

EAST CAMBRIDGESHIRE DISTRICT COUNCIL

INTERNAL AUDIT INTERIM REPORT FOR THE FINANCIAL YEAR 2015/16

1. INTRODUCTION

- 1.1 Internal Audit, along with other assurance processes within the Council, has a statutory obligation to provide assurance from the work they undertake in respect to the internal control systems that operate within the Council. The assurance gained from the work of Internal Audit feeds into the annual review of internal control, which feeds into the Annual Governance Statement, which is published alongside the annual Statement of Accounts.
- 1.2 Each audit review is given one of four levels of assurance (Full, Significant, Limited or No) dependent on an evaluation of both the controls in place and testing of the controls identified to ensure they are being correctly and consistently applied.
- 1.3 The purpose of this report is to meet the Principal Auditor's reporting requirements set out in the Public Sector Internal Audit Standards. It summarises Internal Audit's progress against the 2015/16 Audit Plan.

2. SUMMARY OF WORK UNDERTAKEN

- 2.1 The Internal Audit plan for the financial year 2015/16 approved by the Corporate Governance & Finance Committee in March 2015 provides for a total of 355 days of resource which is a mix of internal resource and an external provider, West Suffolk Internal Audit. The plan includes unproductive days for annual leave etc, and is not a static document and may change during the year as demands on the service change.
- 2.2 Much of the planned audit work undertaken each year is designed to gain assurance on the adequacy of internal controls, in particular those areas classified as key financial systems and include areas such as Council Tax, Housing Benefit, Payroll and Procurement. These reviews are supplemented by other assignments undertaken either as a one-off piece of work or on a rolling cyclical basis.
- 2.3 Of the 355 days included in the Audit Plan a total of 195 days have been completed during the financial year up to the end of October 2015 which equates to 55% of the plan, and is comparable with what would be expected to have been completed at this stage (58% of plan). The variance is due to the timing of audit reviews undertaken by West Suffolk Internal Audit. A detailed breakdown of the progress against individual audit reviews is provided at Table 1 to this report for information, including the assurance opinion given to each completed assignment.

- 2.4 Table 2 provides a brief summary of the objectives and findings from each of the completed audit reviews to date where recommendations have been made.
- 2.5 The audit team is also responsible for undertaking a number of reviews during the first six months of the financial year which are date demand led in order to comply with statutory requirements. These include the annual review of the local Code of Corporate Governance and the production of the Internal Audit Annual Report and Opinion and the Council's Annual Governance Statement. For these areas of work a formal audit report is not produced, instead the final product is a report to Committee.
- 2.6 In addition the audit team continues to undertake counter-fraud related work on an ongoing basis and is involved in a specific project to develop a county-wide anti-fraud network.

3. IMPLEMENTATION OF RECOMMENDATIONS

- 3.1 Work has been undertaken to follow up the recommendations contained in individual audit reports. At the time of preparing this report the status of the follow up is as follows:-

	PRIORITY			TOTAL
	HIGH	MEDIUM	LOW	
Recommendations outstanding 1/4/2015	18	71	6	95
Recommendations implemented	10	39	4	53
Recommendations outstanding	8	32	2	42
Implementation in progress	4	1	0	5
Currently under review	4	19	1	24
Implementation date not yet reached	0	12	1	13
	8	32	2	42
Recommendations made 2015/16 to date	3	21	2	26
Total recommendations outstanding	11	53	4	68

- 3.2 Work in this area will continue during the remainder of the financial year and will be reported again as part of the Annual Audit Report and Opinion early in 2016/17.

4. CONCLUSION

- 3.1 This report demonstrates that Internal Audit is on track to deliver the planned number of audit days approved by the Corporate Governance & Finance Committee in March 2015. A more detailed report on the work of Internal Audit will be provided at the end of the financial year providing performance information against individual audit assignments.

Trevor Bowd
Principal Auditor
December 2015

TABLE 1 – PROGRESS AGAINST THE AUDIT PLAN FOR 2015/16

Audit Review	Status		Notes	Audit Report	Recommendations Made		
	In Progress	Complete			High	Medium	Low
Dog Warden Out of Hours Contract		✓	SIGNIFICANT ASSURANCE	2015/01	0	5	0
Member & Officer Declarations		✓	SIGNIFICANT ASSURANCE	2015/02	0	3	2
Treasury Management – Follow Up		✓	SIGNIFICANT ASSURANCE	2015/03	0	0	0
Rent Deposits & Repayment Scheme		✓	SIGNIFICANT ASSURANCE	2015/04	3	10	0
Fraud Risk Assessment – Completion		✓	SIGNIFICANT ASSURANCE	2015/05	0	3	0
Annual Governance Statement		✓	Note 1				
Annual Report & Opinion		✓	Note 2				
Code of Corporate Governance		✓	Note 2				
Effectiveness of Internal Audit		✓	Note 2				
Treasury Management 2014/15 Additional Work		✓	Note 3	n/a	n/a	n/a	n/a
Council Tax	✓						
Housing Benefit	✓						
National Non-Domestic Rates	✓						
Key Financial Systems – Paperless Processing	✓		Note 4				
Open Data	✓						

