

Audit Committee – 9 November 2015

Internal Audit Update Report

Summary of report

The purpose of this report is to update the Audit Committee on Internal Audit's progress for the six month period ending 30 September 2015.

Recommendation

To note the contents of this report.

Resource and legal considerations

The Accounts and Audit Regulations 2015 require councils to undertake an adequate and effective Internal Audit of its accounting records and of its system of internal control in accordance with the proper Internal Audit practices.

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.

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 2015/16 was consulted upon before its final endorsement by executive directors, senior managers, the S151 Officer and Audit Committee.

Background papers

Internal Audit reports/monitoring information.

Author:

Mary Costello

Audit Manager

☎ 01922 654729

✉ Mary.costello@walsall.gov.uk

A handwritten signature in black ink, appearing to be 'James Walsh', with a stylized, cursive script.

James Walsh – Chief Finance Officer

26 October 2015

Internal Audit Update Report

1. Purpose of this report

- 1.1 This report summarises the work that Internal Audit has undertaken for the six month period ending 30 September 2015. It also highlights any key issues with respect to the overall system of internal control.

2. The Internal Audit process

- 2.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the council's operations. It helps the council to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal control and governance processes. In addition, the other objectives of the function are to:
- support the responsible financial officer to discharge duties as proper officer;
 - support the delivery of corporate objectives and the continuous improvement agenda; and
 - provide a corporate fraud / investigation service that safeguards the public purse.
- 2.2 Each year the Audit Committee endorses the Internal Audit plan for the financial year. The majority of the work that Internal Audit undertakes is designed to provide assurance to members and management on the operation of the internal control environment as part of the overall governance assurance process. Internal Audit work undertaken includes actions agreed with management that improve the adequacy and effectiveness of the controls already in practice.

3. Progress for the six months to 30 September 2015

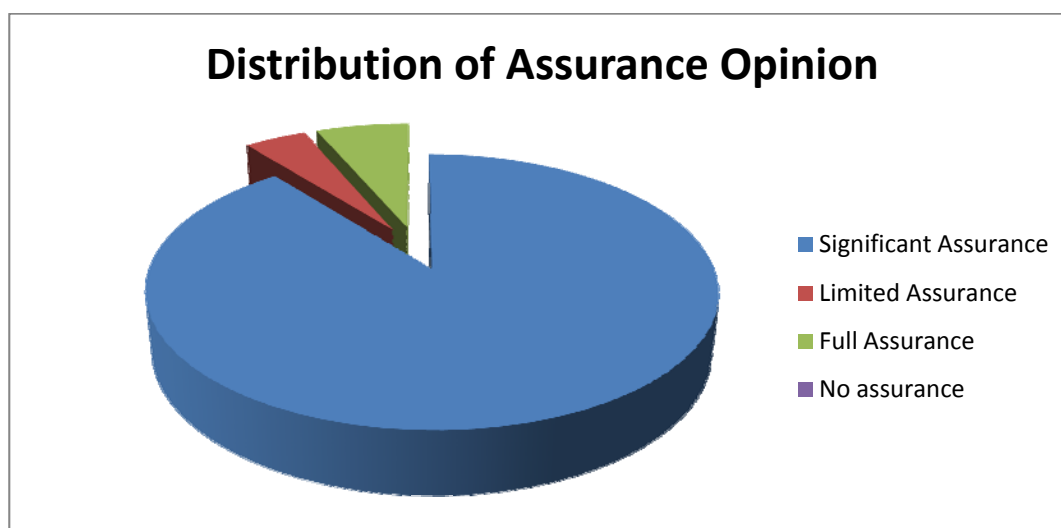
- 3.1 Internal Audit's work comprises of planned and unplanned assurance, which is summarised in the following table.

Planned Assurance	An assurance service which provides an independent and objective opinion to the organisation of the control environment, by evaluating its effectiveness in achieving the organisations objectives. The service objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. This is achieved via Internal Audit's risk assessed audit plan.
Unplanned Assurance	<p>Prevention, detection and investigation of fraud and corruption; and other irregularity.</p> <p>Advisory and consultancy related services which are carried out to improve services and to add value, including the impact of proposed policy initiatives, programmes and projects as well as emerging risks.</p>

- 3.2 A detailed summary of Internal Audit's unplanned assurance work undertaken for the 6 month period ending 30 September 2015 is detailed in a separate report in

private session this evening. A summary of planned work undertaken and finalised for the 6 month period ending 30 September 2015 is detailed at **Appendix 1**. This includes the assurance level given (definitions of which are included in **Appendix 2**). During the early part of the year much of the planned audit activity is in finalising work relating to the previous year's plan, this element of time is planned for and this year has been no exception.

