

Report of the Chief Auditor

Audit Committee – 18th August 2015

INTERNAL AUDIT ANNUAL PLAN 2015/16 MONITORING REPORT FOR THE PERIOD 1st APRIL 2015 TO 30th JUNE 2015

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 st April 2015 to 30 th June 2015.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2015/16
Consultation:	Legal, Finance and Access to Services.
Recommendation(s):	It is recommended that: the Committee review and discuss the work of the Internal Audit Section and note the contents of the report
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Phil Couch

1. Introduction

- 1.1 The Internal Audit Annual Plan 2015/16 was approved by the Audit Committee on 9th April 2015 and quarterly monitoring reports will be presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This is the first monitoring report for 2015/16 and shows the audits which were finalised in the period 1st April 2015 to 30th June 2015.

- 1.3 Following a review of information provided to the Audit Committee to allow it to monitor the progress being made by the Internal Audit Section in achieving its Annual Plan, some additional information is included in this report to provide a clearer picture of progress against the Plan and the outputs delivered by the Section.
- 1.4 A Corporate Fraud Team was established within the Internal Audit Section on 1st June 2015 following the transfer of the investigation of Housing Benefit fraud to the DWP. The work of the Corporate Fraud Team will feature in future Internal Audit monitoring reports.

2. Audits Finalised 1st April 2015 to 30th June 2015

- 2.1 Two Auditors were appointed to vacant posts from the redeployment pool with effect from 1st April 2015. The appointments were initially on a trial of 4 weeks but both members of staff were subsequently confirmed in post.
- 2.2 The only vacant post currently within the Internal Audit Section is 0.5 of an Auditor post which was highlighted in the Annual Plan report and is initially being kept vacant until 30th September 2015.
- 2.3 The Internal Audit Section has experienced unusually high levels of sickness in the first quarter. A total of 43 days sick leave was recorded in Quarter 1 against an annual budget for sick leave of 49 days. The level of sickness is due to long term sickness absence for 2 members of staff, 1 of whom has returned to work.
- 2.4 A total of 24 audits were finalised during Quarter as shown in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed.
- 2.5 An analysis of the audits finalised during the 1st Quarter is shown in the following table and it is pleasing to note the large number of audits which are achieving a high level of assurance which is a trend that was first highlighted towards the end of 2014/15.

Assurance Level	High	Substantial	Moderate	Limited
Number	12	10	2	0

- 2.6 A total of 131 audit recommendations were made and management agreed to implement all 131 recommendations i.e. 100% against a target of 98%.
- 2.7 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations made during Quarter 1 is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
1	35	61	34	131

2.8 To allow the Audit Committee to more closely monitor the progress being made during the year by the Internal Audit Section to achieve its Annual Plan, Appendix 2 shows each audit included in the Plan approved by Committee in April and shows the current position for each audit. The progress against each audit will be reported in each quarterly monitoring report to allow the Committee to track the progress being made in achieving the Annual Plan.

2.9 The following table shows brief details of the significant issues which led to the Music Service and Accounts Receivable audits being considered to be moderate. There were other less significant findings also included in the final audit report issued to management.

Audit	Assurance Level	Reasons
Music Service	Moderate	<ul style="list-style-type: none"> No formal approval obtained for staff attending overseas tour The appropriate educational visit forms not completed for the tour No audit trail of income received to bankings No reconciliation or management review of income collected to bankings No breakdown retained of additional music provision provided to schools
Accounts Receivable	Moderate	<ul style="list-style-type: none"> One service had allowed further credit for non-statutory works where customer had existing debt owed to Council. Two invoices had been with Legal for over 12 months Delays in obtaining Legal Charges for social care debts Issues with authorisation of invoice cancellation forms No high level analysis of debts written off to identify issues or trends which would allow action to be taken to prevent further write offs

2.10 Since the Music Service audit was completed, the service manager has retired and a new management team is now in place who have agreed to

implement the recommendations made to address the weaknesses identified. A follow up visit will be made early in Quarter 3 to confirm that the agreed recommendations have been implemented.

- 2.11 Although the Accounts Receivable system forms part of the Finance and Delivery function, many of its processes are undertaken by other departments e.g. service departments are responsible for raising invoices and resolving any disputes raised by customers and Legal are responsible for pursuing any unpaid debt referred for recovery action.
- 2.12 For a number of years, a split level of assurance has been given for Accounts Receivable with the Finance functions receiving a substantial level of assurance but the service department's functions being rated as moderate. This was the case again in 2014/15. As Accounts Receivable is a fundamental audit, implementation of the recommendations will be checked as part of this year's Recommendations tracker exercise.
- 2.13 In addition to the work outlined above, the Internal Audit Section also certified the following grants during Quarter 1

Grant	Amount £
ESF LSB Staff Resources Grant	120,234
Developing Confident Global Learning Communities Grant	241,504

- 2.14 It was found that the grants had been spent in accordance with the purpose of the grant and that only eligible expenditure was included.
- 2.15 Other work undertaken in Quarter 1 includes
 - Sample testing of Equal Pay calculations prior to payment
 - Ongoing testing of NFI 2014 data matching reports
 - The financial appraisal of a company as part of a planning application.

3. Follow Ups Completed 1st April 2015 to 30th June 2015

- 3.1 The follow up procedures operated by the Internal Audit Section includes visits to any non fundamental audits which received a moderate or limited level of assurance to confirm that action has been taken by management to address the concerns raised during the original audit.
- 3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any 'high' or 'medium' risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in the case of schools) and the Head of Finance and Delivery.

3.3 No follow up visits were made during the first quarter of 2015/16.

4 Equality and Engagement Implications

4.1 There are no equality and engagement implications associated with this report

5. Financial Implications

5.1 There are no financial implications associated with this report.

6. Legal Implications

6.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2014/15

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 1 2015/16
Appendix 2 Internal Audit Plan 2015/15 – Progress to 30/06/15