

ITEM 10 **The Annual Internal Audit Report 2015-16**

Report of the Shared Internal Audit Manager (Portfolio: Economic)

Recommended:

That the Members note the work performed by the internal audit team over the previous year (April 2015- March 2016).

SUMMARY:

- This report provides an overview of the internal audit work covering the financial year 2015/16.

1 Introduction

1.1 Members of the Overview and Scrutiny Committee have requested an Internal Audit Annual Report. This paper is based on the reports provided by the Shared Internal Manager to the Audit Panel in this period.

1.2 In this period there have been four Audit Panel meetings:

- 11 June 2015
- 24 September 2015
- 7 December 2015
- 14 March 2016

1.3 Councillor Finlay was the Lead Member for the Audit Panel during the year, with Councillor Jeffrey taking on the role at the meeting on 13 June 2016.

2 Background

2.1 Throughout the year an internal audit monitoring statement for the period was provided to Members of the Audit Panel. In addition, other reports to the Panel, covered statutory reports from External Audit, the forward looking Internal Audit Strategy and Charter, a paper covering the Audit Universe (also reported to OSCOM 20 January 2016) and Member training was provided at the 11 June 2015 meeting.

2.2 The overall opinion of the Internal Audit Partnership Manager (as reported to the June 2016 Audit Panel meeting) is that a **substantial level of assurance** can be given that there is a generally sound system of internal control, designed to meet the Council's objectives, and that controls are being applied consistently.

- 2.3 87 % (33 of the 38 programmed audits) of the original audit plan was delivered to final or draft report stage against a target of 90%. A further 8% (3 audits) were in progress as at 31 March 2016. For two audits a change of approach was adopted. These were Asset Management and Staff Recruitment.
- 2.4 The team achieved 99% productive time against a target of 90% for the period 1 April 2015 to 31 March 2016.
- 2.5 The assurance opinions related to the 32 audits (where an opinion has been given at that stage) are summarised as follows:

| Opinion | Number | Percentage |
|-----------------------|--------|------------|
| Full Assurance | 4 | 12.5% |
| Substantial Assurance | 20 | 62.5% |
| Limited Assurance | 8 | 25% |
| No Assurance | 0 | 0% |

The Audits that received a limited opinion were as follows:

Chantry Centre – Reported to the Audit Panel June 2016.

Cleaners and Premises Assistants (Lone working & Time sheets) – Reported to the Audit Panel June 2016.

Elections – Reported to the Audit Panel June 2016.

Procurement - Reported to the Audit Panel September 2015.

Salary Sacrifice for Cars – Reported to the Audit Panel September 2015.

Salary Sacrifice for Cycles – Reported to the Audit Panel September 2015

Utilities – Reported to Audit Panel March 2016.

Insurance - reported to Audit Panel September 2015.

- 2.6 All actions arising from audit reports are agreed with the management responsible for the area/function. These actions are monitored by each Service's Performance Board and recorded on the performance management system. A review of the system was undertaken to ascertain the status of audit actions as at 31/03/16. The results are summarised in the table below:

| Audit Actions: | Risk: | Total: | Complete: | In Progress: | Pending /Slipped: |
|-----------------------|--------------|---------------|------------------|---------------------|--------------------------|
| 2014-15 | High | 27 | 24 (89%) | 3 (11%) | 0 (0%) |
| | Med/Low | 97 | 75 (77%) | 11 (11.5%) | 11 (11.5%) |
| 2015-16 | High | 13 | 7 (54%) | 6 (46%) | 0 (0%) |
| | Med/Low | 80 | 35 (44%) | 29 (36%) | 16 (20%) |
| Grand Total | | 217 | 141 | 49 | 27 |

- 2.7 3 High risk actions remained in progress from 2014-15 as at 31/03/16. These were no longer considered high risk due to the action implemented to date and all were nearing resolution and closure.
- 2.8 51 actions arising from the 2015-16 audit reviews remained in progress as at 31/03/16 or had slipped. 6 of these are high risk but all were in progress.
- 2.9 All those actions that are in progress and slipped/pending are followed up during the year by the Performance Boards on a quarterly basis and by Internal Audit twice yearly to ensure that control weaknesses are properly addressed. An Internal Audit review is currently underway with the results due to be reported to the Audit Panel in December.

3 Corporate Objectives and Priorities

- 3.1 The work of the Internal Audit Function supports the Council's four strategic aims for maintaining and improving quality of life in Test Valley, by ensuring that the Council makes the most of its available resources and transforms the way it works, to provide even better value for money and effective service delivery.

4 Consultation/Communications

- 4.1 The Internal Audit Plan for 2015/16 involved full consultation with senior management, the Council's External Auditors and the Audit Panel.

5 Options

- 5.1 In accordance with best professional practice, currently the Public Sector Internal Audit Standards, each year a plan is produced and internal audit resources allocated to the areas of the Council's activity which need to be reviewed during the year.
- 5.2 The Council has limited options in this matter as without this the Council is at risk of providing inadequate audit coverage on high-risk areas and no assurance on the control environment.

6 Risk Management

- 6.1 The annual audit plan 2015/16 was based on the Council's risk registers and Internal Audit contributes towards the overall corporate governance framework of assurance.

7 Resource Implications

- 7.1 The Audit Plan for 2015/16 was based on **2.8 full time** equivalent auditors employed by Test Valley Borough Council and **0.4 full time** of an Audit Manager's time provided in partnership with Gosport Borough Council.

8 Equality Issues

- 8.1 The report is for information purposes, so the Council's EQIA process does not need to be applied.

9 Conclusion

- 9.1 The review of the effectiveness of Internal Audit has shown that there is **substantial compliance** with the Standards detailed in the Public Sector Internal Audit Standards 2013.
- 9.2 This report outlines the work undertaken by Internal Audit from 1 April 2015 to 31 March 2016 and the overall performance in delivery of the 2015/16 Audit Plan.

| | | | |
|--|---------------------------------|-------|-----------------|
| <u>Background Papers (Local Government Act 1972 Section 100D)</u> | | | |
| None | | | |
| <u>Confidentiality</u> | | | |
| It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public. | | | |
| No of Annexes: | None | | |
| Author: | Chris Davis | Ext: | 8237 |
| File Ref: | | | |
| Report to: | Overview and Scrutiny Committee | Date: | 12 October 2016 |