

**AUDIT COMMITTEE – 20<sup>th</sup> July 2016**

**INTERNAL AUDIT ANNUAL REPORT 2015/16**

**Executive Summary**

- i. This report provides the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements based on the work of Internal Audit during 2015/16 and has been prepared in accordance with the Public Sector Internal Audit Standards.
- ii. Considering the overall results of internal Audit work undertaken together with management's implementation of recommendations the opinion given is **adequate** assurance. This has been based upon the completion of an agreed annual programme of risk based audit coverage which has enabled a valid assurance opinion to be provided.
- iii. Whilst the overall opinion is positive, there are some key issues arising from Internal Audit work in the year that senior management should consider. In general terms these relate to the impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers which has impacted upon their ability to maintain reasonable and effective controls in some areas of activity.
- iv. It is recognised that the Future Council approach requires a change in risk appetite and that there is a natural period during which new operational arrangements will embed. This has been openly acknowledged and discussed with senior management during the year but it is nevertheless important that during this period senior managers remain alert to and focussed on maintaining an appropriate, risk-based and effective framework of controls.
- v. The key issues arising from all completed audits have been reported throughout the year within the Quarterly Internal Audit Reports and are summarised in this report.
- vi. Throughout the year the Audit Committee have been made aware of progress in the implementation of audit report recommendations. This has continued to be an issue throughout the year. Overall, at the point of follow-up and over the year only 35% of recommendations had been implemented by the date agreed by management. This in turn has been in many cases as a result of the implications of embedding new operational and/or structural arrangements as part of Future Council. The monitoring of report recommendations will continue to be a priority for the Service.
- vii. The current audit plan is focussed on supporting management to consider the approach to controls in the context of reduced resources.

## **Report of the Head of Internal Audit and Corporate Anti-Fraud**

**AUDIT COMMITTEE – 20<sup>TH</sup> JULY 2016**

### **INTERNAL AUDIT ANNUAL REPORT 2015/16**

#### **1. Purpose of Report**

1.1 This annual report has been prepared adopting recommended practice contained within the Public Sector Internal Audit Standards (PSIAS) which came into effect on the 1<sup>st</sup> April 2013. These Standards require the Head of Internal Audit (HoIA) to report to the appropriate Member body, the Audit Committee, providing his opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the work undertaken by Internal Audit.

1.2 In order to comply with these Standards the report provides:-

- i. an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control;
- ii. summary of the audit work undertaken to formulate the opinion;
- iii. details of key control issues identified which can be used to inform the Annual Governance Statement (AGS); and
- iv. the extent to which the work of other review or audit bodies has been relied upon.

1.3 The Committee received at its June meeting reports regarding the annual effectiveness review of the Internal Audit function and an Annual Fraud Report. The requirements of the Public Sector Internal Audit Standards (PSIAS) have been met in the delivery of the audit function and in the preparation of this annual report. The Committee received the formal external assessment report at its March meeting confirming compliance with the PSIAS.

#### **2. Recommendations**

2.1 It is recommended that the Audit Committee:-

- i. **considers the opinion provided by the Head of Internal Audit based on the work undertaken in 2015/16 regarding the adequacy and effectiveness of the Authority's framework of governance, risk management and control;**
- ii. **notes the key issues arising from the work of Internal Audit in the context of the Annual Governance Statement (AGS) and;**

#### **3. Introduction / Background**

- 3.1 In accordance with statutory best practice provided by the PSIAS, there is a requirement that the Head of Internal Audit (HoIA) prepares an annual report to the appropriate member body providing, amongst other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control based on the audit work undertaken. For the Authority, the appropriate member body is the Audit Committee.
- 3.2 The Accounts and Audit Regulations require all councils to publish an Annual Governance Statement (AGS) providing an opinion on the overall effectiveness of the Council's internal control and governance framework and detailing action to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.
- 3.3 This report provides a summary of key issues arising from the work of Internal Audit during 2015/16 which contribute to the overall assurance the HoIA is able to give the Audit Committee.
- 3.4 Although providing an important and significant contribution to the assurances the Audit Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit Committee will receive the draft Annual Governance Statement for 2015/16 at the July meeting. The Audit Committee are therefore encouraged to consider this annual report in the context of broad controls assurance.

