



**TO:** Audit & Governance Committee

**FROM:** Head of Audit & Assurance

**DATE:** 10 January 2017

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** **Audit & Assurance - Progress and Outcomes to 30 November 2016**

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**1. PURPOSE**

To inform Members of the achievements and progress made by Audit & Assurance in the period from 1 September to 30 November 2016.

**2. RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 November 2016 against the Audit & Assurance Plan, which was approved by Committee on 12 April 2016;
- approve the proposed revisions to the Audit & Assurance Plan; and
- approve the proposed change to the date of the September 2017 Committee meeting and the timing of the meeting to approve the annual accounts from 2018 going forward.

**3. BACKGROUND**

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit Committee during the year. This Progress and Outcomes report complies with the requirements of the PSIAS by communicating any significant issues that have been identified during the year.

**4. RATIONALE**

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal audit standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- at the year end, an objective and independent opinion can be provided that meets the statutory governance requirements;
- it also demonstrates the effectiveness of the internal audit function; and

- throughout the year, support is provided to Members, Directors and managers in their particular areas of responsibility.

## 5. KEY ISSUES

Outcomes achieved in the year thus far:

### Risk and Corporate Governance

#### Director Exception/Dashboard Report and Assurance Statement Half-Year Update

The table below lists the eleven “red” priority areas of concern across the departments, by key themes, identified in the summary that Director Exception/Dashboard Report and Assurance Statements for the Half-Year of 2016/17. In summary, six areas of concern previously identified as “red” have been downgraded this period to “amber” or “green” rating. Five new “red” priority areas have been identified where these appeared for the first time or were escalated from amber or green ratings.

			2016/17	2015/16
Themes	No	Description	Quarter 2	Quarter 4
<b>Demand Management</b>		Demand for Children in our Care Placements/ High Risk & Challenging Teenagers (Children’s)	Green <sub>1</sub>	Red
	1.	Deprivation of Liberty Safeguards (DOLs) and Children’s Service Care Orders (COP) & Public Law Outline (PLO) (HR, Legal & Corporate)	Red	Red
	2.	Service Users Classified as Not in Education, Employment or Training (NEET) (Education)	Red	Red
		Admissions to Residential and Nursing Home Care (Adults)	Green <sub>2</sub>	Red
		Crime Performance Figures (Localities & Prevention)	Green <sub>3</sub>	Red
	3.	Social Worker Workloads (Children’s)	Red	Red
	4.	Failure to Complete Education, Health & Care Plans within Statutory Timescales (Education)	Red	Green <sub>1</sub>
<b>IT Resilience</b>		Information Security/Data Loss Incidents (Finance & IT)	Amber <sub>4</sub>	Red
		New HR & Payroll System (HR, Legal & Corporate)	Amber <sub>5</sub>	Red
<b>Budgets &amp; Finance</b>	5.	Budget Pressures 15/16 (Adults)	Red	Red
	6.	Family Court Decisions Placing Increased Financial Burden On Permanence Planning (Children’s)	Red	Green <sub>2</sub>
<b>Staffing/HR</b>	7.	Sickness Absence (Adults & HR, Legal & Corporate)	Red	Red

			2016/17	2015/16
Themes	No	Description	Quarter 2	Quarter 4
	8.	Maintain Number of Approved Adopters (Children's)	Red	Green <sub>3</sub>
	9.	Failure to Implement Transforming Lives Prevention Work Following Workforce Review (Localities & Prevention)	Red	Green <sub>4</sub>
<b>Capital Works</b>	10.	Pennine Reach Programme (Growth & Prosperity)	Red	Red
<b>Government Reform</b>		Special Educational Needs & Disability Inspection Framework (Education)	Amber <sub>6</sub>	Red
<b>Governance &amp; Compliance</b>	11.	Failure To Develop, Monitor & Implement Public Health Contracts & Quality Framework (Public Health)	Red	Green <sub>5</sub>

### **Internal Audit**

A summary of the 8 audits completed and finalised since the last report to Committee are detailed below.

<b>Risk, Control &amp; Governance Reviews</b>	<b>Assurance Opinion</b>		<b>Recommendations</b>
	<b>Environment</b>	<b>Compliance</b>	<b>Agreed</b>
Equality & Diversity	Adequate	Substantial	3
Health & Wellbeing	Adequate	Adequate	4
Planning Performance	Adequate	Adequate	6
Service Desk	Adequate	Adequate	7
Longshaw Nursery	Adequate	Adequate	17
HR Information Accuracy	Adequate	Adequate	6
LTP Grant Certification	N/A	Adequate	0
Davyfield H & S	Substantial	Adequate	4

Audit & Assurance has provided support to the Workforce Review Programme. In addition to the Head of Audit & Assurance providing governance assurance to the Reviews Board, audit & assurance colleagues have been providing programme assurance to the following reviews: - (i) Business Support; (ii) Commissioning & Procurement; (iii) Neighbourhoods & Localities; (iv) Corporate Services; and (v) Organisational Training.

### **Current internal audit reviews**

In addition to the above completed audits, the following reviews are ongoing:

- Efficiency Partner
- Strategic Funding
- Care Act Implementation

- Partnerships
- Highways
- Performance Indicators
- Old Town Hall Stonework
- Payroll VFM
- CCTV
- Debtors
- Housing Growth
- Capital Schemes Management
- School Visits

### **Internal Audit Performance**

The Departmental Business Plan includes seven targets to achieve our strategic aims. The defined targets and actual performance for the latest period and the previous period are as follows:

<b>Performance Measure</b>	<b>Target</b>	<b>Q2 2016/17</b>	<b>Q1 2016/17</b>
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	<b>75%</b>	<b>62%</b>
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	<b>100%</b>	93%
5. Recommendations Implemented	90%	<b>70%</b>	<b>83%</b>
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	N/A	N/A

We have provided a brief commentary on the measures where performance (Q1, 2016/17) has fallen below the agreed target:

#### **2. Planned Assignments Completed Within Budget**

2 of 9 audits (22%) were completed over budget: Longshaw Nursery School (9 days over) and Equality & Diversity (5 days over). The audit of Longshaw Nursery School was rescheduled several times at the request of the client and the audit was undertaken by two auditors (rather than the normal 1) to overcome any potential client difficulties. The Equality & Diversity audit was delivered by the assistant auditor (who has now left the Council) who required additional time to meet the required audit standards.

#### **4. Follow Ups Undertaken within Deadline**

We have received responses to the 7 audits (100%) requiring follow up by 30 November (including 1 brought forward from the September Audit Committee).

#### **5. Recommendations Implemented**

Of the 7 follow up requests we were able to identify that of the 23 recommendations due for implementation on or before 30 November 2016 16 (70%) had been implemented as agreed.

Health & Safety – 8 recommendations (including 2 must recommendations); 7 done, 1 “should” not done.

Fleet Management - 6 recommendations (including 2 must recommendations); 4 done 2 not done including 1 “must”.

Traded Services – 4 recommendations (including 0 must recommendations); 1 done and 3 not done.

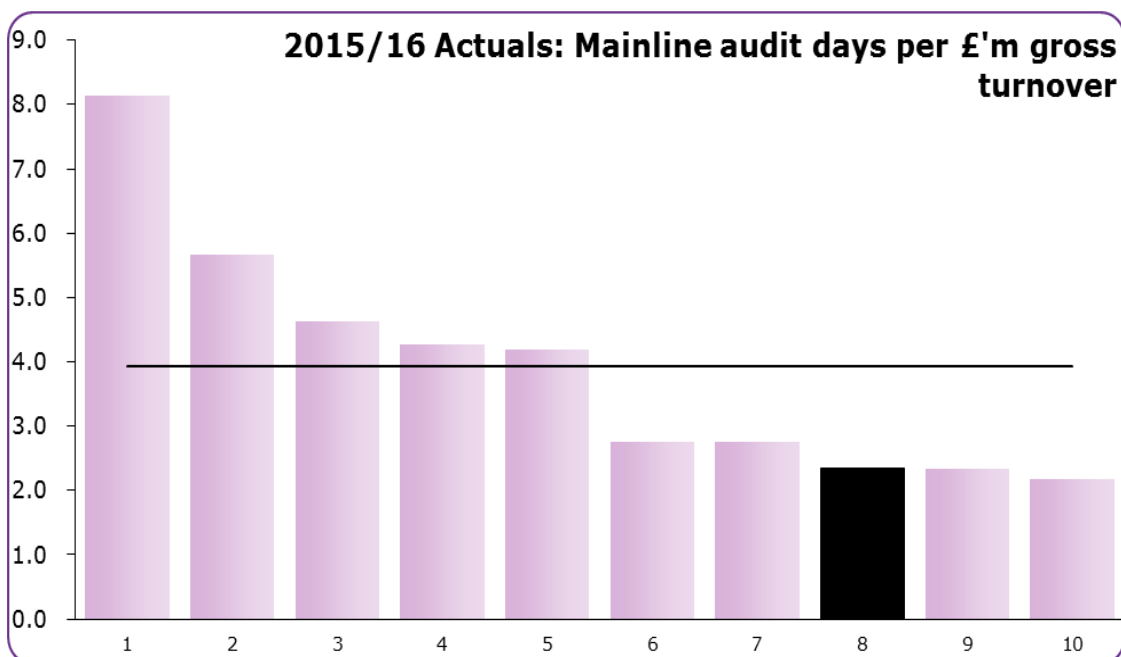
NNDR – 2 recommendations (including 0 must recommendations), 1 done and 1 not done.

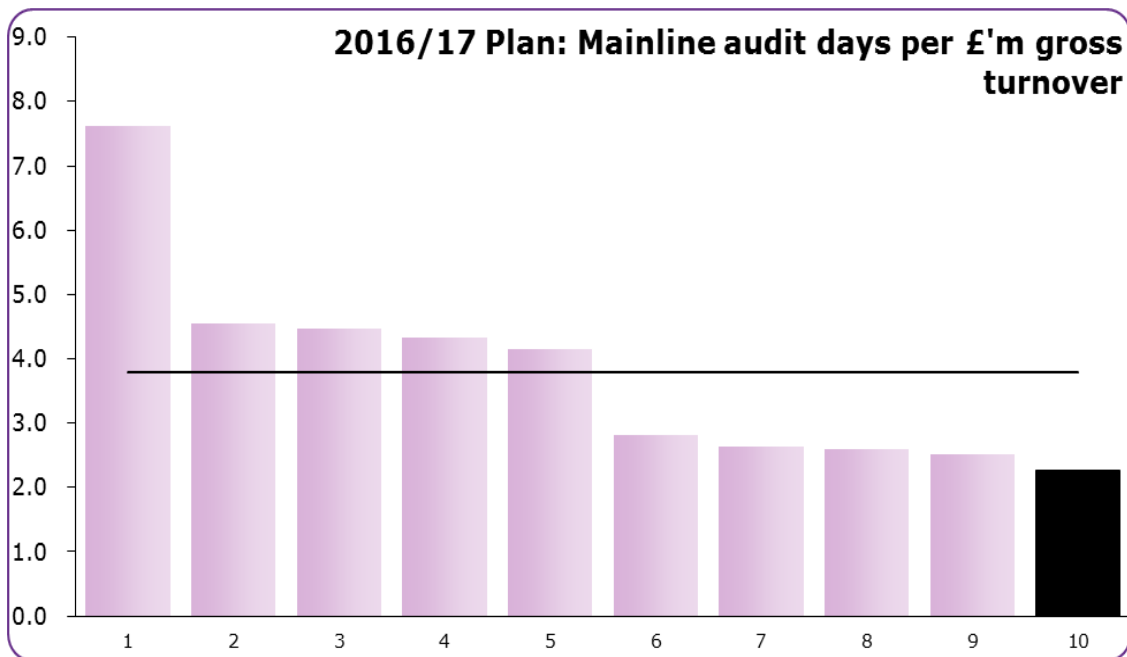
The 7 recommendations which were not evidenced as implemented included 1 “must” recommendation, namely:

Fleet Management: “All drivers who are allowed to use Council vehicles for personal commuting purposes must sign a copy of a User Agreement contained within the Driving at Work Policy (when implemented), to confirm they have read and understood the terms and conditions of use” was not implemented by the implementation date of 31 May because the Driving at Work Policy was only agreed by the Policy Working Group in September. This recommendation will be implemented before March 2017.

#### 8. CIPFA Internal Audit Benchmarking 2016

The Annual Internal Audit Opinion Report 2015/16 (presented to this Committee on 17 June) explained that the results of the CIPFA Benchmarking would be presented to a future Audit Committee meeting. The service has participated in the 2016 CIPFA benchmarking exercise and the results have now been received. The Council’s internal audit service (shown on the bar charts as the “black bar”) has been compared with 9 other near-comparators (based upon Council gross revenue turnover (GRT), service structure and internal audit delivery arrangements). The key benchmark of “mainline audit days per £million of gross turnover” has identified the following for 2015/16 (2.4 days compared to an average of 3.9 days) and 2016/17 (2.3 days compared to an average of 3.8 days):





It should be noted that the figures for 2016/17 were prepared on the basis of the planned audit days deliverable per the Audit & Assurance Plan approved on 12 April 2016. For the reasons detailed in the following section the total days for internal audit activity is now expected to be 682 days, which equates to 1.9 days (682/361m) per £m of gross revenue turnover. This is significantly lower than the average identified for the Council's near neighbour comparators of 3.8 days per £m of gross revenue turnover.

#### **Audit & Assurance Plan 2016/17 – In Year Review**

As reported to this Committee changes to the Audit & Assurance Plan will be submitted to Members for consideration when they become necessary. Changes to the Plan are now required because of the following emerging issues:

Resources – it was anticipated that Audit & Assurance would have staff resources amounting to 1,082 days for the delivery of the Audit & Assurance Plan. This comprised 817 days for internal audit, 135 days for risk/governance and 130 days for fraud. However, the following issues have emerged:

- the deletion of a Principal Audit & Assurance Officer post, which effectively became vacant in April (180 days).
- the deletion of an Assistant Audit & Assurance Officer post, which became vacant in September (100 days).

Audit & Assurance will now only be able to deliver 802 days (682 days for internal audit, 65 days for risk/governance and 55 days for fraud). Audit & Assurance has proposed revisions to the Audit & Assurance Plan, which will allow it to provide an opinion on the Council's framework of governance, risk management and internal control. This revision will ensure that the highest priority (priority 1) audits will be completed in 2016/17. The lowest priority audits will be deferred and considered for inclusion in the Audit & Assurance Plan 2017/18 and will cover all departments/areas of the Council.

#### **Changes to Future Audit & Governance Committee Meeting Dates**

The Committee is asked to approve a change to the date of the September 2017 meeting and to move the June meeting to July from 2018. In 2018 the statutory

deadline for the sign off of the Council's draft 2017/18 Annual Accounts will be 31 May 2018 and the audited accounts will need to be approved by the Audit & Governance Committee and published by 31 July 2018.

To prepare for this change the Council is aiming to produce the draft 2016/17 accounts by the end of May 2017 which will enable the External Auditor to complete their work by the end of August 2017. Therefore it is proposed to bring forward the date of the September 2017 Committee meeting forward by one week to 12 September. This will help the External Auditor to focus resources in preparation for the shorter timescales in the following year. In order to comply with the shorter statutory publication deadlines from 2017/18 it is proposed to move the June meeting of the Committee to July from 2018 going forward, with the 2018 meeting provisionally scheduled for 24 July.

**6. POLICY IMPLICATIONS**

This delivery of the Plan leads to the Annual Internal Audit Opinion Report and this, in turn, contributes directly to the Annual Governance Statement.

**7. FINANCIAL IMPLICATIONS**

There are no financial implications arising as a result of this report.

**8. LEGAL IMPLICATIONS**

There are no legal implications arising as a result of this report.

**9. RESOURCE IMPLICATIONS**

There are no resource implications arising as a result of this report.

**10. EQUALITY & HEALTH IMPLICATIONS**

There are no equality and health implications arising as a result of this report.

**11. CONSULTATIONS**

Directors

Contact Officer: Paul Hankinson, Audit & Assurance Manager – Ext: 5630  
Date: 30 December 2016  
Background Papers: Audit & Assurance Plan 2016/17, approved by Audit Committee on 12 April 2016.