

**AUDIT COMMITTEE – 14<sup>th</sup> JUNE 2017**

**INTERIM INTERNAL AUDIT ANNUAL REPORT 2016/17**

**Executive Summary**

- i. This report provides the Head of Internal Audit's interim annual opinion on the adequacy and effectiveness of the Authority's internal control arrangements based on the work of Internal Audit during 2016/17 and has been prepared in accordance with the Public Sector Internal Audit Standards.
- ii. Considering the overall results of Internal Audit work undertaken to date, together with management's implementation of recommendations the indicative opinion given is **adequate** (positive) assurance. This has been based upon an agreed annual programme of risk based audit coverage which has enabled a valid indicative assurance opinion to be provided.
- iii. Whilst the overall indicative 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 continued impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers which have impacted upon their ability to maintain reasonable and effective controls in some areas of activity.
- iv. It is recognised that the Future Council approach has required a change in risk appetite and that there has been a natural period during which new operational arrangements have been implemented. The next stage of course is to ensure that these are embedded. This has been openly acknowledged and discussed with senior management during the year but it is nevertheless important that during 2017/18 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 45% of recommendations had been implemented by the date agreed by management. 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 – 14<sup>th</sup> JUNE 2017

### INTERIM INTERNAL AUDIT ANNUAL REPORT 2016/17

#### 1. Purpose of Report

1.1 This interim 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 opinion provided is an indicative opinion and an update will be given to members at the September Audit Committee to coincide with the consideration of the final Annual Government Statement.

#### 2. Recommendations

2.1 It is recommended that the Audit Committee:-

- i. **considers the indicative opinion provided by the Head of Internal Audit based on the work undertaken in 2016/17 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).**

#### 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 a narrative on the Council's internal control, risk management and governance framework, the results of the annual review process and detailing any actions 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 covered in the 2016/17 audit plan and up to the point of preparing this report, which contributes to the overall indicative assurance opinion 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 2016/17 at the June or July meeting. The Audit Committee are therefore encouraged to consider this interim annual report in the context of broad controls assurance.
- 3.5 The financial budget for the Internal Audit Team is clearly set covering the period 1<sup>st</sup> April to 31<sup>st</sup> March each year and a plan of the days and where they are planned to be delivered is prepared similarly. However, the actual delivery of internal audit work and the constant review and revision of coverage is on a more rolling basis. In order to align the annual Internal Audit report to the AGS and the signing of the Statement of Accounts it is more appropriate that the Head of Internal Audit's opinion is provided reflecting all the work undertaken at the point of the approval of the AGS and Accounts.
- 3.6 In order to provide the Audit Committee with key information and the opportunity to comment this interim final report has been prepared along with an indicative opinion.

#### **4. Head of Internal Audit's Indicative 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** (positive) indicative assurance opinion for the year. The information supporting this opinion is provided below. It is pleasing to note that the number of audits resulting in a limited assurance has decreased from 52% (14) in 2015/16 to 38% (6) in 2016/17.
- 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 continue to 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 has required 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 again discussed with senior management during the year but it is nevertheless important that during 2017/18 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 senior managers asked for Internal Audit input during the year to provide assurances that the control framework in certain areas was effective. This 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, 62% of the completed audits resulted in a substantial or adequate assurance opinion which is a significant improvement from 2015/16. With regards to the implementation of recommendations (agreed management actions) only 45% were implemented by the original date set by management, although this is also an improvement from 2015/16.
- 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 2016/17 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 (3%). Overall, there has been a 5% decrease in the percentage of significant recommendations from 49% in 2015/16 to 44% in 2016/17.
- 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 the continuation of a general theme of the difficulty management have had 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.

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 2016/17 no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this indicative annual overall assurance opinion.

## **5. Summary of Internal Audit Work and Coverage 2016/17**

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 contribute to the planning of audit coverage. The audit planning process and details of the 2016/17 audit plan were reported to the Audit Committee in the March 2016 meeting.

- 5.2 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 2016/17 is at Appendix 2.
- 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 2016) 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 2017/18.
- 5.5 The position at the end of the year for core internal audit days shows a shortfall of 97 days, or 7%, 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 1,239 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 1. This overall level of core internal audit resource is 9% less (125 days) than provided in 2015/16. A full reconciliation of the 2016/17 Plan will be provided for the Final Annual Report.
- 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 Contract Procedure Rules

- 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 2017/18 planned coverage.

