

Report of the Chief Auditor

Special Audit Committee – 17th November 2015

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

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 st July 2015 to 30 th September 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, Access to Services.
Recommendation(s):	It is recommended that: 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:	Sherill Hopkins

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 report shows the audits which were finalised in the period 1st July 2015 to 30th September 2015.

2. Audits Finalised 1st July 2015 to 30th September 2015

2.1 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 was initially being kept vacant until 30th September 2015 but will now continue for the rest of the year.

2.2 The Internal Audit Section has again experienced unusually high levels of sickness in the 2nd quarter with a total of 35 days sick leave being recorded. In the first half of the year a total of 78 days sick leave was recorded against an annual budget for sick leave of 49 days. The level of sickness in the 2nd quarter was due to long term sickness absence for 2 members of staff, both of whom have returned to work.

2.3 A total of 26 audits were finalised during Quarter 2. The audits finalised are listed 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.

2.4 An analysis of the audits finalised during the 2nd quarter is shown in the following table

Assurance Level	High	Substantial	Moderate	Limited
Number	7	13	5	1

2.5 A total of 222 audit recommendations were made and management agreed to implement 221 recommendations i.e. 99.6% against a target of 98%.

2.6 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during Quarter 2 is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
3	57	103	58	221

2.7 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 position as at 30th September for each audit. The progress against each audit will be updated in each quarterly monitoring report to allow the Committee to track the progress being made in achieving the Annual Plan.

2.8 Appendix 3 shows brief details of the significant issues which led to the 6 audits being considered to be 'moderate' or 'limited'. There were other less significant findings also included in the final audit reports issued to management

- 2.9 A Management Action Plan which includes a series of recommendations to address the issues arising from each audit receiving a negative level of assurance has been agreed with the service. A follow up audit will be arranged within 6 months of the final report being issued to confirm that the agreed recommendations have been implemented.
- 2.10 The Internal Audit Section was also involved in the sample testing of Equal Pay calculations prior to offers being made to staff

3. Follow Ups Completed 1st July 2015 to 30th September 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 During the 2nd quarter a follow up visit was made to confirm that the recommendations arising from the Section 106 audit had been implemented.
- 3.4 It was found that good progress had been made by the Department with recommendations either already implemented or systems and procedures in place to implement the recommendations when the next Section 106 Agreement is signed. It was also found that systems were place to undertake quarterly reconciliations of the Section 106 database and the production of completion reports as well as an annual report to Planning Committee

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 2 2014/15
Appendix 2 Internal Audit Plan 2015/16 – Progress to 30/09/15
Appendix 3 Moderate / Limited – Significant Issues

Moderate / Limited - Significant Issues

Audit	Rating	Reasons
Community Alarms Service	Moderate	<ul style="list-style-type: none"> • Discrepancy in number of service users leading to risk of income not being collected • Some internal and external organisations not fully recharged for service • No stock records maintained • Failure of equipment repair contractor to comply with call out response times • Failure to recover VAT on all P Card purchases
Integrated Community Equipment Service	Moderate	<ul style="list-style-type: none"> • Failure to comply with Section 33 agreement for budget increases • Significant projected overspend at time of audit • Funding contributions of partners does not reflect actual usage • Contract Procedure Rules not always complied with • Poor stores accommodation • Substantial obsolete and surplus stock held • Minimal usage of hire car • Delays in bringing significant items of equipment into use • Equipment inventory not up to date
Suresprung	Moderate	<ul style="list-style-type: none"> • Low levels of shop income • Unidentified credit in service bank account • Contract Procedure Rules not followed for carpet sub-contractor • No documentation found for 2 unpaid invoices from sample of 10 • No formal debt recovery procedures in place • No invoices referred to Legal for recovery action for significant period • Contract Procedures Rules not always followed • Stock held in disorganised manner • Equipment inventory not up to date

Victoria Park Kiosk	Moderate	<ul style="list-style-type: none"> • Lack of division of duties in income collection • Unexplained discrepancies in till 'Z' number readings
Payroll	Moderate	<ul style="list-style-type: none"> • A number of starter, leaver and deduction forms selected for sample testing could not be located • Two leaver forms from sample of 30 were unsigned • Unsigned timesheets and overtime sheets had been processed • Timesheets and overtime sheets not marked to indicated they had been processed • Up to date honorarium forms not held on employee file • Up to date Authorised Signatory lists not held • Error found in payment made to HMRC for deductions • Lack of division of duties in Education / Teachers payroll
Streetworks	Limited	<ul style="list-style-type: none"> • Incomplete applications processed • Incomplete evidence of authorisation procedures • Miscoding of income • Failure to collect income for 4 applications out of 20 tested • No spot checks to confirm compliance with licence / permit • No alert system to identify when licence / permit is due to expire • No alert system to identify when public liability insurance is due to expire