

**Council Report**

Audit Committee Meeting

**Title**

Internal Audit Progress Report For Seven Months Ending 31<sup>st</sup> October 2015.

**Is this a Key Decision and has it been included on the Forward Plan?**

No.

**Strategic Director Approving Submission of the Report**

Stuart Booth, Strategic Director, Finance and Corporate Services.

**Report Author(s)**

Marc Bicknell, Chief Internal Auditor

Internal Audit, Finance and Corporate Services

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**Ward(s) Affected**

All wards.

**Executive Summary**

This report provides a summary of Internal Audit work completed during the seven months ending 31<sup>st</sup> October 2015 and the key issues that have arisen from it. It also provides information regarding the performance of the Internal Audit function during the period.

**Recommendations**

The Audit Committee is asked to:

- i) Note the Internal Audit work undertaken during the seven months ending 31<sup>st</sup> October 2015 and the key issues that have arisen from it.
- ii) Note the information contained regarding the performance of Internal Audit during the period, in particular the management actions taken to improve delivery of the Audit Plan and ensure that sufficient work is completed to provide the statutory opinion on the adequacy of the Council's control environment.

**List of Appendices Included**

Appendix 1 – Internal Audit Progress Report For Seven Months Ending 31<sup>st</sup> October 2015.

Appendix A – Summary of Issues Arising From Audit Work Undertaken.

Appendix B – Responsive Audit Work / Investigations.

Appendix C – Analysis of Audit Recommendations Made, Agreed and Implemented.

**Background Papers**

UK Public Sector Internal Audit Standards.

Accounts and Audit (England) Regulations 2015.

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No.

**Council Approval Required**

No.

**Exempt from the Press and Public**

No.

# **Title: Internal Audit Progress Report For Seven Months Ending 31<sup>st</sup> October 2015**

## **1. Recommendations**

The Audit Committee is asked to:

- 1.1 Note the Internal Audit work undertaken during the seven months ending 31<sup>st</sup> October 2015 and the key issues that have arisen from it.
- 1.2 Note the information contained regarding the performance of Internal Audit during the period, in particular the management actions taken to improve delivery of the Audit Plan and ensure that sufficient work is completed to provide the statutory opinion on the adequacy of the Council's control environment.

## **2. Background**

- 2.1 Internal Audit produced a risk based Annual Audit Plan in accordance with the UK Public Sector Internal Audit Standards. This was received by the Audit Committee at its meeting on 5<sup>th</sup> May 2015. The Plan is regularly reviewed and monitored during the year so that it provides sufficient coverage of the key risks facing the Council.
- 2.2 During the year the Audit Committee receives periodic updates on the work of Internal Audit and a summary of the key issues that have arisen. This report summarises Internal Audit activity at the half-year stage, but due to the timing of the Audit Committee in late November, it incorporates details of audits completed during the seven months ending 31<sup>st</sup> October 2015.
- 2.3 The report is attached at Appendix 1. It includes the following information:
  - Summary of the audit planning process.
  - Audit work undertaken during the period, including both planned and responsive / investigatory work.
  - Analysis of audit recommendations made and agreed and status of implementation.
  - Internal Audit performance indicators.

## **3. Key Issues**

- 3.1 We assessed the control environment to be inadequate in the following areas subject to audit:
  - CYPS: Fostering and Adoption: Extensions and Adaptations
  - CYPS: Clifton Community School
  - EDS: Taxi Licensing Administration
  - EDS: Integrated Housing Management System
  - Public Health: Contract Compliance: GPs and Pharmacies
  - Council Wide: Business Continuity Management

- CYPs: Abbey School
- EDS: Voluntary Organisation Grant Claim.

3.2 We can confirm that an Action Plan has been agreed with management in respect of all final audit reports issued. It is also pleasing to note that most services and functions are making good progress with the implementation of audit recommendations.

3.3 Internal Audit is behind where we need to be in delivery of the Audit Plan. It has been identified that the performance of the Internal Audit team needs to be improved in order to ensure the delivery of sufficient Audit Plan work to enable the Director of Audit, ICT and Procurement as Chief Audit Executive to produce an evidence based opinion on the Council's control environment for the 2015/16 year. We are currently finalising a plan to use further interim resources to ensure that at least 90% of the Audit Plan can be completed by the year-end. Details of this will be brought to the January 2016 Audit Committee.

3.4 Public Sector Internal Audit Standards require that an external assessment of the Internal Audit function must be undertaken at least once every five years. This is currently being carried out by PricewaterhouseCoopers. The findings and conclusions arising from the assessment, together with management actions to address these, will be reported to the January Audit Committee meeting.

#### **4. Options considered and recommended proposal**

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit. It provides a summary of Internal Audit work completed and the key issues arising from it for the seven months ending 31<sup>st</sup> October 2015 and information about the performance of the Internal Audit function during this period.

#### **5. Consultation**

5.1 All Internal Audit reports referred to in this report have been discussed and agreed with the appropriate Service Manager and Assistant Director and have also been issued to the appropriate Strategic Director.

#### **6. Timetable and Accountability for Implementing this Decision**

6.1 The Audit Committee is asked to receive this report at its November 2015 meeting.

#### **7. Financial and Procurement Implications**

7.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Corporate Services Directorate.

## **8. Legal Implications**

8.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

*“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”*

8.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

*“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”*

## **9. Human Resources Implications**

9.1 There are no direct Human Resources implications arising from this report.

## **10. Implications for Children and Young People and Vulnerable Adults**

10.1 This document constitutes a report of progress against delivery of the Internal Audit Plan 2015/16. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People’s Services and Adult Social Care.

## **11. Equalities and Human Rights Implications**

11.1 There are no direct Equalities and Human Rights Implications arising from this report.

## **12. Implications for Partners and Other Directorates**

12.1 Internal Audit is an integral part of the Council’s Governance Framework, which is wholly related to the achievement of the Council’s objectives, including those set out in the Corporate Improvement Plan and Children’s Services Improvement Plan.

### 13. Risks and Mitigation

13.1 The following risks have been identified.

Risk	Likelihood	Impact	Mitigation
Internal Audit may not deliver sufficient audit work to enable an opinion to be provided on the Council's control environment.	H	H	Clear instruction has been given by the Strategic Director, Finance and Corporate Services, that all audits must be completed within the days allocated other than in exceptional cases where issues are discovered during an audit that require further investigation. In these cases, any additional budget days required must be authorised by the Chief Internal Auditor and Assistant Director, Audit, ICT and Procurement. This measure, alongside a general strengthening of performance management and resource prioritisation, is already having a positive impact. A report on progress will be brought to the January 2016 Audit Committee.
Audit recommendations may not be implemented, leaving the Council exposed to risk.	L	H	Internal Audit has an established process for the follow up of implementation of agreed audit recommendations. This includes escalation to the appropriate Assistant Director and Strategic Director in case of non-compliance.

### 14. Accountable Officer(s)

Colin Earl, Assistant Director of Audit, Procurement and ICT.

Marc Bicknell, Chief Internal Auditor.