

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

**CORPORATE GOVERNANCE COMMITTEE**

**18 MARCH 2016**

**INTERNAL AUDIT PLAN 2015 / 2016: PROGRESS REPORT**

**RECOMMENDATIONS:**

**That Corporate Governance Committee notes:**

- **Progress against the delivery of the 2015 / 2016 Audit Plan**

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## DELIVERY OF THE INTERNAL AUDIT PLAN

### 1. INTRODUCTION

- 1.1 The purpose of this report is to bring the Corporate Governance Committee up to date with progress made against the delivery of the 2015 / 2016 Internal Audit Plan. This report aims to:
- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit;
  - Advise the Committee of significant issues where controls need to improve to effectively manage risks;
  - Advise of any planned changes to reviews, slippage or deletions to that originally agreed on 27 March 2015; and
  - Track progress on the delivery of agreed actions which will be reported as part of the annual reporting process.
- 1.2 The information included in this progress report will feed into, and inform our overall opinion in the Annual Head of Internal Audit Report issued at the year-end. This opinion will in turn be used to inform the Annual Governance Statement (AGS) included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council. The report is for the Committee to consider under its Terms of Reference:
- To monitor the activities of the Internal Audit service provider and measure performance against the plan; and
  - To consider a quarterly report detailing audit coverage and the extent to which any major problems were highlighted.
- 1.3 A number of the activities set out within the agreed Audit Plan are to support the works of External Audit to avoid the risk of duplication of audit work; and improve the effectiveness, efficiency and economy of both audit teams. The scope for a number of new audit areas have been agreed with senior management and a series of audits have commenced, findings and conclusions of which will be reported at the next meeting. The following analysis details progress up to, and including 29 February 2016.
- 1.4 In addition to providing assurance on the current controls, while we have been able to confirm that the majority of systems comply with expected controls, we have also identified a number of areas where efficiencies could be made to the system. We have incorporated these into our reports for management consideration.

## 2. AUDIT ACTIVITIES 2014 / 2015

- 2.1 The status for audit work undertaken against the current plan is as follows (NB: Audit reports which have been discussed previously at Corporate Governance Committee are shown as **SHADED**):

### CORE SYSTEMS ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY						
	Previous Review	Assurance Rating / No. of Recommendations					Commentary
		Assurance	Critical	High	Medium	Low	
Accounts Receivable (Trade Waste)	Not applicable	N/a	0	3	6	1	<p>NB: An assurance rating has not been provided due to this being separate to the original scope. However management should consider the recommendations within this report with a view to implementation prior to the 2015/16 year end process.</p> <p>A number of anomalies were identified following the Waste Management system upgrade, personnel changes and the invoice process.</p> <p>Finally, the review of the year end processes identified a number of areas where improvements could be made to ensure appropriate controls exist.</p>
Responsive Repairs	RSM Tenon review	NO	0	5	3	0	<p>The review focussed on the performance of the housing repairs Partnering Contract with Mears and the robustness of the monitoring arrangements.</p> <p>At the time of the audit it was identified that the contract monitoring arrangements were ineffective. Poor performance issues identified were not being escalated for action in line with the contract and the quality and accuracy of the data provided to calculate performance was inconsistent.</p>

### 3. AUDIT ACTIVITIES 2015 / 2016

3.1 The status for audit work undertaken against the current plan is as follows:

#### CORE SYSTEMS ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY						
	Previous Review	Assurance Rating / No. of Recommendations					Commentary
		Assurance	Critical	High	Medium	Low	
Housing Benefits	March 2015  FULL	Audit scheduled for Quarter 4. Terms of Reference and Testing Schedule agreed.  Focus will be on the key controls and to follow up any previous recommendations.					
Accounts Payable (Creditors)	March 2015  SIGNIFICANT	WORK IN PROGRESS					
Accounts Receivable (Debtors)	April 2015  SIGNIFICANT	WORK IN PROGRESS. Exit meeting organised.					
Housing Rents	February 2015  SIGNIFICANT	SIGNIFICANT	0	0	2	0	Good controls are in place within the system. Improvements identified relate to appropriate policies / processes for salary deductions and removal of access to employees who change roles.

## GOVERNANCE AND ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY						
	Previous Review	Assurance Rating / No. of Recommendations					Commentary
		Assurance	Critical	High	Medium	Low	
Annual Governance Statement	<b>COMPLETED</b> The Annual Governance Statement was approved at Corporate Governance Committee in September 2015. No material issues were identified for attention of management / members within the Statement. Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps.						
Annual Audit Opinion	<b>COMPLETED</b> The Annual Audit Opinion was submitted to Corporate Governance Committee in June 2015						
National Fraud Initiative	<b>ON GOING.</b> Various data anomalies have been referred across the organisation for further investigation.						
Corporate Fraud Arrangements	<b>WORK IN PROGRESS.</b> A high level review is being undertaken against the CIPFA Code of Practice on managing the risk of Fraud and Corruption.						
Risk Management	<b>WORK IN PROGRESS</b>						
Project Management	Not applicable	LIMITED	0	4	4	2	The audit focussed on the project management arrangements in place and the level of compliance with policies and processes.