#### **4. Head of Internal Audit's Opinion on the Effectiveness of the Authority's Internal Control Environment**

- 4.1 The Audit Committee has received quarterly reports throughout the audit year. In each of these reports an adequate assurance opinion had been given reflecting on a quarterly basis an overall satisfactory level of internal controls and their application.
- 4.2 Taking the whole year into account and the audits completed, it is appropriate to give an overall **adequate** assurance opinion for the year. The information supporting this opinion is provided below. Whilst statistically there has been a significant rise in the number of audits resulting in a limited assurance opinion and a further deterioration in the timely implementation of audit recommendations, there is an important context that has been considered and taken into account.
- 4.3 Whilst the overall opinion is positive, there are some key issues arising from Internal Audit work in the year that senior management should consider. In general terms these relate to the impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers have had on the ability to maintain reasonable and effective controls in some areas of activity.

- 4.4 It is recognised that the Future Council approach requires a change in risk appetite and that there is a natural period during which new operational arrangements will embed. This has been openly acknowledged and discussed with senior management during the year but it is nevertheless important that during this period senior managers remain alert to and focussed on maintaining an appropriate, risk-based and effective framework of controls. The audit work undertaken and planned for the current year has sought to take into account the change in risk appetite necessary to embrace and implement such significant change and achieve financial savings. Although the overall assurance opinion is adequate, it is essential that senior management retain a focus on embedding new operational and governance arrangements.
- 4.5 To highlight this issue, a number of audits undertaken during the year were commissioned by senior managers in the knowledge that there may have been a weakening in the control framework in a certain area and therefore Internal Audit support was requested to highlight key risk issues and assist management in how best to manage the risks. Of key importance of course is the consideration and management of the identified and accepted risks moving forward.
- 4.6 It should be noted that the audit work completed has in the main identified weaknesses in the framework and application of controls that increases the risk of the failure to meet operational objectives. The failure to then address control weaknesses through the timely implementation of recommendations clearly adds to this risk.
- 4.7 Section 6 of this report provides more detail regarding the results of the audit work. Again, in summary, half of the completed audits resulted in a limited assurance opinion and only 35% of recommendations made (and agreed by management) were implemented by the date set by management.
- 4.8 Within the quarterly reports a number of key issues were drawn to the Committee's attention. These are summarised in Section 6.
- 4.9 The results of the core system reviews for the 2015/16 financial year are given in paragraph. 6.15.
- 4.10 There was however only a small percentage of the recommendations made that fell into the Fundamental category (6%). The percentage of Significant recommendations increased slightly (49%) from 2014/15. Overall, there has been an increase in the percentage of these categories of recommendation from 48% in 2014/15 to 55% in 2015/16.
- 4.11 Audit work in the year has found areas where controls remain good and only relatively minor issues have been raised. However, as mentioned above, the work has identified a general theme that has impacted on the adequacy and effectiveness of the control framework and indeed the ability to implement recommendations by the agreed dates.
- 4.12 Although audit work aims to cover a broad range of services, systems and areas of Council activity, it needs to be recognised that Internal Audit

coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly the assurance opinion provided is based on reasonable coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Chief Executive regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas. The Audit Committee will consider the draft AGS at the July meeting.

4.13 To remind the Committee, Internal Audit assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

	<b>Level</b>	<b>Control Adequacy</b>	<b>Control Application</b>
<b>POSITIVE OPINIONS</b>	<b>Substantial Assurance</b>	A robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	<b>Adequate Assurance</b>	A sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
<b>NEGATIVE OPINIONS</b>	<b>Limited Assurance</b>	Risk exists of objectives not being achieved due to the absence of key controls in the system.	A significant breakdown in the application of key controls.
	<b>No Assurance</b>	A significant risk exists of objectives not being achieved due to the absence of controls in the system.	A fundamental breakdown in the application of all or most controls.

4.14 Internal Audit seeks to work closely as appropriate with other auditors, most significantly External Audit. However, for 2015/16 no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this annual overall assurance opinion.

## **5. Summary of Internal Audit Work and Coverage 2015/16**

5.1 Internal Audit aim to utilise a risk-based approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by Internal Audit work. Internal Audit was able to use the Strategic and Operational Risk Registers to inform audit coverage. The audit planning process and details of the 2015/16 audit plan were reported to the Audit Committee in the March 2015 meeting.