**6. Summary of Internal Control Issues Arising from Internal Audit work in 2016/17**

6.1 Internal Audit has completed 16 individual reviews of aspects of the Authority’s internal control framework during 2016/17 that resulted in a formal report. These 16 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.

6.2 A summary of the assurance opinions given for the 16 reports issued for the year is shown below together with a comparison to 2015/16 and 2014/15.

Assurance Opinion		2016/17		2015/16		2014/15	
		No.	%	No.	%	No.	%
Positive Opinions	Substantial	1	6%	2	7%	12	44%
	Adequate	9	56%	11	41%	12	45%
Negative Opinions	Limited	6	38%	14	52%	3	11%
	No	0	0%	0	0%	0	0%
<b>TOTAL</b>		<b>16</b>	<b>100%</b>	<b>27</b>	<b>100%</b>	<b>27</b>	<b>100%</b>

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 decrease 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 117 recommendations were made. These are summarised below:

	No.	%	No.	%	No.	%
<b>Recommendation Category</b>	<b>2016/17</b>		2015/16		2014/15	
<b>Fundamental</b>	<b>4</b>	<b>3%</b>	10	6%	3	3%
<b>Significant</b>	<b>51</b>	<b>44%</b>	86	49%	47	45%
<b>Merits Attention</b>	<b>62</b>	<b>53%</b>	79	45%	54	52%
<b>Total</b>	<b>117</b>	<b>100%</b>	175	100%	104	100%

- 6.5 As can be seen, only 4 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 2016/17 are just being 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 86 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.
- 6.12 Overall, at the point of review and across the year, only 45% (35% in 2015/16) of recommendations had been implemented as originally planned. However,

again at the point of review 70% (80% 2015/16) of recommendations had been implemented albeit a significant proportion 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 receive regular monitoring reports regarding the implementation of recommendations and escalate action accordingly. 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 24 months in managing the implementation of Future Council. It is hoped that in 2017/18 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 2016/17

- 6.15 Overall there are 11 systems regarded as core and fundamental to the financial management of the Authority. Over the last few years there has been a detailed risk assessment undertaken to establish the extent of coverage each system requires given a number of factors, namely any significant changes in the system or key personnel, the audit opinion the previous audit and the results of an analytical review undertaken by Internal Audit. The outcome of this risk assessment is discussed and agreed with the Section 151 Officer. External Audit are also consulted on the risk assessment and proposed coverage.
- 6.16 The assurance opinions given for each of them are shown in the table below:-

<b>Core System</b>	<b>Assurance Opinion 2016/17</b>	Assurance Opinion 2015/16	Assurance Opinion 2014/15	Assurance Opinion 2013/14	Assurance Opinion 2012/13
Purchase to Pay	Not Audited	Not Audited	Adequate	Adequate	Adequate
Income	Not Audited	Adequate	Limited	Adequate	Adequate
Council Tax / NDR	Not Audited	Adequate	Not Audited	Substantial*	Substantial
Housing Benefits	Ongoing	Not Audited	Not Audited	Substantial	Substantial
Pay, Employee Admin & Org. Management	Not Audited	Not Audited	Substantial	Substantial	Adequate
Fixed Assets / Asset Mgt.	Not Audited	Not Audited	Limited	Adequate	Substantial

<b>Core System</b>	<b>Assurance Opinion 2016/17</b>	Assurance Opinion 2015/16	Assurance Opinion 2014/15	Assurance Opinion 2013/14	Assurance Opinion 2012/13
Cash Receipting & Banking	Not Audited	Not Audited	Adequate	Adequate	Adequate
Main Accounting	Not Audited	Not Audited	Not Audited	Substantial	Substantial
Housing Rents	Substantial	Substantial	Substantial	Substantial	Substantial
Treasury Management	Adequate*	Not Audited	Not Audited	Substantial	Substantial
SAP System*	Not Audited	Limited	Limited	Not audited	Not audited

### Summary

<b>Assurance Opinion</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>
Substantial	1 / 50%	1 / 33%	2 / 29%	7 / 64%	7 / 64%
Adequate	1* / 50%	2 / 33%	2 / 29%	4 / 36%	4 / 36%
Limited	0	1 / 33%	3 / 42%	0 / 0%	0 / 0%
No	0	0 / 0%	0 / 0%	0 / 0%	0 / 0%
Audit Ongoing	1	0 / 0%	0 / 0%	0 / 0%	0 / 0%
Not audited	8	7	5	1	1

\*The review of Treasury Management was ongoing at the time of preparing this report. However, after manager review, we can confirm that our findings are indicating an adequate opinion.

