

## **Audit Committee – 27 February 2017**

### **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) and performance for quarter three.

#### **Background papers**

Internal Audit reports/monitoring information.

#### **Recommendation**

Audit Committee are recommended to note the contents of this report.



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

16 February 2017

#### **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.

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 December 2016. Audit coverage is in line with the plan. Work to date has included follow up of 2015/16 audits and progress in implementing both 2015/16 and 2016/17 recommendations is set out in the attached report.

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 December (quarter 3) is below.

Standard	Target	Actual at 31 <sup>st</sup> December
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.	N/A 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.	N/A 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.	N/A 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	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	N/A Year-end procedure

Governance Statement.		
Standard	Target	Actual at 31 <sup>st</sup> December
Effective completion of audit work.	100% draft reports, which include relevant recommendations, are issued within 6 weeks of the commencement of work.	<p>22/25 88%</p> <p>Exceptions: <b>Appointeeships and Deputyships</b> where there were delays to receiving information and auditor completed Local Growth Fund and CRC grant audits during this time. <b>Code of Conduct for Operational PPP/PFI Contracts</b> due to summer holidays and assigning responsibility for recommendation. <b>Facilities Management</b> where the service manager did not return to work following annual leave.</p>
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.	<p>22/25 88%</p> <p>Exceptions as above</p>
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.	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.	Corporate risk register work ongoing.
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.	Corporate risk register work ongoing.

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> December
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"	37/37 100%
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.	37/37 100%
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.	25/25 100%
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.	19/25 76%  <b>Exceptions: St Anne's, St Francis', Bluecoat Federation, St Mary of the Angels, Brownhills West.</b>  Average time to issue for 25 audits is 10.52 days
Produce final report.	100% to be produced and issued with 5 working days of receipt of management response to draft report.	12/12 100%  Average time to issue for 12 audits is 2.5 days

Standard	Target	Actual at 31 <sup>st</sup> December
Complete National Fraud Initiative (NFI) data matching exercise.	Ensure that all data matches are reviewed and investigated on an annual basis in accordance with the timetables provided.	Completed
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.	Work in progress
Follow up on all high priority actions	Reports produced in accordance with timetables set out in the Specification.	Ongoing and progress reported to each Audit Committee
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	Completed as part of monitoring information
Respond to unsatisfactory client satisfaction questionnaires/CMT feedback	To be provided to the Chief Finance Officer within 10 working days	N/A
Attendance at planned meetings with both the Chief Finance Officer and external audit as detailed throughout this specification	Meetings attended by Contract Manager	Ongoing
Attend the Audit Committee meetings in accordance with the Audit Committee Work Programme and Timetable	Meetings attended by Partner or Director or Contract Manager	Ongoing
Provision of audit helpline	Summary of advice provided, to be submitted to chief Finance Officer prior to discussion at	No advice requested

	quarterly meetings.	
<b>Standard</b>	<b>Target</b>	<b>Actual at 31<sup>st</sup> December</b>
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.	None received.
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	External Assessment completed and results shared with Chief Finance Officer.
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	Directorate workshops planned for Quarter 4
Audit and Risk Training Programme	To provide a copy to the Chief Finance Officer on an annual basis	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.

## Contacts:

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