5.2 The areas of audit work during the year upon which the controls assurance opinion is based are listed in Appendix 1. The Audit Committee has received quarterly reports that incorporate the results of audit work and management's

response on an on-going basis. A summary of the Internal Audit reports for 2015/16 is at Appendix 3.

- 5.3 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for Audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency. Over the last couple of years there has been a notable increase in the number of these adjustments which is indicative of the rapidly changing control environment and structure of the Council. Details of audit work which has been deferred, deleted or requests for specific pieces of work have been reported within the quarterly reports.
- 5.4 It should also be noted that Internal Audit work is variable both in its nature and timing. The risk-based approach ensures the highest priority work is undertaken. As with all plans, the audit plan was determined at a particular time (March 2015) utilising information available and has been subject to significant changes in certain areas arising from the Future Council Programme and requests for audit input. The Audit Committee should be assured that within the finite resources available to Internal Audit, the key audit risks identified have either received audit attention during the year or are reflected in the audit plan for 2016/17.
- 5.5 The position at the end of the year for Audit days shows a shortfall of just 40 days, less than 3%, of the original provision and therefore does not jeopardise the ability to provide reasonable coverage and therefore a valid opinion. Due to the flexible nature of the plan this was constantly monitored and revised with any work that was unable to be resourced being re-assessed and where appropriate carried over to the current audit year.
- 5.6 In terms of the overall delivery of planned days, a total of 1,410 days were delivered by the core Internal Audit team. Details of the original and revised plan along with how these days were actually spent against each Directorate are shown in Appendix 2. This overall level of core internal audit resource is 25% less (or approximately 500 days) than provided in 2014/15.
- 5.7 Within the reduced resources there remains a significant amount of time needed to respond to requests for providing advice, support to services, innovation and initiatives, changes, projects and programmes, corporate change projects and general work that does not result in a specific report. Approximately half of operational audit time is spent on work that generates a specific report. Details of the non-report work have been provided through the quarterly reports, but in summary has covered the following:
- Grant verification
  - Final account reviews
  - Charity accounts
  - Requests for service reviews on a consultancy or advisory basis
  - Review of Financial Regulations and Contract Procedure Rules
  - Support and challenge to the Future Council programme
  - General advice to services in relation to controls, risk and governance

- Audit Committee support
- Follow-up of recommendations
- Corporate document management / information asset requirements
- Annual audit planning process
- Feedback and liaison to all services
- Input to the annual governance review
- Policy review and advice

5.8 Whilst the work covered in the above list has not resulted in a specific assurance opinion, all work undertaken is considered in terms of the overall annual assurance provided in this annual report. Much of this work has also been considered in the 2016/17 planned coverage.

## **6. Summary of Internal Control Issues Arising from Internal Audit work in 2015/16**

6.1 Internal Audit has completed 27 individual reviews of aspects of the Authority's internal control framework during 2015/16 that resulted in a formal report. These 27 audits sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control. These 27 completed audits have been delivered from a significantly reduced level of resources from that in 2014/15.

6.2 A summary of the assurance opinions given for the 27 reports issued for the year is shown below together with a comparison to 2014/15 and 2013/14.

Assurance Opinion		2015/16		2014/15		2013/14	
		No.	%	No.	%	No.	%
Positive Opinions	Substantial	<b>2</b>	<b>7%</b>	12	44%	8	25%
	Adequate	<b>11</b>	<b>41%</b>	12	45%	20	63%
Negative Opinions	Limited	<b>14</b>	<b>52%</b>	3	11%	4	12%
	No	<b>0</b>	<b>0%</b>	0	0%	0	0%
<b>TOTAL</b>		<b>27</b>	<b>100%</b>	27	100%	32	100%

It should be noted that clearly some audit areas have a greater significance and potential impact on the overall assurance opinion, i.e. a small establishment or system receiving a 'limited assurance' opinion will have a lower impact on the overall opinion compared to say a major service or a core financial system receiving such an opinion.

6.3 As can be seen from the table, there has been a significant increase in the number of reports issued with a negative assurance opinion. Whilst the statistic is in itself significant, the actual reports are different each year.