- 6.17 Due to the timing of these audits, the detailed results will be included in the Progress report to the July Audit Committee meeting and within the final annual report to the September meeting.

### Summary of Control Issues

- 6.18 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:-

- the adequacy of information governance arrangements regarding the monitoring of system access and separation of duties.
- the effectiveness of human resource governance regarding absence management information
- a financial management issue concerning the management of service budgets
- adequacy of information management and compliance with the Data Protection Act.

- 6.19 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, risk and governance arrangements of the Authority and fail to provide the Audit Committee with insufficient 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.

11.6 As the Committee is aware the Internal Audit Section has achieved its budget saving of £70,000 for 2017/18. This has reduced the audit plan for 2017/18, thereby reducing the basic number of days able to be delivered for the Council. The 2017/18 audit plan has however been established to maximise this reduced level of coverage. A key responsibility of the Committee is to monitor the delivery of the audit plan and Internal Audit's effectiveness through the year.

## **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 Plan 2016/17  
Appendix 2 - Summary of Internal Audit Reports 2016/17  
Appendix 3 - Details and Outcome of other Audit Activities Not Producing a specific Assurance Opinion

## **15. Background Papers**

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

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**Date:** 1<sup>st</sup> June 2017

## INTERNAL AUDIT PLAN 2016/17 – Position as at 31st March 2017

Directorate	Original 2016/17 Plan	Revised 2016/17 Plan	Actual Days
Communities	50	18	15
People	165	225	240
Place	139	171	188
Public Health	10	2	4
<i>Corporate Services:</i>			
➤ HR, Performance & Communications	122	163	119
➤ Legal & Governance	105	45	20
➤ Finance, Assets & Information Services	430	285	313
Council Wide	265	276	340
Contingency	50	159	0
<b>Total Internal Audit</b>	<b>1,336</b>	<b>1,344</b>	<b>1,239</b>

<b>Corporate Anti-Fraud Team</b>	581	578	588
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<b>Total Chargeable Planned Days</b>	<b>1,917</b>	<b>1,922</b>	<b>1,827</b>
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## Summary of Internal Audit Reports 2016/17

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Finance, Assets & Information Services: Income System	The review identified issues 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>	F - 0 S - 3 MA - 3	06.06.16
Finance: Council Tax / NDR	The key issue arising from the audit review relates to entitlements to discounts and exemptions which are not reviewed on a timely basis. It was acknowledged that system improvements arising from the re-design of the Council's debt recovery function should help address the issues identified during the audit.	<b>Adequate</b>	F - 0 S - 3 MA - 3	07.06.16
Information Services: Data Protection, Freedom of Information, Environmental Information Regulations Data Requests	The key issues raised relate to the delays in responses and approvals from services areas / Service Directors which has resulted in the timescales prescribed by the Information Commissioner not always being achieved.	<b>Adequate</b>	F - 0 S - 1 MA - 5	09.06.16
Place: URBACT Project TechTown	Overall the audit concluded that there was an adequate governance and internal control framework in order to provide the necessary assurances as to the validity and correctness of project expenditure incurred, including officer expenses. Notwithstanding this, the audit identified a number of areas for improvement, having particular regard for the need to ensure staff clarity in relation to the relevant corporate policies and procedures and compliance with the requirements as appropriate.	<b>Adequate</b>	F - 0 S - 2 MA - 2	01.09.16
People: Early Years Education Funding	The key issue identified related to the absence of an up to date Early Education Funding Agreement which was required in order to provide clarity for the benefit of the Council and the provider in terms of the services to be provided.	<b>Adequate</b>	F - 0 S - 4 MA - 2	14.10.16
Human Resources: E-Enabled Leave	The key issues identified relate to the absence of effective procedural instructions and outstanding technical and/or training issues preventing the use of FIORI by specific groups of employees. Consequently the FIORI system is not currently adopted for use by all employees resulting in inconsistencies and lack of clarity with regard to employee responsibilities when booking / authorising leave. A formal post-implementation review of the system has not yet been undertaken which may have more readily identified and addressed these issues.	<b>Limited</b>	F - 1 S - 1 MA - 3	16.12.16

