed	95%	98%
External Audit Reliance on Internal Audit	Positive	Positive

9. Progress to date on completing the Audit Plan has been good, but is below the planned time. The shortfall in the number of days is due to two long term ill health problems within the section. The number of jobs completed is also behind the plan, however a substantial number of audits are largely complete and draft reports issued. The Internal Audit Section complies substantially with the Public Sector Internal Audit Standards and external audit continue to place reliance on the work completed by Internal Audit.
10. The ill health issues are likely to persist for the rest of the financial year and would result in a shortfall in completing the Audit Plan. Alternative options to identify additional resources for the Section are being considered, including partnership working with neighbouring local authorities or buying in service from the private sector.
11. The responses to our audit reports continue to be positive. A total of 463 recommendations were made during the six month period to the end of September 2015 and 456 (98%) have been agreed for implementation. Customer feedback from the Quality Control Questionnaires is also positive with an average score of 1.8 (on a scale of 1 to 5).

### Conclusion

12. The work completed shows that the Authority's overall system of internal control continues to be satisfactory at this stage of the year.

Internal Audit work completed to 30 September 2015 is below target. Options to bring in additional resources are being considered to enable this to be addressed by the end of the financial year.

### **Other Options Considered**

13. The paper is for noting and comment only.

### **Reason/s for Recommendation/s**

14. To provide Members with the opportunity to note and comment on the work of Internal Audit during the first 6 months of the year.

### **Statutory and Policy Implications**

15. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

1) That Members of the Audit Committee note and comment on the progress against the Internal Audit Plan for 2015/16.

**Nigel Stevenson**

**Service Director (Finance, Procurement and Improvement)**

**For any enquiries about this report please contact:**

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### **Constitutional Comments**

The report is for noting and comment only.

### **Financial Comments (SES 19/11/15)**

There are no specific financial implications arising directly from this report.

### **Background Papers**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All