

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	24 June 2015
Subject:	Internal Audit Annual Report 2014/15
Report of:	Graeme Simpson, Corporate Services Group Manager
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor R J E Vines, Leader of the Council
Number of Appendices:	None

Executive Summary:

To provide Members with a summary of Internal Audit work undertaken during 2014/15 and to provide an opinion on the effectiveness of the Council's framework of governance, risk management and control.

Recommendation:

To CONSIDER the Internal Audit Annual Report 2014/15 and the assurance from the work undertaken during the year that, generally, overall there is a satisfactory level of assurance in relation to the effectiveness of the Council's framework of governance, risk management and control.

Reasons for Recommendation:

The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE) i.e. Group Manager Corporate Services must report functionally to the board i.e Audit Committee.

One example of functional reporting is the Internal Audit annual report. PSIAS also requires that the CAE delivers an annual audit opinion and report that can be used by the organisation to inform its governance statement.

Resource Implications:

None.

Legal Implications:

None.

Risk Management Implications:

If the CAE does not report functionally to the board then this does not comply with PSIAS.

If the Council does not have in place a framework of sound governance, risk management and control then there is a risk it will not achieve its objectives.

Performance Management Follow-up:

All recommendations made from individual audits are followed up during the year to ascertain if they have been implemented or not. Any audit where a limited or unsatisfactory opinion has

been concluded requires the relevant manager to report back to the Committee to give assurance that issues identified have been resolved.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 The Public Sector Internal Audit Standards (PSIAS) requires that the Chief Audit Executive (CAE) delivers an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement. For Tewkesbury Borough Council, the CAE is defined as the Group Manager – Corporate Services.

1.2 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

1.3 To direct and effectively deploy the audit resource, a risk based Annual Audit Plan is produced and this Plan is approved by Audit Committee. The 2014/15 Plan was approved by Audit Committee on 19 March 2014. It should be noted that internal audit is only part of the Council's assurance framework and therefore the annual audit opinion is only reflective and restricted to the systems audited during the year.

1.4 Part 2 – Internal Control (para3) of the Accounts and Audit Regulations 2015 requires that: -

“a relevant authority must ensure that it has a sound system of internal control which –

- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) Ensures that the financial and operational management of the authority is effective; and
- (c) Includes effective arrangements for the management of risk

Part 2 –Internal Control (para 5 (1)) requires that: -

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

Part 2 – Internal Control (para 6 (1)) requires that:

“ a relevant authority must, each financial year -

- (a) Conduct a review of the effectiveness of the system of internal control
- (b) Prepare an annual governance statement

Internal Audit, along with other assurance processes of the Council, has a responsibility to provide assurance from the work they undertake during the year in respect of the control environment operating within the Council to feed into this review. The annual audit opinion therefore needs to be included within the Annual Governance Statement.

2.0 SUMMARY OF 2014/15 AUDIT WORK

2.1 The Annual Audit Plan is pulled together using a risk based approach and was informed by the following activities:

- Governance issues and work relevant to the production of the annual governance statement.
- Work on fundamental financial systems.
- Work of a service based nature.
- Corporate improvement work.
- Follow-up work.
- Consultancy and advice.

This approach results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment.

2.2 In compliance with PSIAS, regular monitoring reports of internal audit activity are presented at Audit Committee. These are presented on a quarterly basis. Audit work undertaken in the year on governance, key financial systems and service related audits consisted of the following:

<ul style="list-style-type: none"> • Disclosure and Barring Policy • Data quality • Treasury Management • Garden Waste • Property leases • Food Control • S106 • Safeguarding • Main Accounting System • Budgetary Control • Information Governance • Housing Benefits • Payroll • Health & Safety – risk assessments 	<ul style="list-style-type: none"> • Capital Accounting • NNDR • Business Flood Grants • National Fraud Initiative • Homelessness • Council Tax • New Leisure Centre • ICT – PSN Compliance • Recycling • Risk Management • Personal Professional Development • ICT – asset inventory • Repair and Renewal Grant
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There is one outstanding audit from the 2014/15 Audit Plan and this relates to Individual Electoral Registration (IER). Days have been allocated within the 2015/16 Audit Plan to undertake this audit. As well as internal work, the team also provide the internal audit service to Tewkesbury Town Council. This arrangement commenced part way through 2014/15. Days have been formally allocated within the 2015/16 audit plan to accommodate this work on an ongoing basis.

2.3 In addition to the above, the Internal Audit team also undertook a variety of corporate improvement work initiatives. The Audit Plan has an allocation of days for this type of work. The senior management team are aware of this allocation and can request Internal Audit to help assist areas of work that need to be moved forward. The following was

undertaken;

- Revenues & Benefits Improvement programme.
- Local Government Transparency Code.
- Repair and Renew Grants (set up).
- Selling to the Council Guide.
- Health & Safety Audit (set up).

2.4 The team is also represented on key corporate groups such as the Corporate Governance Group, Equalities Steering Group, 'Keep Healthy, Stay Safe' Group and Procurement Group and therefore has the remit to provide advice on key governance frameworks and keep abreast of emerging issues. The team is also contacted on a regular basis to provide ad hoc advice on a range of activities, for example compliance with the Council's contract procedure and financial procedure rules and proposed changes to systems and processes.

3.0 OPINION ON THE OVERALL ADEQUACY OF THE CONTROL ENVIRONMENT

3.1 The opinion is based upon and limited to the activities audited during the year. The opinion does not imply that Internal Audit has reviewed the whole control environment of the Council during the year. As well as the Internal Audit opinion, the Council relies upon other aspects of its assurance framework to help inform the completeness of the Annual Governance Statement. For example, the performance management framework, risk management framework, standards and codes of conduct and external audit reports help inform the adequacy of the Council's governance arrangements.

3.2 When reporting, Internal Audit can provide a 'split' opinion. This means individual opinions can be given for different parts of a system being audited. This approach enables Internal Audit to identify to management, specific areas of control that are operating/not operating as intended. A summary of the number of opinions given during the year can be found in the table below: -

Opinion	Number
Good	17
Satisfactory	29
Limited	2
Unsatisfactory	1
Total	49

3.3 Where a limited or unsatisfactory opinion has been given, the relevant Manager has attended to take questions and provide a progress report to the next meeting. There were 2 limited opinions and 1 unsatisfactory opinion given during the year. These related to Safeguarding, Risk Assessments and ICT Asset Inventory respectively. Recommendations have been made and agreed with the appropriate Managers to improve control.

3.4 During 2014/15, an appendix of all Internal Audit recommendations and their status were reported to each Audit Committee. Following implementation and the reporting of implementation, the recommendation is removed from the template.

4.0 TEAM STRUCTURE AND INDEPENDENCE

4.1 Management of Internal Audit is overseen by the Corporate Services Group Manager. Delivery of the Annual Audit Plan is carried out by two full-time employees. One employee is currently on maternity leave and this position has been covered during the year through a combination of an Internal Audit contractor and a secondment from another service area.

4.2 As defined in the Internal Audit Charter, the Internal Audit team has remained organisationally independent during 2014/15. Internal Audit sits within a larger Policy and Performance Team (now Corporate Services) which are located in the Chief Executive's Unit. This enables free and unfettered access to the Chief Executive. If the need was to arise, it is also stipulated within charter that the Group Manager will also have access to the Chairman of the Audit Committee.

4.3 Moving forward into 2015/16, greater consideration will need to be given to the independence of managing the Internal Audit team, given the Group Manager's wider remit of Corporate Services.

5.0 FRAUD/THEFT/CORRUPTION/WHISTLEBLOWING

5.1 There were no reported incidents during the financial year.

6.0 SUMMARY OF AUDIT PERFORMANCE

6.1 The performance monitoring information for achievement against the Plan is based on the number of completed audits vs the number of planned audits. The outturn for the twelve month period was 92.31%; this is above the 'industry' benchmark of 90%. In addition to this, Internal Audit has received a 'good' level of client satisfaction - a client survey is sent at the end of each audit.

7.1 MOVING FORWARD TO 2015/16

7.1 The team has now started work on the 2015/16 Audit Plan. This will include work around areas such as:

- Complaints framework.
- Tree inspections.
- Key finance systems.
- Economic development.
- Leisure centre.
- Cascades.
- Disabled Facility Grants.
- Ubico.

7.2 In terms of corporate improvement work, potential activities identified include; review of the Council's fraud arrangements, ICT asset register, Revenues and Benefits policies, Customer Services improvement programme.

8.0 CONCLUSION

8.1 Based upon the work undertaken during the year, Internal Audit can provide reasonable assurance that overall there is generally a satisfactory level of control in relation to the

effectiveness of the Council's governance, risk management and control environment. This Internal Audit opinion is one of the sources of assurance that is used to support the Council's Annual Governance Statement.

9.0 OTHER OPTIONS CONSIDERED

9.1 None.

10.0 CONSULTATION

10.1 One of the key performance indicators relates to the use of client survey.

11.0 RELEVANT COUNCIL POLICIES/STRATEGIES

11.1 Internal Audit Charter and Internal Audit Annual Plan.

12.0 RELEVANT GOVERNMENT POLICIES

12.1 None.

13.0 RESOURCE IMPLICATIONS (Human/Property)

13.1 None.

14.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

14.1 None.

15.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

15.1 None

16.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

16.1 None.

Background Papers: None

Contact Officer: Graeme Simpson, Corporate Services Group Manager
01684 272002 Graeme.simpson@tewkesbury.gov.uk

Appendices: None