

# Gloucester City Council

<b>Meeting:</b>	<b>SMT</b>	<b>Date:</b>	<b>6<sup>th</sup> January 2015</b>
	<b>Audit &amp; Governance Committee</b>		<b>19<sup>th</sup> January 2015</b>
<b>Subject:</b>	<b>Internal Audit Plan 2014/15 – Monitoring Report</b>		
<b>Report Of:</b>	<b>Audit, Risk &amp; Assurance Manager</b>		
<b>Wards Affected:</b>	<b>Not applicable</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Terry Rodway, Audit, Risk &amp; Assurance Manager</b>		
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<b>Appendices:</b>	<b>A: Audits completed as part of the 2014/15 Internal Audit Plan – September to December 2014</b>		
	<b>B: Revised Internal Audit Plan – January 2015 to March 2015</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To inform Members of the audits completed as part of the approved Internal Audit Plan 2014/15.

### 2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that:

- (1) Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.
- (2) Members approve the revised Internal Audit Plan – January 2015 to March 2015 as detailed in **Appendix B**.

### 3.0 Background and Key Issues

- 3.1 At the Audit & Governance Committee meeting held on 17<sup>th</sup> March 2014, Members approved the Internal Audit Plan 2014/15. In accordance with the Public Sector Internal Audit Standards, this report details the outcomes of internal audit work carried out in accordance with the approved Plan.
- 3.2 This report includes details of the audit work completed during the period September to December 2014, as part of the approved 2014/15 Annual Plan.

The performance monitoring information is based on the number of completed audits vs. the number of planned audits (i.e. an output measure). The indicator for the 9 month period April to December 2014 is 52% (11 out of 21 planned audits completed) compared to a target of 90%. These figures do not include 2 audits that were at Draft Report stage, and 3 audits that were substantially complete, as at 31<sup>st</sup> December 2014.

- 3.3 Details of the audits completed, together with the overall conclusion reached on each audit, have been provided in **Appendix A**. This should provide Members with a view on the adequacy of the controls operating within each area audited.
- 3.4 The main reason for non achievement of the Audit Plan is due to staffing issues. A member of the Audit & Assurance team left the organisation last May. Since then, the vacancy has been advertised twice, however, this did not attract any suitable candidates. This lack of resource has been mitigated to a certain extent via the use of agency employees.
- 3.5 As a result of the above, it is clear that the original agreed Annual Plan will not be achieved. A proposed revised Internal Audit Plan for the period January 2015 to March 2015 has therefore been produced for Members review and approval. This revised Plan takes into account the identified 'higher level' risk audits that are required to be carried out, and the available level of resource to carry out these audits. The revised Plan is included at **Appendix B** to this report.
- 3.6 The following audits that were in the original agreed Annual Plan, will not now be carried out this financial year:-

Risk Management; Benefit Fraud; and Treasury Management.

The revised Plan also includes a reduced number of days for Contract Audit.

#### **4.0 Results from Follow-Up Audits**

- 4.1 It has previously been agreed that Members would be notified of all 'Rank 1 Fundamental' recommendations that have not been fully implemented within the agreed timescale. Subject to the comments in paragraph 4.2.and 4.3 below, there were none identified during the period covered by this report.
- 4.2 At the September 2014 meeting of the Audit & Governance Committee, Members requested that the outcome of the Follow-Up audits on Members Allowances and Docks Catering be reported to this meeting.

##### **4.2.1 Members Allowances**

- 4.2.1.1 At the point of audit follow up (December 2014), out of a total of 14 recommendations made in the original audit report, 1 High Priority, 2 Medium Priority, and 5 Low Priority recommendations were still in progress

of implementation. This was due to the following impending planned actions:

- January 2015: The Members' Allowance Panel review of the Members Allowances Scheme and the proposed 2015/16 Members Allowances Scheme being formally reported to Council (refers to Low Priority recommendations).
- Quarter 4 2014/15: Payroll adjustments to correct the identified inaccurate Scheme payments and apply the approved Scheme uplift (refers to High and Medium Priority recommendations).