- 3.3 Of the 47 audits finalised during the period, 45 (96%) of those received a significant assurance opinion or above, 2 (4%) receiving a limited assurance opinion or below. The table below gives the distribution of assurance opinion.



- 3.4 Audit Committee routinely receive summaries of all limited and no assurance opinion audit reports issued and call in accountable executive directors where on audit follow up of these reports, limited or no progress (see **Appendix 2** for follow up opinion definitions) has been made in addressing control weaknesses previously identified. During the six month period ending 30 September 2015, of the 6 follow up reports finalised, 1 (17%) received a limited progress assurance opinion. This has been reported to Audit Committee and will be subject to a further follow up audit in due course.
- 3.5 Progress to date against the 2015/16 planned programme of work has been below that anticipated. There are currently 2 vacant posts and 1 employee on maternity leave which has had an impact upon the resources available to complete the planned programme of work. The Head of Internal Audit post was deleted with effect from 2 October 2015.

4. Compliance with professional standards

- 4.1 A compliance checklist has been produced by Internal Audit against the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013 and Internal Audit's progress against the standards has been regularly reported to Audit Committee (24 June 2013, 2 September 2013, 24 February 2014, 1 September 2014 and 20 July 2015).

- 4.2 Of the 206 point checklist which makes up the PSIAS, only 10 points now remain outstanding, all relating to one action which is the requirement for a 5 yearly external assessment of Internal Audit's PSIAS compliance, to be undertaken by April 2018. The Chief Finance Officer reviewed Internal Audit's current self assessment in June 2015 and confirmed that evidence was available to support the above statement.
- 4.3 On 1 September 2014, Audit Committee agreed the form of the external assessment, a peer review of Internal Audit's self assessment to be undertaken by WM Ambulance Services. A memorandum of understanding has been agreed between the council and WM Ambulance Services. WM Assurance Services peer assessment has been completed and Walsall's peer assessment will be undertaken in January 2016. The outcome of this work will be reported to Audit Committee in due course.

5. Performance

- 5.1 Internal Audit's performance against measures for the six month period ending 30 September 2015 is detailed below. The direction of travel is given from that previously reported at 2014/15 year end. A summary of half year performance is also detailed within the performance dashboard at **Appendix C**.

	Measure	Actual	'RAG'	Direction of Travel
Audit time budgeted v actual	560 days	543 days	G	↔
Report issued within 8 weeks of audit start date	80%	72%	A	↑
Audit report actions agreed	95%	99%	G	↔
Relationships / Customer Satisfaction	95%	100%	G	↔
Productivity rate (Chargeable hours)	90%	90%	G	↔
Sickness – average working days lost per employee (Internal Audit) against target	7.0 days	1.5 days	G	↑
VFM savings achieved / irregularity costs identified and recovered.	£650k	Annual	Annual	Annual

- 5.2 Internal Audit's expenditure was below its approved budget for the period.
- 5.3 In summary, Internal Audit has made good progress against its measures during the period, with most currently on target or green 'RAG' rated with an improving performance on that reported at 2014/15 year end.

- 5.4 The measure 'reports issued within 8 weeks of start date' is currently amber 'RAG' rated. However the direction of travel on that reported 72% is a very positive one compared to the 64% reported at the 2014/15 year end.
- 5.5 A new measure was introduced for 2014/15, audit time budgeted against actual days spent. This measures the actual time the audit team spent on completing audits finalised during the period against the time allocated in the audit plan and is a measure of the efficiency of the team. In six month period ending 30 September 2015, of reports finalised, the team should have completed the audits within 560 days but actually completed them within 543 days.
- 5.6 Productivity and customer satisfaction remain high at 90% and 100% respectively.
- 5.7 The average working days lost per full time employee is 1.5 days against an annual target of 7 days.
- 5.8 The 'VFM savings achieved / irregularity costs identified and recovered' measure is an annual measure which will be reported at the 2015/16 year end.

6. Conclusion

- 6.1 Audit Committee can be assured that no issues have been identified in the 2015/16 work completed to date which impacts materially on the overall system of internal control.
- 6.2 Progress to date against the planned programme of work has been below that anticipated due to reduced resources available. This is likely to be an on-going challenge for the remainder of this financial year, whilst a new model for service delivery is being designed. This will be reported to a future Audit Committee. Planned audit work is being prioritised, in consultation with key stakeholders, to ensure that the maximum benefits are achieved from available resources. Audit Committee will be notified of the outcomes of this work accordingly. Performance against measures will continue to be monitored.