Audit Review	Status		Notes	Audit Report	Recommendations Made		
	In Progress	Complete			High	Medium	Low
Managing the Risk of Fraud & Corruption	✓						
National Fraud Initiative	✓						
Operational Risk Management	✓						
Counter Fraud General	✓						
DCLG Fraud Fund Project	✓						
Risk Management Strategy	✓						
Bank Reconciliations			Review due quarter 4				
Creditors			Review due quarter 4				
Debtors			Review due quarter 4.				
Payroll			Review due quarter 4				
Treasury Management			Review due quarter 4.				
Assurance Mapping			Review due quarter 3				
Embedded Assurance Work			Review due quarter 4				
Anti-Fraud & Corruption Policy			Note 5				

Notes

1. Corporate Governance & Finance Committee Report 28th September 2015
2. Corporate Governance & Finance Committee Report 20th July 2015
3. Outcome from this review reported to Corporate Governance & Finance Committee 20th July 2015
4. Work linked to Transformation Programme
5. To be amended in line with any recommended changes arising from Managing the Risk of Fraud & Corruption review

TABLE 2 – EXECUTIVE SUMMARY OF AUDIT REPORTS ISSUED 2015/16

Report 2015/01	Dog Warden Out of Hours Contract		
Level of Assurance	Significant		
Recommendations Made	High	Medium	Low
	0	5	0

Introduction

This review was undertaken at the request of the Environmental Services Manager following failures in the management of the previous emergency out of hours contract. A new contract commenced in December 2014.

Scope and Objectives

The purpose of the review was to provide an assurance that moving forward, systems and processes put in place are sufficiently robust to ensure that all monies due to the Council have been properly identified and accounted for.

Executive Summary

By involving Internal Audit soon after setting up the new contract has added value in that the changes to further enhance the processes recommended during the review can be put in place at an early stage. A follow up of the recommendations will be undertaken to ensure that the agreed actions have taken place.

Report 2015/02	Member & Officer Declarations		
Level of Assurance	Significant		
Recommendations Made	High	Medium	Low
	0	3	2

Introduction

This review set out to test compliance with requirements for Member and officer interests to be declared.

Scope and Objectives

The scope and objective of the review was to ensure that:-

- a) There is guidance in place for Members and officers for the acceptance of gifts and hospitality and registers of interest.
- b) The guidance meets current legislative requirements.
- c) The acceptance or offer of gifts and hospitality is registered and monitored.
- d) A Register of Interests for Members and officers is maintained.

Executive Summary

This was the first review undertaken in this area for a number of years. The recommendations made in the report were very much around maintaining records electronically and ensuring that both Members and officers are regularly reminded of their responsibilities. A follow up of the recommendations will be undertaken to ensure that the agreed actions have taken place.

Report 2015/04	Rent Deposits & Repayment Scheme		
Level of Assurance	Significant		
Recommendations Made	High	Medium	Low
	3	10	0

Introduction

This review was undertaken at the request of the Housing Options Manager following the Scheme being brought in-house late 2014/15.

Scope and Objectives

The scope and objective of the audit was to establish if a sound system of internal control was operating in this area through the processes and procedures that had been put in place and make recommendations for improvements.

Executive Summary

Early involvement in reviewing the implementing of the Scheme has enabled Internal Audit to assist in its development by independently reviewing an evolving system and recommending areas for improvement. In terms of the recommendations made in the report, the high priority recommendations centred around the development of more detailed guidance/procedure notes, strengthening the application process and introducing a more robust recovery procedure. It is pleasing to report that a number of the recommendations made in the report have already been implemented and a follow up of all the recommendations will be undertaken to ensure that the agreed actions have taken place.

Of the three high priority recommendations made in the report, one has already been implemented. The remaining two recommendations have agreed implementation dates of January 2016 and April 2016. These will be followed up and progress reported in the Annual Report and Opinion in early 2016/17.

Report 2015/05	Fraud Risk Assessment		
Level of Assurance	Significant		
Recommendations Made	High	Medium	Low
	0	3	0

Introduction

The Chartered Institute of Finance & Accountancy (CIPFA) issued a Code of Practice on Managing the Risk of Fraud and Corruption in December 2014. There are five key principles of the Code including one specifically around the identification and assessment of fraud risks. This review assessed the controls in place to reduce or detect fraud across a number of areas and made recommendations to further strengthen controls and reduce the risk of fraud.

Scope and Objectives

The scope and objective of the audit was to establish if a sound system of internal control was operating in this area through the processes and procedures that had been put in place and make recommendations for improvements.

Executive Summary

As reported to this Committee in November this year (Annual Fraud Activity Report) it was concluded that generally the Council has good controls in place and the overall opinion was that the risk of fraud and corruption occurring was low. The review did identify three areas where improvements could be made at a corporate level:-

- Raising managers' awareness of their responsibilities for ensuring proper procedures are being followed in the services they manage.
- The introduction of a Travel & Subsistence Policy/Guidance Notes.
- Provide training to relevant employees on procurement/contract management before allowing access to the procurement system (Agresso).

A follow up of the recommendations will be undertaken to ensure that the agreed actions have taken place.