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Human Resources: Management Attendance Policy	<p>The review identified a number of concerns with regards to the application of the required procedures which has impacted upon the accuracy of absence management information. In addition, Absence Monitoring Meetings had not always been conducted in respect of employees incurring sporadic periods of absence and appearing on trigger reports.</p> <p>The audit also highlighted that the inconsistent procedures are being applied in respect of the submission, storage and retention of absence documentation.</p>	<b>Limited</b>	F - 0 S - 3 MA - 6	16.12.16
Place: Right to Buy	The audit concluded that the Right to Buy system was well controlled and managed and the audit did not make any recommendations.	<b>Substantial</b>	F - 0 S - 0 MA - 0	13.12.16
Place: Receipt & Banking of income – Smithies Depot & Parking Services	The audit identified a number of issues in relation to the management of cash and banking arrangements which need to be improved in order to provided assurance that all income due has been receipted and banked promptly and correctly.	<b>Limited</b>	F - 0 S - 4 MA - 6	20.12.16
People: Safeguarding Overview & Scrutiny	<p>The audit identified a number of areas where the control framework could be improved, having particular regard for the need to ensure clarity and definition of those processes relating to the work of the Council’s Overview and Scrutiny Committee and ensuring all safeguarding risks are reviewed in a timely manner.</p> <p>It should be acknowledged that with the exception of one significant recommendation, all recommendations had been addressed at the time of the post audit discussion.</p>	<b>Adequate</b>	F - 0 S - 4 MA - 2	16.11.16
Finance: Payroll Overtime and Expenses	<p>The key issue related to the adequacy of the expenses and overtime policy / procedures and the need for clarity in order to better support users / managers when completing claims. The results of sample transactional testing reinforced this issue.</p> <p>The revised electronic mileage and general expenses form has improved the efficiency of the payment system. However, the audit identified several system issues that will need to be addressed in order to improve the correct application of procedures by claimants and managers.</p>	<b>Adequate</b>	F - 0 S - 4 MA - 1	05.01.17

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued
Finance: Budget Monitoring & Reporting and Service & Financial Planning	The review concluded that Budget Managers for the service areas reviewed did not proactively monitor and performance manage budgets for which they are accountable. Managers are not always complying with revised business processes introduced as part of Future Council arrangements which reinforced the need for managers to have the tools and expertise to manage budgets, make informed decisions and ultimately to remove the necessity for the provision of direct financial support moving forward.	<b>Limited</b>	F - 1 S - 3 MA - 3	19.11.16
Place: Receipt & Banking of Income	The key issues identified relate to: <ul style="list-style-type: none"> <li>• the incorrect configuration of the E-Return Template which has resulted in the incorrect allocation of VAT</li> <li>• the omission of VAT on the 'Sale of Crafts'</li> <li>• merchant copy receipts retained by Cannon Hall Museum for debit/credit card payments including the full 16 digit Primary Account Number</li> <li>• the absence of independent checks at both sites to confirm that income is banked in full and correctly</li> <li>• the incorrect use of 'ZZ' readings from the till at Elsecar Heritage Centre increasing the risk that income received is improperly accounted for</li> <li>• financial documentation not being retained securely at Elsecar Heritage Centre</li> </ul>	<b>Limited</b>	F - 0 S - 7 MA - 6	04.01.2017
Finance: Corporate Risk Management	The key issue identified relates to the need to ensure that risks are reviewed by Business Units in accordance with the established corporate risk management process and that risk mitigating actions are similarly reviewed / progressed in accordance with corresponding timescales.	<b>Adequate</b>	F - 0 S - 1 MA - 4	10.02.2017
People: Management of Personal & Confidential Information	The key issue raised relates to the use of 'H' drives for business information purposes. The use of this means of data storage adversely impacts upon the accessibility of information for the purpose of management reporting and decision making. In addition, the Children's Case Management System may not always contain complete and up to date information. This gives rise to implications in terms of compliance with the Data Protection Act.	<b>Limited</b>	F - 1 S - 3 MA - 8	09.03.2017
Place: Town Centre Regeneration - Development Management Organisation (DMO)	The key issues identified relate to the need to ensure that the Project Execution Plan (PEP) is appropriately approved in accordance with the defined governance requirements and key financial / project risks are effectively managed.	<b>Adequate</b>	F - 0 S - 3 MA - 8	27.03.2017