6.4 Across the various completed pieces of work 175 recommendations were made. These are summarised below:

	No.	%	No.	%	No.	%
<b>Recommendation Category</b>	<b>2015/16</b>		2014/15		2013/14	
<b>Fundamental</b>	<b>10</b>	<b>6%</b>	3	3%	3	2%
<b>Significant</b>	<b>86</b>	<b>49%</b>	47	45%	59	30%
<b>Merits Attention</b>	<b>79</b>	<b>45%</b>	54	52%	134	68%
<b>Total</b>	<b>175</b>	<b>100%</b>	104	100%	193	100%

- 6.5 As can be seen, only 10 fundamental recommendations were made reflecting the fact that overall relatively few major control issues were identified. In all cases management have agreed the recommendations made and set their own timescales for implementation. Although there has been significant pressure on management throughout the year and across all services, Internal Audit has continued to get good co-operation from management across the Council and at various levels.
- 6.6 Details of the key issues arising from these reviews have been presented to the Audit Committee in the quarterly reports. These findings have arisen across audit reviews ranging from specific establishments to areas of governance.
- 6.7 As stated in the quarterly reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential* that losses or inefficiencies could occur.
- 6.8 An important part of Internal Audit's assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority. This work is considered by External Audit who have regard to Internal Audit's work to assist in their opinion on the financial systems for their audit of the Accounts.
- 6.9 The core system reviews in relation to 2015/16 have just been completed. The necessary timing of these reviews is extremely challenging in coinciding with the preparation of the draft accounts. It is appropriate to highlight the excellent co-operation once again received from Financial Services. A separate section on the core system reviews is given below.
- 6.10 In relation to specific establishments or other minor systems, controls are tested at a lower level to ensure the detailed operation of systems and procedures, and the use of assets and resources are effective.
- 6.11 During the year 105 audit report recommendations were followed-up in accordance with the recommendation follow-up protocol. As reported through the quarterly reports, the percentage of recommendations implemented by the original date has been relatively low and lower than in 2014/15.
- 6.12 Overall, at the point of review and across the year, only 35% of recommendations had been implemented as originally planned. However,

again at the point of review 80% of recommendations had been implemented albeit the majority outside of the original timescales.

- 6.13 The Audit Committee has continued to monitor this situation and has expressed concern regarding this matter. Senior management have been reminded of their responsibilities to implement agreed recommendations to ensure any control, risk or governance weaknesses identified through internal audit work are corrected. The Senior Management Team has asked for regular monitoring reports regarding the implementation of recommendations. Clearly, any significant delay in implementation or non-implementation weakens the overall control environment.
- 6.14 In common with the general theme highlighted previously, Internal Audit has found that in many cases the delay in the implementation of recommendations has been as a direct consequence of the significant demands placed on senior management over the last 12 months in managing the implementation of Future Council. It is hoped that in 2016/17 senior management will be able to better meet their own timescales for implementing recommendations. However, it is acknowledged that additional and significant savings will be required over the next few years which are likely to continue to impact on management capacity.

#### Core System Reviews 2015/16

- 6.15 Overall there are 11 systems regarded as core and fundamental to the financial management of the Authority. The assurance opinions given for each of them are shown in the table below:-

<b>Core System</b>	<b>Assurance Opinion 2015/16</b>	Assurance Opinion 2014/15	Assurance Opinion 2013/14	Assurance Opinion 2012/13	Assurance Opinion 2011/12
Purchase to Pay	<b>Not Audited</b>	Adequate	Adequate	Adequate	Adequate
Income	<b>Adequate</b>	Limited	Adequate	Adequate	Substantial
Council Tax / NDR	<b>Adequate</b>	Not Audited	Substantial*	Substantial	Substantial
Housing Benefits	<b>Not Audited</b>	Not Audited	Substantial	Substantial	Substantial
Pay, Employee Admin & Org. Management	<b>Not Audited</b>	Substantial	Substantial	Adequate	Adequate
Fixed Assets / Asset Mgt.	<b>Not Audited</b>	Limited	Adequate	Substantial	Adequate
Cash Receipting & Banking	<b>Not Audited</b>	Adequate	Adequate	Adequate	Adequate
Main Accounting	<b>Not Audited</b>	Not Audited	Substantial	Substantial	Substantial
Housing Rents	<b>Substantial</b>	Substantial	Substantial	Substantial	Substantial
Treasury Management	<b>Not Audited</b>	Not Audited	Substantial	Substantial	Adequate
SAP System*	<b>Limited</b>	Limited	Not audited	Not audited	Substantial

