

## **AUDIT COMMITTEE – 11TH JUNE 2019**

### **Report of the Head of Strategic Support**

#### **Part A**

##### ITEM ANNUAL INTERNAL AUDIT REPORT

###### Purpose of Report

The purpose of this report is to present the Annual Internal Audit report, which is one of the sources of evidence used to inform the production of the Annual Governance Statement, which will be considered by the Committee at its meeting on 24th July 2019.

###### Recommendation

The Committee notes the annual report of the Chief Audit Executive as appended to this report.

###### Reason

To enable the Committee to consider the report prior to receiving the Annual Governance Statement for consideration at its meeting of the 24th July 2019.

###### Policy Justification and Previous Decisions

As set out in Public Sector Internal Audit Standard (PSIAS) 2450, the Chief Audit Executive must provide an annual report to the board (Audit Committee) timed to support the Annual Governance Statement. This report and opinion should be considered as part of the evidence supporting the Annual Governance Statement.

###### Implementation Timetable including Future Decisions

The Annual Governance Statement will be considered by the Audit Committee at its meeting of the 24th July 2018.

###### Report Implications

The following implications have been identified for this report.

###### *Financial Implications*

There are no financial implications relating to this report.

###### *Risk Management*

There are no specific risks relating to this report.

Background Papers:

None

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## **Part B**

### **Annual Internal Audit Report and Opinion 2018/19**

#### **1. Opinion on the Overall Adequacy and Effectiveness of the Council's Governance, Risk Management and Internal Control Environment**

Based upon the work undertaken by Internal Audit during the year, moderate assurance can be given that the Council's overall framework of governance, risk management and internal control is adequate and effective, subject to any qualification set out below.

#### **2. Qualifications to the Opinion**

There are no qualifications to the opinion given in this report.

#### **3. Independence of Internal Audit**

There have been no impairments to the independence of internal auditors during the period 2018/19.

#### **4. Summary of Audit Work Undertaken**

A summary of the audit work undertaken during the year, and the opinions arising from each audit, is attached at Appendix A. The outcomes of each assignment have been reported to the Audit Committee as they occurred during the year.

#### **5. Comparison of Audit Work Undertaken to that Planned.**

Appendix A provides a summary of work undertaken against that planned.

There has been some slippage with the completion of the Audit Plan during the financial year with a number of audits still in progress at the 31st March 2019. A provision was included in the 2019/20 Audit Plan to allow for completion of those audits that had not been fully completed by the end of March 2019.

#### **6. Issues Relevant to the Preparation of the Annual Governance Statement**

No audits undertaken during the year resulted in a 'Limited' assurance opinion.

There were no other issues identified by Internal Audit during the year that are relevant to the preparation of the Annual Governance Statement. A special investigation was undertaken in relation to delays in banking income within the Sport & Active Recreation team, but the amounts involved were not significant and recommendations have been implemented to prevent similar occurrences in the future.

## 7. Performance of Internal Audit

The following table outlines the results against the local performance indicators relating to Internal Audit for the year ended 31 March 2019:

<b>Indicator</b>	<b>Target</b>	<b>Result</b>	<b>Notes</b>
Percentage of clients satisfied or very satisfied with the services provided by Internal Audit	90%	-	Annual survey to be undertaken.
Percentage of agreed Internal Audit plan delivered	90%	87.8%	Allowance made in the 2019/20 audit plan to complete slippage
Percentage of agreed recommendations arising from internal audits implemented by the agreed date.	80%	79%	April 2018– March 2019 (105 / 133 recommendations)

## 8. Quality Assurance and Improvement Programme.

### *Internal Assessments*

Under the requirements of the PSIAS, the quality of internal work is required to be assessed periodically by the Chief Audit Executive. The monitoring arrangements currently in place include:

- Ongoing monitoring of the performance and quality of internal work is completed throughout the year. All internal audit work completed is reviewed by the Audit and Risk Manager.
- Annual customer satisfaction questionnaires are issued to Heads of Service at the end of the financial year.
- Quarterly progress reports are provided to the Senior Management Team and the Audit Committee;
- Under the Accounts and Audit Regulations 2015 (Regulation 6), the Council is required to undertake an annual review of the effectiveness of its system of internal control. The performance and effectiveness of internal audit will form part of this review.