Summary of Planned Work Finalised as at 30 September 2015

Directorate	Auditable Area	Date of Report	Level of Assurance
Children's Services	Alumwell Infants	03/06/15	Significant
	Barcroft Primary	02/07/15	Significant
	Early Help	02/07/15	Significant
	Elmore Green Primary	21/05/15	Significant
	Greenfields Primary	18/15/15	Limited
	King Charles Primary	02/07/15	Significant
	Millfield Primary	02/07/15	Significant
	New Invention Infants	25/06/15	Significant
	Out of Borough Placements	26/08/15	Significant *
	Radleys Primary	09/08/15	Significant
	St Giles Primary	15/09/15	Significant
	St Patricks Primary	24/06/15	Significant
	Transport Provision	21/07/15	Significant
	Walsall Youth Support Services	15/05/15	Significant
Economy & Environmental Services	Area Partnership Panels	07/07/15	Significant
	Community Safety	16/07/15	Significant
	Major Projects & Minor Improvement	14/04/15	Full
	PFI - Streetlighting	30/04/15	Significant
	Sports & Leisure Strategy	17/08/15	Significant
	Trading Standards	18/08/15	Significant
	Traffic Management	11/09/15	Significant
	Asset / Office / Facilities Management	05/06/15	Significant
	Walsall Adult & Community College	30/04/15	Significant
	Estate Management (inc Land Terrier & Land Sales)	08/04/15	Significant

Directorate	Auditable Area	Date of Report	Level of Assurance
Change & Governance	Strategic Regeneration	24/04/15	Full
	Bereavement & Registration (including Coroner)	28/09/15	Significant
	Carbon Reduction Commitment Efficiency Scheme (CRC)	11/08/15	Significant
	Benefits - Housing & Council Tax	27/08/15	Significant *
	Council Tax / National Non Domestic Rates (NNDR)	07/07/15	Significant
	Free School Meals	27/05/15	Significant
	Housing Standards & Improvement	29/04/15	Significant
	Welfare Rights	08/05/15	Significant
	Disabled Facility grant - sign off	28/07/15	Full
Social Care & Inclusion	Integrated Discharge Service	21/09/15	Significant*
	Mental Health Teams (inc Community Mental Health Team & Walsall / Dudley Mental Health Partnership)	27/05/15	Limited
	Pooled Budgets	28/08/15	Significant
	Autism Innovation Capital Grant	27/08/15	Significant
All	Accounts Payable	03/09/15	Significant
	Budgetary Management	25/08/15	Significant
	Agency Workers	25/08/15	Significant
	Grants	17/07/15	Significant
	Payroll	08/09/15	Significant
	Failure to deliver Phoenix 10 Project (Strategic Risk Register)	07/05/15	Significant
	Failure to safeguard children and all vulnerable adults (Strategic Risk Register)	07/08/15	Significant
Computer	Income Management System	06/07/15	Significant
	ICT Business Continuity Management	06/07/15	Significant*
	Housing Benefits/NNDR (SX3) IT System	07/07/15	Significant

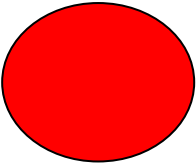
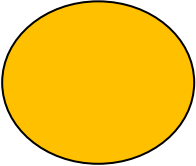
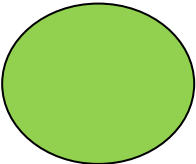
* Borderline significant

Summary of Planned Follow Up Work Finalised as at 30 September 2015

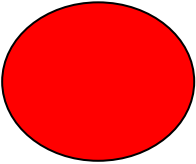
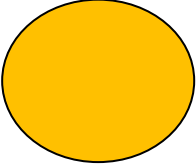
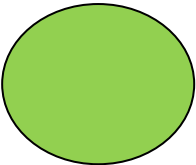
Directorate	Auditable Area	Date of Report	Level of Progress
Children's Services	Butts Primary	17/07/15	Full
	Lindens Primary	08/04/15	Significant
	New Leaf Pupil Referral Unit	17/04/15	Significant
Social Care & Inclusion	Telecare	11/09/15	Significant
Change & Governance	Accommodation Services & Homelessness	17/04/15	Limited
	Project Management	28/09/15	Significant

* Borderline significant

Audit Opinion Classification

	Overall Audit Opinion	
	No assurance	No assurance as weaknesses in control, or consistent non compliance with key controls, [could result / have resulted] in failure to achieve the organisation's objectives in the areas reviewed.
	Limited Assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
	Full Assurance	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed.
	Significant Assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.

Audit Follow Up Opinion Classification

	Overall Audit Opinion	
	No Progress	None of the high priority findings within the audit report have been closed / addressed.
	Limited Progress	Limited progress has been made in closing / addressing high priority findings within the audit report.
	Full Progress	All high priority findings within the audit report have been closed / addressed.
	Significant Progress	Significant progress has been made in closing / addressing high priority findings within the audit report.

