

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	19 July 2017
Subject:	Internal Audit Annual Report 2016/17
Report of:	Graeme Simpson, Head of Corporate Services
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor D J Waters, Leader of the Council
Number of Appendices:	None

Executive Summary:

To provide Members with a summary of internal audit work undertaken during 2016/17 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 2016/17 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) report functionally to the board. For the purposes of the Council, the CAE is defined as the Head of Corporate Services and the board is the Audit Committee. These roles are defined in the Internal Audit Charter. The charter has been approved at 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 Annual 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 Head of 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 2016/17 plan was approved by Audit Committee on 23 March 2016. 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.

2.0 SUMMARY OF 2016/17 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, 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">• Public Sector Network Compliance• Tree inspections• Playground inspections• Tell Us Once• Bulky Waste• ICT – environmental controls• Community support grants• Health and Safety• Ubico client monitoring• Housing Benefits• Lone Working• NNDR• Complaints	<ul style="list-style-type: none">• Council tax• Tourist information centres• Recycling• Main accounting• Creditors• Flood grants• Debtors• Safeguarding• Information Governance• Business continuity• Leisure centre client monitoring• Treasury management• Insurances
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There is one outstanding audit from the 2016/17 Audit Plan. This relates to an allocation of days for a further ICT audit. Days have been allocated within the 2017/18 Audit Plan to undertake this work. In addition to internal work, the team also provided during the course of the year, the internal audit service to Tewkesbury Town Council. However, as reported to Audit Committee on 22 March 2017, notification has been received from the Town Council of the decision to terminate the contract for the provision of the Borough Council's internal audit. This was a decision made at the Tewkesbury Town Council Finance and Staffing Committee held on 13 February 2017. A total of 20 days were allocated for this work.

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. 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:

- Planning statistics
- Ubico monitoring improvements
- Input to safeguarding policy
- New vehicle fleet – performance monitoring
- Freedom of Information – review of new system
- Business continuity – quality assurance of service plans

2.4 The team is also represented on key corporate groups such as the Corporate Governance Group, 'Keep Healthy, Stay Safe Group', Procurement Group and Project Programme Board 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, general policy issues 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 overall 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	23
Satisfactory	26
Limited	8
Unsatisfactory	2
Total	59

3.3 With regards to the limited and unsatisfactory opinions these relate to;

Limited

- Tree inspections (inspection of trees not owned by TBC)
- Bulky waste (non-review of fees and wait time on delivery of bins)
- Ubico client monitoring (waste and recycling and street cleansing)
- Insurances (dissemination of insurance conditions)
- Business continuity (update of individual service plans and corporate plan)
- Information governance (review of policies)

Unsatisfactory

- Ubico client monitoring (grounds maintenance and fleet management)

3.4 It is not unexpected, on occasions, to conclude a limited or unsatisfactory level of control given the variety and complexity of systems, procedures and services operated by the Council. What is important is that improvements to internal control are accepted and acted upon by management. In relation to the adverse audit opinions given during the year there is assurance that these have been or are being acted upon. For example, the Committee has received update reports to confirm that issues relating to tree inspections

and bulky waste have now been resolved. Ubico client monitoring, information governance and business continuity have all been included within the 2016/17 Annual Governance Statement. Individual update reports will be brought back to Audit Committee during 2017/18.

- 3.5** As well as being reported within the Annual Governance Statement, all individual audit recommendations and their status are also reported at each Audit Committee.

4.0 TEAM STRUCTURE AND INDEPENDENCE

- 4.1** Management of the Internal Audit Team is overseen by the Head of Corporate Services. Delivery of the Annual Audit Plan is carried out by two full-time employees. During the course of the year, one employee was on maternity leave and this position has been covered by a secondment from another service area. The team comprises two part-time employees (2 x 18.5 hrs) and one full-time employee. One employee undertakes a Senior Auditor role.