#### **Summary**

<b>Assurance Opinion</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
Substantial	1 / 33%	2 / 29%	7 / 64%	7 / 64%	7 / 58%
Adequate	2 / 33%	2 / 29%	4 / 36%	4 / 36%	5 / 42%
Limited*	1 / 33%	3 / 42%	0 / 0%	0 / 0%	0 / 0%
No	0 / 0%	0 / 0%	0 / 0%	0 / 0%	0 / 0%
Not audited	7	5	1	1	0

- 6.16 Due to the timing of these audits, the detailed results will be included in the Progress report to the July Audit Committee meeting.
- 6.17 It should be highlighted that the key issue in the SAP System\* review relates to the absence of effective management information in order that management can recognise when operational duties have not been adequately segregated along with exception reports and / or independent transaction checks in order to mitigate and monitor key risk areas. This was a specifically targeted piece of work developed in conjunction with the Service Director, Finance who sought Internal Audit input to this area.
- 6.18 The overall approach to the audit of core systems was reviewed and agreed with the Director of Finance, Assets & Information Services. This resulted in a further refinement of the risk-based approach. All systems are subject to an annual risk based review before a final decision is taken regarding the overall coverage.

#### Summary of Control Issues

- 6.19 During the year the Audit Committee has received quarterly reports that highlighted key control issues that could potentially undermine the provision of an overall positive assurance opinion for the year. The major issues that resulted in the issue of fundamental recommendations were:-
- a corporate issue relating to the effectiveness of business continuity arrangements
  - relating to the accountability and use of small plant and equipment within Environment & Transport
  - delays in the banking of monies at cultural establishments
  - a corporate issue relating to non-compliance with Contract Procedure Rules.
  - the adequacy of contract management arrangements
  - the effectiveness of safeguarding training relating to Taxi Drivers
  - a legal issue regarding the Authority's ability to meet statutory timescales for completion of Deprivation of Liberties assessments.
  - the adequacy of IT change management control processes
  - compliance failures in relation to the established framework of controls in respect of the administration of personal budgets / direct payments.
- 6.20 It is noted and highlighted that the Future Council Programme will continue to have significant implications for the structure and nature of the Council's control framework. This will inevitably give rise to implications in terms of the

effectiveness of control and governance structures and will require careful management in order to retain a positive assurance overall.

## **7. Local Area Implications**

7.1 There are no Local Area Implications arising from this report.

## **8. Consultations**

8.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive and/or Assistant Director to apprise him/her of key issues raised and remedial actions agreed. No specific consultation has been necessary in the preparation of this annual report.

## **9. Compatibility with European Convention on Human Rights**

9.1 In the conduct of investigations, Internal Audit operates under the provisions of the Data Protection Act 1998, the Human rights Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

## **10. Reduction of Crime and Disorder**

10.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

## **11. Risk Management Considerations**

11.1 Whilst there are no specific risks emanating as a result of this report there are a range of risk issues worthy of consideration and note.

11.2 During the year, the Division reviewed and revised its operational risk register to ensure all risks to the delivery of the function's objectives were identified and could therefore be managed. This risk register is the subject of regular review in accordance with the corporate process.

11.3 The Audit Committee has received a detailed report on the audit plan including the basis of the plan and the utilisation of risk information. This is a critical aspect of the audit function and seeks to ensure audit resources are targeted at the areas of the Council's business where the most significant risks have been identified.

11.4 There is a risk to the Authority as a whole should the internal audit function not be effective. This would undermine the internal control and governance

arrangements of the Authority and fail to provide the Audit Committee with the independent information upon which to base their assurance views upon. The provision of detailed quarterly reports during the year, plus this annual report and the report on the effectiveness of the audit function should act as mitigation in ensuring the Audit Committee is in a position to constantly keep the audit function under review.

- 11.5 There is a risk to the control and governance of the Authority if management fail to implement recommendations. In mitigation Internal Audit has introduced a more rigorous 'follow-up' process to ensure the most significant issues are implemented. This is reported to the Audit Committee within the quarterly and annual reports.

## **12. Employee Implications**

- 12.1 There are no employee implications arising from this report.

## **13. Financial Implications**

- 13.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function and the external audit fees are included within the Authority's base budget.

## **14. Appendices**

- 14.1 Appendix 1 - Internal Audit Coverage 2015/16  
Appendix 2 - Internal Audit Plan 2015/16  
Appendix 3 - Summary of Internal Audit Reports 2015/16

## **15. Background Papers**

- 15.1 Various Internal and External Audit reports, files and working papers.

**Officer Contact:** Rob Winter CPFA  
**Head of Internal Audit and Corporate Anti-Fraud**  
**Telephone No:** 01226 773241  
**Date:** 28<sup>th</sup> June 2016

## INTERNAL AUDIT COVERAGE 2015/16

The table below lists the areas of Audit coverage and work undertaken during 2015/16. This incorporates work originally planned and additional work commissioned during the year.

Directorate	Audit Area
<b>Communities</b>	Planning & Feedback Customer Services Organisation Programme Troubled Families grant verification
<b>Core Services: Finance</b>	Data Protection, Freedom of Information, Environmental Data Requests IT Change Controls Information Governance Policies Attendance at Information Governance Board Deferred Payment Scheme Corporate Risk Management Budget Monitoring and Reporting / Service & Financial Planning Financial Regulations Unannounced Cash Ups Financial Systems - New Developments Advice Planning & Feedback Carbon Reduction Commitment Energy Efficiency Scheme Final Accounts Corporate Assurance Map Procurement & Commissioning Unit Contract Procedure Rules Working Group Personal Budgets Income core system Purchase to Pay core system Payroll core system Final Account Process Review IT Security (SAP & Civica ICON) core system Cash Receipting & Banking core system Procurement Cards Benefits & Taxation E Forms Council Tax & Non Domestic Rates core systems IT Control - SAP Access core system

<b>Directorate</b>	<b>Audit Area</b>
<b>Core Services: HR</b>	Partnership Governance Business Plans Check and Challenge Reviews Agency Workers Business Continuity & Resilience Planning Advice Planning & Feedback Future Council Programme Review SVBR/VS
<b>Core Services: Legal</b>	Compliance with Contract Procedure Rules Delegated Decisions Business Trading Units Area Council Arrangements Advice Planning & Feedback Charity Accounts Brierley Town Council
<b>People</b>	Children's Safeguarding Children's Homes Governance Review Schools Forum - High Needs Block Schools Financial Value Standard Safeguarding Process (Deprivation of Liberties) Advice Planning & Feedback Safeguarding Adults Board Scrutiny & Overview Health and Wellbeing Board
<b>Place</b>	Property Investment Fund Asset Management Taxi Licensing Home to School Transport Advice Planning & Feedback South Yorkshire Mining Advisory Service Trans Pennine Trail Unannounced Cash Visit Cannon Hall

<b>Directorate</b>	<b>Audit Area</b>
	Unannounced Cash Counts Cannon Hall & Cooper Gallery HCA Grant Funding URBACT Funding – Project Techtown
<b>Public Health</b>	Planning & Feedback Public Health Grant - Governance Arrangements Contracts with Providers
<b>Council Wide</b>	West & South Yorkshire Audit Group PDR process Business Plan preparation External Audit Liaison Health & Safety (IA) Hyperwave, Shortwood, Document Management Audit Committee Support Follow up of audit report recommendations Preparation of the 2016/17 Audit Plan Whistleblowing Business Continuity (IA) PSIAS External Assessment

## Appendix 2

### INTERNAL AUDIT PLAN 2015/16 – Position as at 31st March 2016

Directorate	Original 2015/16 Plan	Revised 2015/16 Plan	Actual Days
Communities	65	47	46
People	175	140	137
Place	112	161	159
Public Health	39	20	20
<i>Corporate Services:</i>			
➤ HR, Performance & Communications	80	56	45
➤ Legal & Governance	77	105	97
➤ Finance, Assets & Information Services	469	470	463
Council Wide	220	282	310
Contingency	80	36	0
Berneslai Homes	133	133	133
<b>Total Internal Audit</b>	<b>1,450</b>	<b>1,450</b>	<b>1,410</b>

<b>Corporate Anti-Fraud Team</b>	<b>580</b>	<b>580</b>	<b>587</b>
----------------------------------	------------	------------	------------

<b>Total Chargeable Planned Days</b>	<b>2,030</b>	<b>2,030</b>	<b>1,997</b>
--------------------------------------	--------------	--------------	--------------

## Summary of Internal Audit Reports 2015/16

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
HR, Performance & Communications: Agency Workers	The audit identified that the appointment of agency workers did not always comply with the Council's guidance regarding the employment of agency workers.	<b>Adequate</b>	<b>F - 0 S - 4 MA - 2</b>	11.05.15
HR, Performance & Communications: Business Continuity	Testing of the Corporate BCP and service BCPs identified that most plans were incomplete and out of date. The review also identified that the service BCPs and therefore by default the Corporate BCP had not been aligned to Future Council arrangements with regard to service functions and key personnel named and accountable within the plan.	<b>Limited</b>	<b>F - 1 S - 5 MA - 3</b>	17.06.15
HR, Performance & Communications: SVER/VS	The audit did not identify any issues.	<b>Substantial</b>	<b>F - 0 S - 0 MA - 0</b>	26.06.15
Finance, Assets & Information Services: Deferred Payment Scheme	The key issue related to the need to ensure that the ContrOCC system could generate the necessary expenditure information.	<b>Adequate</b>	<b>F - 0 S - 1 MA - 5</b>	23.07.15
Legal & Governance – Delegated Decisions	The review identified the need for more detailed guidance to ensure that the Authority complies with the current regulations and to ensure a consistent approach to the recording of officer decisions.	<b>Limited</b>	<b>F - 0 S - 2 MA - 0</b>	12.08.15
Communities: Customer Services Programme – Complaints and Feedback	The main issues related to the need to improve the clarity and prominence of those routes for members of the public to report any concerns about the welfare of both adults and children via the Corporate web site, together with the need to ensure data checks and input validation routines relative to the configuration of the Customer Feedback application are properly documented.	<b>Adequate</b>	<b>F - 0 S - 3 MA - 5</b>	23.07.15
Place: Environment & Transport - Asset Management	The controls and procedures in relation to the recording, accountability and use of small plant and equipment required strengthening. The key issue relates to the inventory which was found to be incomplete and had not been updated on timely basis. The results of sample audit testing reinforced this issue.	<b>Limited</b>	<b>F - 1 S - 2 MA - 3</b>	31.07.15

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Place: Culture, Housing & Regulation – Cannon Hall Unannounced Cash Count	The internal control framework in place at Cannon Hall in relation to the banking of income required strengthening to ensure all cash is banked promptly and accurately. The audit identified significant delays in the banking of monies impacting upon the Council's cash flow and accuracy of the ledger. This issue is compounded due to the lack of accountability and control in relation to the physical control and security of cash.	<b>Limited</b>	<b>F - 1 S - 1 MA - 3</b>	17.08.15
Place: Culture, Housing & Regulation – Cannon Hall & Cooper Gallery Unannounced Cash Counts	The results of a second unannounced visit to Cannon Hall identified further delays in the banking of monies impacting upon the Council's cash flow and accuracy of the ledger.	<b>Limited</b>	<b>F - 0 S - 5 MA - 1</b>	29.09.15
People: Spring Lane Children's Home	The key issue arising from the review relating to the incorrect accounting of VAT in respect of procurement card transactions.	<b>Adequate</b>	<b>F - 0 S - 1 MA - 3</b>	24.08.15
People: High Needs Block Funding Arrangements	Based upon the results of sample audit testing, the audit concluded that the governance arrangements in respect of special education needs funding requires improving in order to ensure that effective education plans are put in place.	<b>Limited</b>	<b>F - 0 S - 5 MA - 1</b>	10.09.15
Finance, Assets & IS: Benefits & Taxation E-Forms	Control issues were identified in respect of the effectiveness of the weekly internal checking routine which should be addressed to ensure errors and potential training and development issues are promptly identified.	<b>Adequate</b>	<b>F - 0 S - 2 MA - 4</b>	17.09.15
Legal & Governance: Compliance with Contract Procedure Rules	The requirements of the Council's Contract Procedure Rules and the terms and conditions of framework agreements had been inconsistently applied and an effective audit trail to support procurement decisions within YORtender did not always exist. In addition, a process does not exist to ensure that suppliers selected for quotation opportunities within YORtender are chosen on a fair, open and transparent basis. Sample test results identified compliance issues in respect of 16/25 (64%) of the contracts and CPR waivers examined.	<b>Limited</b>	<b>F - 1 S - 3 MA - 1</b>	17.08.15
Finance, Assets & Information Services: Procurement Cards	The procurement card process required improvement in order to ensure that it was efficient, excessive bank charges were avoided and VAT was accounted for correctly.	<b>Limited</b>	<b>F - 0 S - 6 MA - 5</b>	20.10.15

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Finance, Assets & Information Services: Corporate Risk Management	The key issues raised related to the effectiveness of the corporate arrangements for managing risk in that the Governance Assurance Group and Risk Champions had not met for some time. In addition, although risk registers had been realigned to the new Council structure, the actual updating on the Risk Management System had not always been undertaken by the risk owners.	<b>Adequate</b>	<b>F - 0 S - 1 MA - 3</b>	23.11.15
Communities / Legal & Governance – Area Council Governance Arrangements	Sample audit testing highlighted that procedures had not been applied consistently. The key areas of non-compliance related to the evidence required to support the decision making process and the completeness of submitted applications.	<b>Adequate</b>	<b>F - 0 S - 3 MA - 5</b>	14.10.15
Public Health - Grant Governance Arrangements	The key issue related to the need to ensure staff roles, responsibilities and accountabilities were defined and to ensure that performance management reporting was sufficiently robust and effective.	<b>Adequate</b>	<b>F - 0 S - 2 MA - 9</b>	20.11.15
Place: Environment & Transport – Home to School Transport	The key issue related to the adequacy of the contract management arrangements in that one of the three Home to School Transport Contracts had expired. In addition, contract compliance monitoring arrangements had not yet been established. The results of sample audit testing reinforced the need for such checks to be undertaken.	<b>Limited</b>	<b>F - 1 S - 5 MA - 2</b>	27.11.15
Place: Taxi and Premises Licensing Arrangements	The key issue arising from the review related to the absence of an effective programme of safeguarding training in order to ensure that service users, Members and officers can recognise safeguarding issues and be aware of how to report concerns.	<b>Limited</b>	<b>F - 1 S - 3 MA - 2</b>	17.08.15
People: Safeguarding - Deprivation of Liberties	The audit identified shortfalls in relation to compliance with the established processes and controls along with a backlog of standard authorisation requests. In addition, DoLS assessments had not been completed within the required timescales and consequently failed to meet its legal responsibilities.	<b>Limited</b>	<b>F - 1 S - 6 MA - 2</b>	21.10.15
Finance, Assets & Information Services: IT Change Controls	The review concluded that the change management and control processes require improvement and assurance could not be provided that IT changes had been correctly recorded, evaluated, authorised and tested. The absence of a performance measurement system has compounded the issue as the extent to which the changes benefited the Council was not known.	<b>Limited</b>	<b>F - 1 S - 8 MA - 0</b>	19.01.16

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Place: Property Investment Fund	Overall the audit has concluded that there is an adequate governance and internal control framework in relation to the Property Investment Fund. Notwithstanding this, the audit has identified a number of areas where this framework may be further improved e.g. the need to ensure key project stages and corresponding decisions are adequately evidenced, in accordance with established project governance protocols.	<b>Adequate</b>	<b>F - 0 S - 2 MA - 6</b>	23.02.16
People: Personal Budgets	The audit identified shortfalls in relation to compliance with the established processes and controls. In addition, limited work had been carried out to recover excess monies from service users and delays were identified in issuing recharges to recover money due to the Council.	<b>Limited</b>	<b>F - 1 S - 3 MA - 0</b>	15.03.16
People: Health & Well Being Board	Overall the audit has concluded that there is an adequate governance and internal control framework in relation to the Health & Wellbeing Board. Notwithstanding this, the audit identified a number of areas where this framework may be further improved, having particular regard for the need to clearly evidence compliance with its statutory obligations, ensure performance management arrangements are sufficiently robust and to ensure risks are managed effectively.	<b>Adequate</b>	<b>F - 0 S - 5 MA - 7</b>	17.02.16
Finance, Assets & Information Services: Income	The review identified in respect of the timeliness of monitoring and recovery of debt and the inconsistent application of procedures. This has resulted in some debts having little or no action taken to progress the debt to the next recovery stage.	<b>Adequate</b>	<b>F - 0 S - 3 MA - 3</b>	06.06.16
Finance, Assets & Information Services: Housing Rents	The audit did not identify any significant issues.	<b>Substantial</b>	<b>F - 0 S - 0 MA - 4</b>	17.03.16
Finance, Assets & Information Services: SAP System Access	The key issues relate to the absence of effective management information in order that management can recognise when operational duties have not been adequately segregated along with exception reports and / or independent transaction checks in order to mitigate and monitor key risk areas.	<b>Limited</b>	<b>F - 1 S - 5 MA - 0</b>	10.06.16