## *External Assessments*

External assessments are required to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment was undertaken in June 2016. The results of the external assessment were reported to the Audit Committee at their meeting held 6th September 2016.

### 9. Conformance with the Public Sector Internal Audit Standards (PSIAS)

The external quality assessment undertaken in June 2016 identified no areas of work that did not comply with the Standards, although some areas of partial compliance were identified. A number of medium priority recommendations and lower priority suggestions were made to improve compliance with the standards and an Action Plan produced which has now been addressed.

### Annex

Comparison of planned work to work completed for 2018/19

## Annex – Comparison of planned work to work completed for 2018/19

2018/19 Audit Plan	Plan Days	Spent Days (30.04.19)	Status as at 30.04.19	Assurance Level	Corporate Significance
<b>Key Financial Systems</b>					
<i>Full Systems Audit</i>					
Accountancy & Budgetary Control	10.00	10.00	Completed	<b>Substantial</b>	<b>High</b>
Payroll	10.00	3.00	In Progress		
Capital Accounting	8.00	8.00	Completed	<b>Substantial</b>	<b>High</b>
Non-Domestic Rates	8.00	9.50	In Progress		
<i>Targeted Testing:</i>					
Creditors	3.00	1.50	In Progress		
Debtors	2.00	5.50	In Progress		
Income Collection	2.00	0.50	In Progress		
Housing Benefits and Council Tax Support	3.00	3.50	Draft Report issued		
Council Tax	3.00	3.00	Completed	<b>Substantial</b>	<b>High</b>
Housing Rents	3.00	0.00	Scheduled		
<i>Quarterly Testing:</i>					
Treasury Management	2.00	2.00	Completed	<b>N/A</b>	
Bank Reconciliation	2.00	2.00	Completed	<b>N/A</b>	

<b>2018/19 Audit Plan</b>	<b>Plan Days</b>	<b>Spent Days (30.04.19)</b>	<b>Status as at 30.04.19</b>	<b>Assurance Level</b>	<b>Corporate Significance</b>
<b>Sub Total – KFS Reviews</b>	<b>56.00</b>	<b>48.50</b>			
<b>Strategic &amp; Service Risk Audits</b>					
NFI/Counter Fraud	10.00	10.00	Completed	N/A	
Homelessness	12.00	13.00	Completed	Substantial	High
Decent Homes Contract	15.00	0.50	Scheduled		
Grants to Community Groups (Landlord Services)	8.00	5.50	Completed	Moderate	Low
Licensing	10.00	2.00	Scheduled		
Car Parking fees	12.00	2.25	Scheduled		
Enforcement (Cross cutting)	20.00	18.50	Draft Report issued		
Revenues & Benefits Contract	12.00	11.00	In Progress		
Performance Management	10.00	7.50	In Progress		
Staff Allowances & Expenses	10.00	10.25	Completed	Moderate	Low
Garden Waste Scheme	10.00	11.00	Completed	Moderate	Medium
Sport & Active Recreation	10.00	10.00	Completed	Substantial	Low
CCTV	8.00	0.50	Scoping undertaken		
Mayoralty	8.00	4.50	Completed	Substantial	Medium
Holiday pay/flexi/toil policies and application.	12.00	10.50	Draft report issued		

<b>2018/19 Audit Plan</b>	<b>Plan Days</b>	<b>Spent Days (30.04.19)</b>	<b>Status as at 30.04.19</b>	<b>Assurance Level</b>	<b>Corporate Significance</b>
ASB (cross cutting use of Sentinel etc)	9.00	10.00	Completed	<b>Moderate</b>	<b>High</b>
Corporate Credit Cards	10.00	10.00	Completed	<b>Moderate</b>	<b>Medium</b>
<b>Sub Total – Strategic &amp; Services Audits</b>	<b>184.00</b>	<b>137.00</b>			
<b>Other Work</b>					
Recommendations - Follow Ups	20.00	20.00	Completed	<b>N/A</b>	
Ad Hoc Investigations/Contingency	30.00	7.50	N/A	<b>N/A</b>	
Allowance to complete 2017/18 Audits	10.00	50.00	N/A	<b>N/A</b>	
<b>Sub Total – Other work</b>	<b>60.00</b>	<b>77.50</b>			
<b>TOTAL – Audit Plan (not including IT externally resourced audit)</b>	<b>300.00</b>	<b>263.00</b>			