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| SUBJECT: | Internal Audit: Progress Report |
| MEETING: | Governance and Audit Committee |
| DATE OF MEETING: | 2 December 2014 |
| REPORT OF: | Head of Internal Audit Partnership |
| REPORT DATE: | 10 October 2014 |

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| 1 Opinion definitions – From 2013/14 onwards |
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| Opinion | Framework of governance, risk management and management control |
|-----------------------|---|
| Substantial assurance | A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified. |
| Adequate assurance | Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified. |
| Limited assurance | Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk. |
| No assurance | Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks. |

| 2 Status of 'live' reports: | | | | | | | | |
|---|--------------------|----------------------|-------------------------|----------------|--|----------------|----------------|----------------|
| Audit title | Report date | Audit Sponsor | Audit Assessment | | Management Actions (of which are 'high' priority) | | | |
| | | | Original | Current | Reported | Cleared | Pending | Overdue |
| Finance | Dec 2011 | G&L | Substantial* | Substantial* | 6 (0) | 5 (0) | | 1 (0) |
| Development control | Aug 2012 | P&BE | Limited* | Substantial* | 11 (0) | 10 (0) | | 1 (0) |
| Operational services procurement | Apr 2013 | E&NQ | Limited* | Substantial* | 13 (0) | 12 (0) | | 1 (0) |
| Developer contributions | May 2013 | P&BE | Limited* | Substantial* | 9 (0) | 8 (0) | 1 (0) | |
| Information management | 23/08/13 | M&D | Limited | Limited | 1 (0) | | | 1 (0) |
| Vehicle maintenance | 10/10/13 | E&NQ | Adequate | Adequate | 5 (1) | 3 (1) | | 2 (0) |
| Lease income | 16/12/13 | G&L | Adequate | Adequate | 7 (0) | 5 (0) | 2 (0) | |
| Accounts payable | 06/01/14 | G&L | Adequate | Adequate | 1 (0) | | 1 (0) | |
| Payroll | 31/01/14 | G&L | Adequate | Adequate | 3 (0) | 2 (0) | | 1 (0) |
| SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts | 20/02/14 | G&L | Substantial | Substantial | 1 (0) | | 1 (0) | |
| Partnership management | 22/04/14 | E&NQ | Limited | Adequate | 6 (1) | 4 (1) | | 2 (0) |
| Health and Safety at work | 02/05/14 | G&L | Adequate | Adequate | 5 (0) | 4 (0) | | 1 (0) |

| Audit title | Report date | Audit Sponsor | Audit Assessment | | Management Actions (of which are 'high' priority) | | | |
|---------------------------------|-------------|---------------|------------------|----------|--|---------|---------|---------|
| | | | Original | Current | Reported | Cleared | Pending | Overdue |
| Asset Acquisition Strategy | 13/05/14 | G&L | Adequate | Adequate | 2 (0) | | 1 (0) | 1 (0) |
| Computer Audit - Modern Gov | 09/06/14 | M&D | Adequate | Adequate | 5 (0) | 3 (0) | 2 (0) | |
| Performance Management Systems | 30/06/14 | M&D | Adequate | Adequate | 5 (5) | | 5 (5) | |
| Planning Development Fee Income | 01/07/14 | P&BE | Adequate | Adequate | 4 (0) | 2 (0) | 2 (0) | |
| Finance - Budgetary Control | 13/08/14 | G&L | Adequate | Adequate | 2 (0) | | 2 (0) | |
| Capital Purchases | 19/08/14 | G&L | Adequate | Adequate | 2 (0) | | 2 (0) | |
| Information Management | 06/10/14 | G&L | Adequate | Adequate | 5 (0) | | 5 (0) | |
| Licensing | 10/10/14 | E&NQ | Adequate | Adequate | 3 (2) | | 3 (2) | |
| Business Continuity Planning | 17/10/14 | G&L | Adequate | Adequate | 3 (0) | | 3 (0) | |
| Fuel Management | 27/10/14 | E&NQ | Adequate | Adequate | 14 (0) | 5 (0) | 9 (0) | |

*The audit assessments/opinions are in accordance with the definitions in place prior to 2013/14. See Appendix A for the previous definitions.

| Key to Audit Sponsors | |
|--|------|
| Executive Head Marketing and Development | M&D |
| Executive Head Governance and Logistics | G&L |
| Executive Head Environment and Neighbourhood Quality | E&NQ |
| Executive Head Planning and Built Environment | P&BE |
| Executive Head Economy and Communities | E&C |

3 Internal Audit Performance

The internal audit service is measured against the following key performance targets:

| Performance Targets –2014-15 | | |
|---|---------------------|--------------------|
| | Target for Year (%) | Actual to Date (%) |
| % of revised plan delivered (including 2013-14 c/f) | 95 | 51 |
| Compliant with the Public Sector Internal Audit Standards | Yes | Yes |
| % of positive customer responses to Quality Appraisal Questionnaire | 90 | 100 |

4 Planning and Resourcing

The internal audit plan for 2014-15 was prepared following meetings with the Executive Heads and Service Managers and was presented to the Executive Board on 04 February 2014 and was approved by the Governance and Audit Committee on 05 March 2014. The audit plan remains fluid to ensure audit resource is effectively aligned to the Council's needs. Progress against the plan is detailed within section 7.

5 Issues arising

There have been no significant issues arising from internal audit work carried out in accordance with the 2014-15 audit plan.

6 Fraud and Irregularities

There have been no potential fraud and irregularity investigations undertaken to date during 2014/15.

7 Rolling work programme

| Audit title | Audit Sponsor | Audit progress | | | | | |
|--------------------------------------|---------------|-----------------------|----------------------|---------------------|--------------------|---------------------|---------------------|
| | | Audit scoping started | Audit outline issued | Fieldwork commenced | Fieldwork complete | Draft report issued | Final report issued |
| 2013-14 Carry Forward Reviews | | | | | | | |
| Business Continuity Planning | M&D | ✓ | ✓ | ✓ | ✓ | ✓ | 17/10/14 |
| Performance Management Systems | M&D | ✓ | ✓ | ✓ | ✓ | ✓ | 30/06/14 |
| Risk management | G&L | ✓ | ✓ | ✓ | ✓ | ✓ | 27/05/14 |
| Benefits | G&L | ✓ | ✓ | ✓ | ✓ | ✓ | 02/07/14 |
| Capital Purchases | G&L | ✓ | ✓ | ✓ | ✓ | ✓ | 19/08/14 |
| Finance - Budgetary Control | G&L | ✓ | ✓ | ✓ | ✓ | ✓ | 13/08/14 |
| Mod Gov | M&D | ✓ | ✓ | ✓ | ✓ | ✓ | 09/06/14 |
| 2014-15 Reviews | | | | | | | |
| Corporate Cross Cutting | | | | | | | |

| Audit title | Audit Sponsor | Audit progress | | | | | |
|--|---------------|-----------------------|----------------------|---------------------|--------------------|---------------------|---------------------|
| | | Audit scoping started | Audit outline issued | Fieldwork commenced | Fieldwork complete | Draft report issued | Final report issued |
| Information management | M&D | ✓ | ✓ | ✓ | ✓ | ✓ | 06/10/14 |
| HR | M&D | | | | | | |
| NFI (National Fraud Initiative) | G&L | n/a | n/a | ✓ | n/a | n/a | n/a |
| Project Management | M&D | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Corporate Governance | | | | | | | |
| Proactive fraud initiatives | G&L | ✓ | n/a | ✓ | | | |
| Code of Conduct | TBC | | | | | | |
| Review of Annual Governance Statement | G&L | ✓ | n/a | ✓ | ✓ | ✓ | 03/09/14 |
| Special Investigations | G&L | | | | | | |
| Annual review of effectiveness of Internal Audit | G&L | ✓ | ✓ | ✓ | ✓ | ✓ | 17/06/14 |
| Financial Management | | | | | | | |
| Parking | E&C | ✓ | ✓ | ✓ | ✓ | | |
| Income Collection and Banking | G&L | ✓ | | | | | |

| Audit title | Audit Sponsor | Audit progress | | | | | |
|---|---------------|-----------------------|----------------------|---------------------|--------------------|---------------------|---------------------|
| | | Audit scoping started | Audit outline issued | Fieldwork commenced | Fieldwork complete | Draft report issued | Final report issued |
| Council Tax | G&L | | | | | | |
| Accounts Receivable / Debt Management | G&L | ✓ | | | | | |
| Finance – Payroll | G&L | ✓ | ✓ | ✓ | | | |
| Finance – Treasury Management | G&L | ✓ | ✓ | ✓ | | | |
| SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts | G&L | | | | | | |
| Information Technology | | | | | | | |
| Computer implementations (Finance) | M&D | Advice role | | | | | |
| ICT policies and security | M&D | | | | | | |
| ICT contract | M&D | | | | | | |
| ICT hosted services | M&D | ✓ | ✓ | ✓ | | | |
| Corporate objective - economic growth - No audits in 2014/15 plan | | | | | | | |
| Corporate objective - public service excellence | | | | | | | |
| Depot Services | E&NQ | ✓ | ✓ | ✓ | | | |

| Audit title | Audit Sponsor | Audit progress | | | | | |
|--|---------------|-----------------------|----------------------|---------------------|--------------------|---------------------|---------------------|
| | | Audit scoping started | Audit outline issued | Fieldwork commenced | Fieldwork complete | Draft report issued | Final report issued |
| Fuel Management | E&NQ | ✓ | ✓ | ✓ | ✓ | ✓ | 27/10/14 |
| Building Control | P&BE | | | | | | |
| Licencing | E&NQ | ✓ | ✓ | ✓ | ✓ | ✓ | 10/10/14 |
| Planning Development – Fee Income | P&BE | ✓ | ✓ | ✓ | ✓ | ✓ | 30/06/14 |
| Crematorium Partnership | E&NQ | | | | | | |
| Impact of Welfare Reform | E&C | ✓ | ✓ | ✓ | ✓ | | |
| Beach Huts | G&L/E&NQ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Corporate objective - financial sustainability | | | | | | | |
| Developers Obligations and Contributions / Community Infrastructure Levy | P&BE | ✓ | ✓ | ✓ | ✓ | | |

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|--|------|
| Executive Head Marketing and Development | M&D |
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| Executive Head Economy and Communities | E&C |

Appendix A

| Opinion | Framework of governance, risk management and management control |
|---------------------|--|
| Full | <p>Evaluation opinion - There is a sound system of control designed to achieve the system objectives, and</p> <p>Testing opinion – The controls are being consistently applied.</p> |
| Substantial | <p>Evaluation opinion – While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or</p> <p>Testing opinion – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p> |
| Limited | <p>Evaluation opinion – Weaknesses in the system of controls are such as to put the system objectives at risk, and/or</p> <p>Testing opinion – The level of non-compliance puts the system objectives at risk.</p> |
| No Assurance | <p>Evaluation opinion – Control is generally weak leaving the system open to significant error or abuse, and/or</p> <p>Testing opinion – Significant non-compliance with basic controls leaves the system open to error or abuse.</p> |