## CORPORATE CROSS CUTTING AUDITS

AUDIT ACTIVITY	COMMENTARY						
	Previous Review	Assurance Rating / No. of Recommendations					Commentary
		Assurance	Critical	High	Medium	Low	
<b>Human Resources / Staffing</b>	Not applicable (different areas looked at each year)	<b>LIMITED</b>	<b>0</b>	<b>6</b>	<b>4</b>	<b>1</b>	<p>The objectives of the audit were to provide assurance that management have implemented adequate and effective controls over Recruitment and Selection.</p> <p>Our audit found that whilst there is a clear policy and documented processes, there are weaknesses in the level of compliance across the Council and inconsistencies in the approach.</p>
<b>Service Preparations for Growth</b>	New audit area	Audit scheduled for quarter 4. Combined with audit below (reorganisation)					
<b>Corporate Governance</b>	Not applicable (different areas looked at each year)	<b>WORK IN PROGRESS.</b> Focus of audit is to verify Gifts and Hospitality declarations.					
<b>Reorganisation / Service Delivery</b>	New audit area	Audit scheduled for quarter 4.					

# DEPARTMENTAL SPECIFIC

AUDIT ACTIVITY	COMMENTARY						
	Previous Review	No. of Recommendations / Severity					Commentary
		Assurance	Critical	High	Medium	Low	
Allocations / Voids	February 2014  <b>SIGNIFICANT</b>	<b>WORK IN PROGRESS.</b> Draft report has been issued and responses are being collated. Assurance is to be split over three areas: <ul style="list-style-type: none"><li>• Housing Services Tenancy Fraud;</li><li>• Choice Based Lettings System; and</li><li>• Housing Voids</li></ul>					
Ermine Street Business Plan	New audit area	<b>COMPLETED</b> Initial review of draft proposals as part of the developing the Councils financial strategy					
Insurance	New audit area	<b>WORK IN PROGRESS.</b> Draft report has been issued and responses are being collated					
Information Governance	RSM Tenon	<b>WORK IN PROGRESS.</b> Two separate areas are being reviewed, namely, Freedom of Information and Data Sharing. One completed to date.					
Freedom of Information	New audit area	<b>SIGNIFICANT</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	Good arrangements are in place for the delivery of Fol. Improvements were identified to enhance management information and its reporting
Members Allowances	RSM Tenon	<b>SIGNIFICANT</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>1</b>	Following verification that all payments made are in accordance with the scheme and are correct. Generally, the scheme has been administered well although a number of anomalies were identified.

<b>Community Right to Bid</b>	New audit area	<b>SIGNIFICANT</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	Community asset applications since April 2014 were reviewed to ensure the correct processes had been adhered to regarding acceptance, refusal, appeals and disposals of assets. Although the process is defined some controls could be tightened and an additional control implemented documenting decisions made to promote transparency and efficient operation of the evaluation of asset nominations.
<b>RECAP</b>	New audit area	<b>DEFERRED:</b> This audit is now included on other Councils audit plans who will provide assurance to South Cambridgeshire. The allocated days for this audit have been reassigned to cover the National Fraud Initiative.					
<b>Urban Design and Conservation</b>	New audit area	Scheduled for quarter 4.					

Separate advice has been provided to the Council in relation to:

- Document retention policies;
- Providing details of the internal control environment to assist in Insurance policy requests;
- Investigating new NFI matches;
- The publication of expenses information; and
- The scheme of delegation.

Work is well underway into reviewing corporate and departmental risk registers in order to establish a comprehensive Internal Audit Plan for 2016 / 2017 which will be brought before members in March 2016. Discussions are ongoing with other Councils to establish joint areas for auditing and where appropriate assurance can be provided to each other.



## ARRIVING AT AN OPINION

Where appropriate, each report we issue during the year is given an overall opinion based on the criteria below. Certain pieces of work do not result in an audit report with an opinion – such as consultancy work, involvement in working groups, review of National Fraud Initiative (NFI) reports and follow-ups. The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

AUDIT ASSURANCE	
Assurance	Definitions
Full	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.
Significant	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
Limited	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
No	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss / embarrassment / failure to achieve key objectives.

This is based upon the number and type of recommendations we make in each report and is for any control weaknesses that jeopardises the complete operation of the service. The prioritisation is established as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical