

24 September 2015		ITEM: 6
Standards and Audit Committee		
Internal Audit Progress Report 2015/16		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Internal Audit Manager		
Accountable Head of Service: Sean Clark – Head of Corporate Finance		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is public		

Executive Summary

The Draft Internal Audit Plan 2015/16 was discussed by the Standards & Audit Committee at their meeting of 16 July 2015. This report sets out progress against the Internal Audit Plan 2015/16 and is the first progress report presented to the Standards & Audit Committee in the current municipal year.

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

Consider reports issued by Internal Audit in relation to the 2015/16 draft audit plan.

2. Introduction and Background

- 2.1 The Accounts and Audit (England) Regulations 2011 require that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 2.2 The Internal Audit Service carries out the work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Standards & Audit Committee.
- 2.3 The Standards & Audit Committee has a responsibility for reviewing the Council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The audit work carried out by the Internal Audit Service is a key source of assurance to the

Standards & Audit Committee about the operation of the internal control environment.

- 2.4 The audits contained in the Internal Audit Plan 2015/16 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

3. Issues, Options and Analysis of Options

- 3.1 The reports issued by Internal Audit provide 4 levels of assurance opinion. The 4 opinions use a Red/Amber/Green (RAG) assurance level and reports are now categorised as: Green; Amber/Green (positive assurance opinions); Amber/Red (some assurance but a number of weaknesses) and Red (negative assurance opinion). Following comments made by the members of the Standards & Audit Committee at the meeting of the 16th July 2015, we will revisit our categorisation of the levels of assurance opinion when the new audit software is implemented.

- 3.2 We have summarised below (3.3 to 3.5), those reports that have been issued as final since the beginning of April 2015. The key findings of these reports are shown at Appendix 1.

- 3.3 The following reports received a **Green** assurance rating for the control frameworks in their area:

- Education Transport
- Warren Primary School
- Housing Benefits

- 3.4 The following reports received an **Amber/Green** assurance rating for the control framework in its area:

- Horndon-on-the-Hill Primary School
- Orsett C of E Primary School
- Somers Heath Primary School

- 3.5 The following report received an **Amber/Red** assurance rating for the control framework in its area:

- Direct Payments (Adults)
- Direct Payments (Children)
- Supported Living (Contract Review)

A full copy of the management summary and action plans with responses for these 3 reviews is included at the end of Appendix 1.

- 3.6 We have also included all those reports that are draft reports and work in progress within the table which forms part of the introduction to the progress report at Appendix 1.

4. Reasons for Recommendation

- 4.1 To assist the Standards & Audit Committee in satisfying itself that progress against the Internal Audit Plan is sufficient as one of the means of assuring itself of the effective operation of internal controls.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The audit risk assessment and the plan are periodically discussed with the Chief Executive, Directors and Heads of Service before being reported to Directors Board and the Audit Committee.
- 5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Heads of Service and/or management before being finalised.
- 5.3 The Internal Audit Service also consults with the Council's External Auditors to ensure that respective audit plans provide full coverage whilst avoiding duplication.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The Council's corporate priorities were used to inform the annual audit plan 2015-16. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Management Accountant

Whilst there are no direct financial implications arising from this report, it is important that the authority maintains adequate internal controls to safeguard the authority's assets. This is not to say that audit recommendations do not have financial implications but these are for management to identify and contain within existing budgets.

7.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal & Deputy Monitoring Officer

The contents of this report and appendixes form part of the Council's responsibility to comply with the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 to at least annually undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practice. The Council has delegated responsibility for ensuring this is taking place to

the Standards & Audit Committee. There are no adverse legal implications relating to the reporting progress.

7.3 **Diversity and Equality**

Implications verified by: **Rebecca Price**
Community Development

There are no direct diversity implications arising from this report as it is for information purposes only.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

In terms of risk and opportunity management, the Internal Audit Plan and its outcomes are a key part of the Council's risk management and assurance framework. The Internal Audit Plan is based on risk assessments that include a review of the Council's risk and opportunity register.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Draft Strategy for Internal Audit 2015/16 to 17/18 and Internal Audit Plan 2015/16
- Internal Audit Reports issued in 2015/16.

9. **Appendices to the report**

- Appendix 1 – Internal Audit Progress Report.

Report Author:

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