## Details and Outcome of other Audit Activities Not Producing a specific Assurance Opinion

Audit Work Completed	Details	Contribution to Assurance
Place – SYMAS 2015/16 Accounts	Validation of the accuracy of the 2015/16 accounts.	The work contributes to assurance in respect of financial management.
Place: Junction 36 Lessons Learnt Review	Internal Audit facilitated a workshop of the key stakeholders to identify the key factors impacting on the delay incurred in the securing of legal agreements with M1 J36 business park developers in order to identify lessons learnt as appropriate.	The work contributes to assurance in respect of programme management
Place – Trans Pennine Trail 2015/16 Accounts	Validation of the accuracy of the 2015/16 accounts.	The work contributes to assurance in respect of financial management.
Place – Residential Investment Fund	Advisory piece of work in relation to the establishment of a governance and control checklist for use by the service in progressing the Residential Investment Fund.	The work contributes to assurance in respect of financial management.
Place – Local Plan	Advisory piece of work regarding the effectiveness of the risk management arrangements re the development of the Local Plan.	The work contributes to assurance in respect of financial management.
People – Schools	Advice provided to Barugh Green Primary School with regard to the application of contract procedure rules for procuring broadband services.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
People – Grant Audit	Validation of the accuracy of the Social Care (Capital) grant.	The work contributes to assurance in respect of financial management.
Information Services – IT Assets	Advisory piece of work relating to a review of arrangements at Mount Osborne Business Units for the receipt, storage, issue, disposal and physical security of IT assets.	The work contributes to assurance in respect of asset management.
Commercial Services – Financial Procedures	Advice Provided to Commercial Services re the security of Bankline Smartcards and PINS along with the retention of original receipts for debit card payments.	The work contributes to assurance in respect of financial management.
People – Financial Procedures	Advice provided to Early Start Prevention & Sufficiency regarding the legalities of name / titles recorded on a new vendor creation form.	The work contributes to assurance in respect of financial management.
Information Services – IT Stores / Procurement	Advice provided regarding procedures for stores and purchasing.	The work contributes to assurance in respect of financial management.
Human Resources – Business Support Service	Advice required by Business Support regarding the relocation of a safe.	The work contributes to assurance in respect of anti-fraud and corruption.
Finance - Procurement Cards	Advice provided to the Business Support Services Manager regarding the absence of procedures on the BMBC Intranet site in respect of procurement cards / petty cash.	The work contributes to assurance in respect of financial management.
Information Services - Personal Records	Advisory piece of work relating to the security and storage of personal files and the receipt, storage, examination, disposal and physical security of employee sickness documentation and disciplinary correspondence	The work contributes to assurance in respect of information governance.
Human Resource - Business Support Services – Petty Cash	Advisory piece of work for the HR Business Support Service Manager relating to the review of the Business Support procedures for issuing and reconciling Petty Cash at various premises.	The work contributes to assurance in respect of financial management.

Audit Work Completed	Details	Contribution to Assurance
People - Dearne ALC – Financial Governance Review	Advisory piece of work in the form of a financial governance review requested by Dearne ALC.	The work contributes to assurance in respect of financial management within schools.
People - Early Years Register Audits	Advisory piece of work regarding compilation of a risk based programme of register audits for 2016/17 for the School Access Manager, Early Start, Prevention and Sufficiency.	The work contributes to assurance in respect of performance management.
Human Resources - P&DR Process	Through a process of selected interviews, feedback received was analysed and conclusions drawn in respect of the current corporate personal development and review process.	The work contributes to assurance in respect of human resource management.
Information Services - Records Management Policy	Advice was provided in relation to proposed amendments to the Records Management Policy.	The work contributes to assurance in respect of information governance.
Information Services - Sharepoint Access	Advice was provided in relation to the management of access permissions regarding the new Sharepoint document management system.	The work contributes to assurance in respect of information governance.
Information Services – IT Assets	Advisory piece of work relating to a review of arrangements at Mount Osborne Business Units for the receipt, storage, issue, disposal and physical security of IT assets.	The work contributes to assurance in respect of asset management.
Commercial Services – Financial Procedures	Advice Provided to Commercial Services re the security of Bankline Smartcards and PINS along with the retention of original receipts for debit card payments.	The work contributes to assurance in respect of financial management.
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Human Resource - Business Support Services – Petty Cash	Advisory piece of work for the HR Business Support Service Manager relating to the review of the Business Support procedures for issuing and reconciling Petty Cash at various premises.	The work contributes to assurance in respect of financial management.
People - Dearne ALC – Financial Governance Review	Advisory piece of work in the form of a financial governance review requested by Dearne ALC.	The work contributes to assurance in respect of financial management within schools.
People - Early Years Register Audits	Advisory piece of work regarding compilation of a risk based programme of register audits for 2016/17 for the School Access Manager, Early Start, Prevention and Sufficiency.	The work contributes to assurance in respect of performance management.

Audit Work Completed	Details	Contribution to Assurance
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Information Services - Records Management Policy	Advice was provided in relation to proposed amendments to the Records Management Policy.	The work contributes to assurance in respect of information governance.
Information Services - Sharepoint Access	Advice was provided in relation to the management of access permissions regarding the new Sharepoint document management system.	The work contributes to assurance in respect of information governance.
Legal: Charity Accounts	Completion of Charity Commission's Independent Examiner's Report return.	The work contributes to assurance in respect of financial management.
Legal: Strategic Commissioning & Procurement Forum - Documentation Sub Group	Documentation sub group role to design a suite of procedural guidance and hosting platform (SharePoint) that provides a step by step guide to procuring officers when administering procurement events whilst ensuring compliance with EU Regulations, Public Contract Regulations 2015 and the Council's Contract Procedure Rules.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
Place: Public Road Network 2016/17 Schemes	Advice provided to the Interim Head of Highways and Engineering re approach for the completion of PRN schemes and completion of CPR waiver to allow completion by Rotherham Council via a collaborative arrangement. Included detailed review of rationale and identification of risk considerations to inform management decision.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
Commercial Services: Purchase Order Signatories	Advice provided to Commercial Services with regard to signatories that should be included on the Council's purchase orders.	The work contributes to assurance in respect of financial management.
Finance: Procurement Cards - Future Directions	Advice provided to Finance colleagues re revised procurement card process and application by Future Directions Service.	The work contributes to assurance in respect of financial management.
Superfast South Yorkshire Broadband	Advice provided to Superfast South Yorkshire Broadband Programme Manager and Procurement colleagues re procurement of print materials.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
Commercial Services: Revised cash / cheque collection process	Advice provided to Commercial Services re revised cash / cheque collection contract and associated processes.	The work contributes to assurance in respect of financial management.
Place: Property Investment Fund	Advice provided to the Senior Major Projects Officer, Economic Regeneration regarding the Property Investment Fund and the profit sharing arrangements as outlined within the external funding agreement.	The work contributes to assurance in respect of asset management.
People: Bursar - Mapplewell Primary School - Payroll	Advice provided to the School Bursar regarding the authorisation process re payroll variations / new starters forms.	The work contributes to assurance in respect of financial management within schools.
Place: Revised Final Account Process	Advice to Engineering & Highway Services re revised final account process.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
Human Resources: HR Policies	Review of the Guidance Note for the scanning of documentation to personal files and examples of information to be placed on an employee's file.	The work contributes to assurance in respect of human resource

<b>Audit Work Completed</b>	<b>Details</b>	<b>Contribution to Assurance</b>
	Reference made to the HR Employee Personal Files Policy and the BMBC Human Resources Retention Schedule dated 02/07/2013.	management.
Place: URBACT Project TechTown Phase 2 - Grant Claim Certification	Grant Claim Audit Certification.	The work contributes to assurance in respect of financial management.