

Meeting:	Audit & Governance Committee	Date:	14 th March 2016
Subject:	Internal Audit Plan 2015/16 – Monitoring Report		
Report Of:	Audit, Risk & Assurance Manager		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
Contact Officer:	Terry Rodway, Audit, Risk & Assurance Manager		
	Email:	Terry.Rodway@gloucester.gov.uk	Tel: 396430
Appendices:	1. Appendix A: - List of the audits completed as part of the 2015/16 Internal Audit Plan: January 2016 – February 2016.		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members of the audits completed as part of the agreed Internal Audit Plan 2015/16.

2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited be endorsed.

3.0 Background and Key Issues

- 3.1 At the Audit & Governance Committee meeting held on 16th March 2015, Members approved the Internal Audit Plan 2015/16. 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 audits completed during the period January 2016 to February 2016. 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 11 month period April 2015 to February 2016 is 61% (17 out of 28 planned audits completed) compared to a target of 90% (25 out of 28 planned audits completed).
- 3.3 The above figures do not include 4 audits that were at draft report stage as at 29th February 2016.
- 3.4 The main reason for the non-achievement of the target number of completed audits is due to a vacancy in the Audit & Assurance team. Arrangements have been made to use contract staff during the 4th quarter of the financial year (January – March 2016) to help achieve the 90% target by the end of the financial year.

- 3.5 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.

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. There were none identified during the period covered by this report.

5.0 Other Audit Work Undertaken

- 5.1 Internal audit were requested to investigate an alleged theft of cash income from one of the Council outstations. In order to substantiate whether the alleged theft was limited to the original amount identified, and also to assess the effectiveness of controls for the handling and banking of income, Internal Audit performed reconciliations upon banking records, income receipts, and income records which revealed that a larger sum than the original amount identified had been receipted but could not be verified as having been banked. The IA review concluded that the findings were a direct result of a series of control weaknesses for which eight recommendations were made to improve controls and two recommendations made to look at alternatives to current practices.
- 5.2 All the recommendations have been agreed to be implemented by the appropriate manager by the end of February 2016.

6.0 Asset Based Community Development (ABCD) Considerations

- 6.1 There are no ABCD implications as a result of the recommendation made in this report.

7.0 Alternative Options Considered

- 7.1 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.

8.0 Reasons for Recommendations

- 8.1 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.
- 8.2 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.

9.0 Future Work and Conclusions

- 9.1 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.

10.0 Financial Implications

- 10.1 There are no direct financial implications as a result of this report.

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

11.0 Legal Implications

- 11.1 None specific arising from the report recommendations.

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

12.0 Risk & Opportunity Management Implications

- 12.1 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 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 2015/16
Public Sector Internal Audit Standards

Appendix A

List of the audits completed as part of the 2015/16 Internal Audit Plan - January 2016 – February 2016.

Audit	Comments	Level of Assurance
Budgetary Control	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:-</p> <ul style="list-style-type: none"> • Budget monitoring procedures and responsibilities are appropriately defined and communicated; • Delegated cost-centre managers are clearly identified; • Budget reports are produced and issued to cost-centre managers on a regular basis; • High-level financial monitoring reports are produced and circulated periodically to senior management and Members for review; • Controls are in place to ensure all significant budget variances are identified and explained. <p><u>Period of Audit</u> The period of the audit covered the 2015/16 financial year up to the point of audit. The audit work was completed in February 2016.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.</p>	Good
Treasury Management	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls were in place and operating effectively:-</p> <ul style="list-style-type: none"> • A treasury management policy and investment strategy has been established, approved and communicated effectively • Cash flow and treasury management procedures are clearly defined and communicated • The cash flow model incorporates expected significant components • Short term and long term cash flow forecasts are produced and reviewed • Treasury management decisions/transactions have appropriate audit trail and are properly authorised 	Good/ Satisfactory

Audit	Comments	Level of Assurance
	<ul style="list-style-type: none"> Regular reconciliation of investment & borrowing records to the general ledger is completed and subject to management review Treasury management monitoring is completed by Members in line with the Treasury Management Policy and the CIPFA Treasury Management Code. <p><u>Period of Audit</u> The period of the audit covered the period April 2015 to November 2015.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a Good level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit, except for the adequacy and operating effectiveness of controls in place for Treasury Management policy (Council Constitution content) and Treasury Management monitoring' for which a Satisfactory level of assurance has been provided.</p> <p>The main area of weakness identified, for which one Rank 1 'High Priority' recommendation and one Rank 2 'Medium Priority' recommendation has been made, relates to:-</p> <ul style="list-style-type: none"> Non-compliance with the Council's Constitution and CIPFA Treasury Management Code re annual reporting. The Council's Constitution does not reflect the current Treasury Management approach and CIPFA Treasury Management Code requirements. <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date for the recommendations being March 2017.</p>	
Information Governance	<p><u>Audit Objective</u> The objective of the internal audit was to review the Information Governance processes and controls in place at the Council against the following criteria:</p> <ul style="list-style-type: none"> Data transparency: <ul style="list-style-type: none"> Local Government Transparency Code 2015 Freedom of Information (FOI): <ul style="list-style-type: none"> FOI Act 2000 	Limited

Audit	Comments	Level of Assurance
	<ul style="list-style-type: none"> - Information Commissioners Office (ICO) benchmark statistics - Environmental Information Regulations (EIR) 2004 • Data Protection (DP): <ul style="list-style-type: none"> - Data Protection Act 1998 - ICO and Local Government Association (LGA) local authority information sharing and data protection checklist - Gloucestershire Information Sharing Partnership Agreement (GISPA) <p><u>Audit Opinion</u></p> <p>On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a Limited level of assurance on the adequacy and operating effectiveness of controls in place for controls in relation to all areas covered by this review.</p> <p>The main areas of weakness identified, for which five Rank 1 'High Priority' recommendations and eight Rank 2 'Medium Priority' recommendations have been made, relate to:-</p> <ul style="list-style-type: none"> • Lack of full compliance with the Local Government Transparency Code 2015; • The FOI/EIR policy requires updating and then circulated to staff and Members for awareness and implementation; • The Council's Information Governance web pages require updating and should be reviewed on a regular basis to ensure they remain up to date; • Lack of independent formal monitoring of FOI requests to ensure compliance with the FOI Act; • The Council's Document Retention Policy requires updating and then circulated to staff for awareness and implementation; • The DP policy requires updating and then circulated to staff and Members for awareness and implementation; • Lack of full compliance with the formally agreed GISPA criteria. <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date for the recommendations being September 2016. It should be noted that the recommendations relating to updating the FOI/EIR policy and the DP policy, and the independent formal</p>	

Audit	Comments	Level of Assurance
	monitoring of FOI requests, have already been implemented.	

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:-

CONTROL LEVEL	DESCRIPTION
Good	Robust framework of controls – provides substantial assurance. A few minor recommendations (if any) i.e. Rank 3 (Low Priority).
Satisfactory	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).
Limited	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.
Unsatisfactory	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:-

RANK		DESCRIPTION
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.

