

**Audit Committee – 5 September 2016**

**Internal Audit Progress Report 2016/17**

**Summary of report**

The purpose of this report is to update the Audit Committee on Internal Audit's progress for 2016/17 (attached).

**Background papers**

Internal Audit reports/monitoring information.

**Recommendation**

1. To note the contents of this report.



**James T. Walsh – Chief Finance Officer**

25 August 2016

**Resource and legal considerations**

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to 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.

**Governance issues**

The Audit Committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work undertaken. This report supports the Audit Committee in exercising that role.

**Citizen impact**

Internal Audit work is intended to ensure that effective systems of internal control are in place. This protects the council and its officers and provides an assurance to stakeholders and citizens regarding the security of the council's operations.

**Performance and risk management issues**

Part of Internal Audit's role is to provide assurance on the council's performance and risk management arrangements. Internal Audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.

From 2016/17, the Internal Audit service is being delivered through a contract arrangement with Mazars. Regular updates are provided to Audit Committee on audits progress against the approved Internal Audit Plan for 2016/17.

The attached report highlights progress against the audit plan as at 31 July 2016. Audit coverage is in line with the plan. Work to date has included follow up of 2015/16 audits. 464 audit recommendations were raised in 2015/16 audit reports. As at 31 July, 48% of all agreed actions have been confirmed as implemented. This percentage is to be expected, given that a large number of actions are not due to be implemented until after this date.

The internal audit contract is subject to key performance indicators (KPI's) including achievement of the audit plan and formal quarterly meetings are held between the Chief Finance Officer and senior representatives at Mazars to monitor performance of the contract. KPI performance as at 31 July is below.

<b>Standard</b>	<b>Target</b>	<b>Actual at 31<sup>st</sup> July</b>
Achieve the Annual Audit Plan	100% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	0% as year-end procedure
Produce annual report which includes an overall assurance opinion for the Council for the year.	To be produced and issued to the Chief Finance Officer within 15 working days from 31 March each year.	0% as year-end procedure
Annual review and report on the effectiveness of the risk management strategy and its application with comments and recommendations for changes.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	0% as year-end procedure
Annual risk management report which provides assurance that the system of risk management and identification is suitable and sufficient for the purposes of the Annual Governance Statement.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	0% as year-end procedure
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	10/10 100%
Achieve performance of quarterly audit work plan	100% expected audits in the quarterly plan to be completed to draft report stage within 15 working days of last day of quarter	8/9, 89% Exception is Appointeeships and Deputyships where there have been delays to receiving information and auditor completed Local Growth Fund and CRC grant audits during this time.
<b>Standard</b>	<b>Target</b>	<b>Actual at 31<sup>st</sup> July</b>

Produce quarterly progress report in accordance with the specification.	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Quarter 1 Completed
Produce a quarterly risk management update report	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Not Met. With agreement, to be completed in September
Quarterly review of Corporate Risk Register (CRR) and report for Corporate Management Team and Audit Committee	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Not Met With agreement, to be completed in September

The following table sets out the Performance Standards against which the success of the Agreement will shall be measured.

Standard	Target	Actual at 31 <sup>st</sup> July
Notification of planned audits to Secondary Clients. (Not surprise visits).	Secondary Clients to be notified of the start date of each audit (100%) at least 15 working days in advance. In the case of school audits, "15 working days"	10/10 100%
Issue audit brief.	100% of audit briefs to be submitted to the Secondary Client for comment and approval at least 10 days prior to commencement date of each audit.	10/10 100%
Conduct exit meetings.	100% to be carried out with Secondary client or their representative within 5 days of the completion of all audit work at a pre-arranged time, as specified in the audit brief.	10/10 100%
Produce draft report, which reflects the agreed brief.	100% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	8/10 80% Exceptions are St Anne's and St Francis' Primary Schools which were due to study commitments of the auditors.
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	4/4 100%
Standard	Target	Actual at 31 <sup>st</sup> July
Complete National Fraud Initiative	Ensure that all data matches are	To be completed in

(NFI) data matching exercise.	reviewed and investigated on an annual basis in accordance with the timetables provided.	September
Counter fraud work	To maintain and update counter fraud policies, the counter fraud toolkit, training and other counter fraud work as agreed in advance with the Chief Finance Officer.	To be completed in September
Follow up on all high priority actions	Reports produced in accordance with timetables set out in the Specification.	Ongoing – 48% complete
Specialist IT / risk audits	Quarterly report detailing percentage of time of qualified or specialist staff utilised in delivery of the audit and risk work undertaken during the quarter	Provided
Respond to unsatisfactory client satisfaction questionnaires/CMT feedback	To be provided to the Chief Finance Officer within 10 working days	None received
Attendance at planned meetings with both the Chief Finance Officer and external audit as detailed throughout this specification.	Meetings attended by Contract Manager	No planned meeting in Quarter 1
Attend the Audit Committee meetings in accordance with the Audit Committee Work Programme and Timetable	Meetings attended by Partner or Director or Contract Manager	100%
Provision of audit helpline	Summary of advice provided, to be submitted to Chief Finance Officer prior to discussion at quarterly meetings.	No advice requested
Provision confidential reporting hotline answer phone facility.	Summary of calls received and action taken to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	2 received, referred to management
Quality control system	Copy to be provided to Chief Finance Officer on an annual basis	Provided
Compliance with the PSIAS via external accreditation	To provide evidence of the external accreditation	To provide when completed
Provide training for Council Officers, Project Managers and Members in the principles and practices of Risk Management	Provision of training as agreed by the Chief Finance Officer	ICT risk management workshop held. Directorate workshops planned for Quarter 3
Audit and Risk Training Programme	To provide a copy to the Chief Finance Officer on an annual basis	N/A Year-end procedure

## Equality implications

Internal Audit has full regard to equalities both within the internal audit service and in the services / activities under review.

### **Consultation**

The annual work plan 2016/17 was consulted upon before its final endorsement by executive directors, senior managers, the Chief Finance Officer and Audit Committee.

### **Contact:**

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