4.2.1.2 For Members information, the Democratic & Electoral Services Manager has requested that another review of Members' Allowances is included within the 2015/16 Internal Audit Plan.

#### 4.2.2 Docks Catering

4.2.2.1 At the November 2014 meeting of the Audit & Governance Committee, Members were informed that the Follow-Up audit on the Docks Catering had been put on hold as the service was being reviewed as part of the Realignment of the Regeneration and Economic Development Service. Since that meeting, the review has been completed and the Realignment report was considered by the Organisational Development Committee on 17<sup>th</sup> December 2014.

4.2.2.2 At that meeting the Committee agreed *"that a decision on the future of the Docks Catering Service be deferred pending the outcome of the Cultural Service review, and that in the interim, it is proposed to change the staff (hours) and opening hours."*

4.2.2.3 A decision on whether to carry out any further internal audit work will be based on the outcome of the Cultural Services review which is due during the early part of 2015.

#### 4.3 Streetcare Contract

4.3.1 This audit was undertaken to determine the progress in implementing the recommendations arising from the June 2013, Streetcare Internal Audit Report. Of the 17 recommendations made in the report, the majority have been, or are in the process of being implemented, however, key aspects of two 'High Priority' recommendations have yet to be implemented. These relate to:-

- Staff have been tasked with completing Operational Delivery Statements (Method Statements). However, with the exception of Waste & Recycling (which has been fully completed and is being used as the template) they are still in the process of being completed. After the Operational Delivery Statements have been completed the next stage is for the appropriate supporting

documents to be collected so there is a complete record of the services that should be provided.

The Head of Neighbourhood Services has stated that the revised completion date for this work is the end of January 2015.

- The remaining aspects of the contract that were not reviewed as part of the original Contract Review need to be identified and appropriate actions implemented where required.

The Head of Neighbourhood Services has stated that implementation of this recommendation is subject to the completion of the Operational Delivery Statements, and the commencement of employment of the Amey Client Officer within the Business Improvement Team. This employment is due to commence on 2<sup>nd</sup> February 2015.

## **5.0 Other Audit Work Completed**

### **5.1 Election Fee Account**

5.1.1 The objective of the audit was to review the Gloucester European Parliamentary election fee accounts for 2014 to confirm the content as complete and accurate. The testing approach included:

- Review of the election accounts approach;
- Casting and cross agreement of the accounts;
- Verification of the costs claimed under each category of expenditure; and
- Performance of sample testing to relevant supporting documentation.

5.1.2 The audit identified a total of ten individual adjustments required to the accounts (total value, +£1,264.88 and -£1,218.62), which resulted in a net increase of £46.16 to the total election fee claimed of £87,694.

## **6.0 Alternative Options Considered**

6.1 No other options have been considered as the purpose of the report is to inform the Committee of the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

## **7.0 Reasons for Recommendations**

7.1 The Public Sector Internal Audit Standards state that the Audit, Risk & Assurance Manager should report on the outcomes of internal audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.

- 7.2 The Standards also require the Audit, Risk & Assurance Manager to communicate the impact of resource limitations on the Internal Audit Plan to senior management and the Audit & Governance Committee.

## **8.0 Future Work and Conclusions**

- 8.1 The role of the Audit & Assurance service is to examine, evaluate and report upon the adequacy of internal controls. Where weaknesses have been identified, recommendations have been made to improve the level of control.

## **9.0 Financial Implications**

- 9.1 As detailed in this report.

(Financial Services have been consulted in the preparation this report).

## **10.0 Legal Implications**

- 10.1 None specific to this report.

(Legal Services have been consulted in the preparation this report).

## **11.0 Risk & Opportunity Management Implications**

- 11.1 Delays in response to acceptance/implementation of audit recommendations lead to weaknesses continuing to exist in systems, which has the potential for fraud and error to occur.

## **12.0 People Impact Assessment (PIA):**

- 12.1 A requirement of the Accounts & Audit Regulations 2011 is for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The internal audit service is delivered by the in house team. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

- 12.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **13.0 Other Corporate Implications**

### Community Safety

- 13.1 There are no community safety implications arising out of the recommendations in this report.

### Sustainability

- 13.2 There are no sustainability implications arising out of the recommendations in this report.

### Staffing & Trade Union

13.3 There are no staffing and trade union implications arising out of the recommendations in this report.

### **Background Documents:**

Internal Audit Plan 2014/15  
Public Sector Internal Audit Standards

**Appendix A: Audits completed as part of the 2014/15 Internal Audit Plan – September 2014 to December 2014**

<b>Audit</b>	<b>Comments</b>	<b>Level of Assurance</b>
S106 Agreements	<p><u>Audit Objective</u> The objectives of this audit were to ensure that:</p> <ul style="list-style-type: none"> <li>• Procedures are operating and records are maintained, to enable S106 Agreements to be monitored and relevant action to be taken when key dates or specified events/conditions (trigger points) are reached.</li> <li>• All Section 106 Agreements are effectively recorded and monitored.</li> <li>• The calculations of agreed developer's contributions are mathematically correct and are based on approved criteria.</li> </ul> <p><u>Audit Opinion</u> On the basis of work carried out during this audit review the audit opinion is that there is a <b>Satisfactory</b> level of assurance on the adequacy and effectiveness of controls in place in relation to Section 106 Agreements.</p> <p>The main area of weakness identified, for which a Rank 2 Medium Priority recommendation has been made, related to the lack of documented procedures.</p>	Satisfactory

The report includes an audit opinion on the adequacy of controls in the area that has been audited, classified in accordance with the following descriptions:-

<b>CONTROL LEVEL</b>	<b>DESCRIPTION</b>
<b>Good</b>	Robust framework of controls – provides substantial assurance. A few minor recommendations (if any) i.e. Rank 3 (Low Priority).
<b>Satisfactory</b>	Sufficient framework of controls – provides satisfactory level of assurance – minimal risk. A few areas identified where changes would be beneficial. Recommendations mainly Rank 3 (Low Priority), but one or two Rank 2 (Medium Priority).
<b>Limited</b>	Some lapses in framework of controls – provides limited level of assurance. A number of areas identified for improvement. Mainly Rank 2 (Medium Priority) recommendations, but one or two Rank 1 (High Priority) recommendations.
<b>Unsatisfactory</b>	Significant breakdown in framework of controls – provides an unsatisfactory level of assurance. Unacceptable risks identified – fundamental changes required. A number of Rank 1 (High Priority) recommendations.

Ranking of Recommendations:-

<b>RANK</b>		<b>DESCRIPTION</b>
1	High Priority	Necessary due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation, or, compliance with External Audit key control.
2	Medium Priority	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist.
3	Low Priority	Current procedure is not best practice and could lead to minor in-efficiencies.



## Appendix B: Revised Internal Audit Plan – January 2015 to March 2015

<b>Work on Fundamental Financial Systems</b>	<b>Est. No. of Days</b>	<b>Total</b>
Budgetary Control	10	
Capital Accounting	10	
General Ledger	10	
Civica - Sundry Debtors	8	
Payroll/Client monitoring	15	
Creditors	8	
Cash & Bank	10	71
<b>Work of a service based or cross council nature</b>		
IT	10	
Gloucester Supports Business Grants	10	
Contract Audit	15	35
Audit Work Brought Forward (incl GCH)	15	15
<b>TOTAL</b>		<b>121</b>

The following audits that were included within the original agreed Annual Plan will not now be carried out this financial year:-

Risk Management – 15 days  
 Benefit Fraud – 10 days  
 Treasury Management – 8 days

The revised Plan also includes a reduced number of days for Contract Audit (-10 days).