- 4.2** As defined in the Internal Audit Charter, the team has remained organisationally independent during 2016/17. Internal Audit sits independently within the Council and the Head of Corporate Services reports direct to Chief Executive so has free and unfettered access. If the need was to arise, it is also stipulated within the charter that the Head of Corporate Services will also have access to the Chair of the Audit Committee. To build a more formal relationship, quarterly briefings with the Chair and Vice-Chair on internal audit activity took place during 2016/17. A 'Meet the Internal Audit Team' session was also held for Members of the Audit Committee so they can better understand the role of internal audit.

- 4.3** With regards to the independence of the Head of Corporate Services it is not uncommon within a small District Council for the Internal Audit Strategic Lead to also have operational responsibility for service areas. The Head of Corporate Services has a wide managerial remit including ICT, Customer Services, Human Resources and Policy and Communications. In cases where an audit is being undertaken in any of these areas, the Head of Corporate Sources will ensure that all audit opinions are exercised objectively and with integrity so that the opinions issued are open, transparent and accurate. This commitment is detailed within the Internal Audit Charter.

5.0 FRAUD/THEFT/CORRUPTION/WHISTLEBLOWING

- 5.1** There were no reported incidents during the financial year. During 2016/17, policies relating to anti-fraud and corruption, whistleblowing, Regulation of Investigatory Power Act (RIPA) 2000 were all considered by the Audit Committee and recommended to Executive Committee for approval. Awareness of these policies for staff and members will be undertaken during 2017/18 and is included within the work plan of the Counter Fraud Unit.

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 12 month period was 93 (26/28 audits). 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.

7.0 MOVING FORWARD TO 2017/18

7.1 The team has now started work on the 2017/18 Audit Plan. The plan was approved at Audit Committee on 22 March 2017 and includes key areas of work such as:

- Absence management
- General Data Protection Regulations
- Ubico – client monitoring
- Key finance systems (incl new e-ordering)
- Vehicle contract
- Project management – public service centre refurbishment

7.2 As discussed at previous Audit Committee meetings, it is a requirement of PSIAS that, at least every five years, the internal audit function is subject to an independent assessment. PSIAS stipulates that the assessor must demonstrate competence in two areas: the professional practice of internal auditing and the external assessment process. Through networking with other Councils which have been through the assessment process, particularly those with a small Internal Audit team, a preferred assessor has been identified and confirmed. In compliance with PSIAS, the choice of assessor has been approved in consultation with the Head of Finance and Asset Management and the Chair of Audit Committee.

7.3 Elizabeth Humphrey of Tilia Solutions has been commissioned to undertake the assessment. Elizabeth is the lead PSIAS reviewer for the Chartered Institute of Public Finance and Accountancy (CIPFA), has a vast CV in relation to audit work and comes very highly recommended from other Council's Internal Audit Teams. This will be a four day assessment and Elizabeth will be reviewing the practices and processes of the team including interviewing key senior officers and internal clients on the effectiveness of Internal Audit. A date has yet to be confirmed but will be in the third quarter of the financial year (October-December). This choice and the assessment process have also been noted by Corporate Leadership Team.

7.4 In terms of the effectiveness of the Audit Committee, work will continue during 2017/18 to maximise the value of the Committee. For example, a training session on the 'Role of the Audit Committee' has been programmed for 19 July. Initiatives implemented during the year include training on the work of internal audit, a broader range of Agenda items have been introduced as well as the introduction of a formal Work Programme for the Committee. Moving forward, CIPFA have a guidance document which can help support the review of effectiveness.

8.0 CONCLUSION

8.1 The quality and coverage of internal audit work undertaken during the year provides reasonable assurance that overall there is a satisfactory level of control in relation to the effectiveness of the Council's governance, risk management and control environment. As reported, given the complexities of the Council's internal control environment there will always be areas identified by internal audit that require improvement. Where

improvement is required, recommendations have been agreed by management and significant areas of concern have been reported within the Council's Annual Governance Statement. 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

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Appendices: None