

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 1 DECEMBER 2015

SUBJECT OF REPORT: INTERNAL AUDIT ASSURANCE PLAN UPDATE 15/16

TOWN OR PARISH: NONE

OFFICER PRESENTING: JEFF WRING, HEAD OF AUDIT WEST

KEY DECISION: NO

RECOMMENDATIONS

The Audit Committee is asked to:

- Note progress in delivery of the 2015/16 Annual Audit Assurance Plan.

1. SUMMARY OF REPORT

This report updates the Audit Committee on progress in delivering the 2015/16 Annual Audit Assurance Plan and summarises performance for April to September 2015.

2. POLICY

The work of the Internal Audit Service is to provide independent assurance to the council's senior officers and members that governance, risk management and controls are sufficient in ensuring delivery of the council's objectives.

3. DETAILS

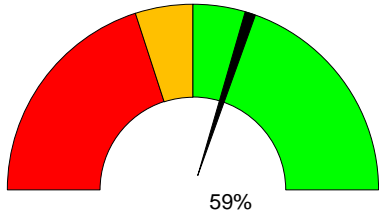
The performance chart overleaf shows that as at halfway through the year:

- Overall delivery of the plan is slightly ahead of target;
- Audit Reviews are broadly being completed within their allocated days;
- Customers have rated the service as either 'good' or 'excellent';
- Critical and High level recommendations have been implemented;
- State of the Internal Control framework is positive based on our audit opinions;
- Investigations and Unplanned work are currently within our planned contingency

NSC Audit & Risk Dashboard April 1st - 30th September 2015/16

Internal Audit

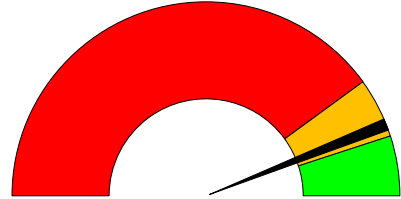
Annual Audit Plan Completed



59%

Green Target => 90% of pro rata plan
Amber Target => 80% of pro rata plan

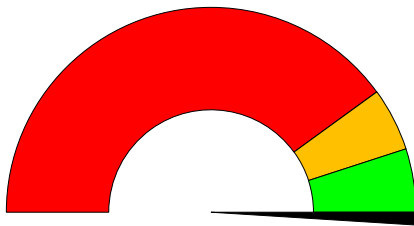
Audit Reviews Completed in Assigned Days



87%

Green Target = >90%
Amber Target = >80%

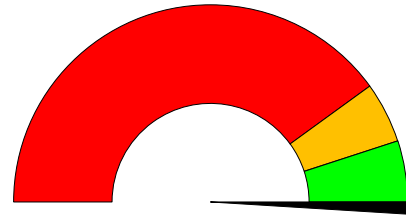
Customer Satisfaction - Good or Excellent



100%

Green Target = >90%
Amber Target = >80%

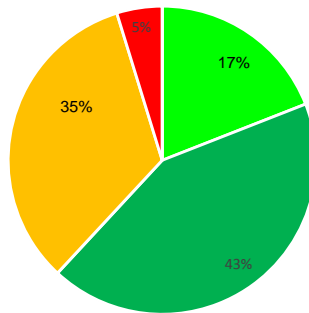
Recommendations (Critical / High) Implemented by Follow Up



100%

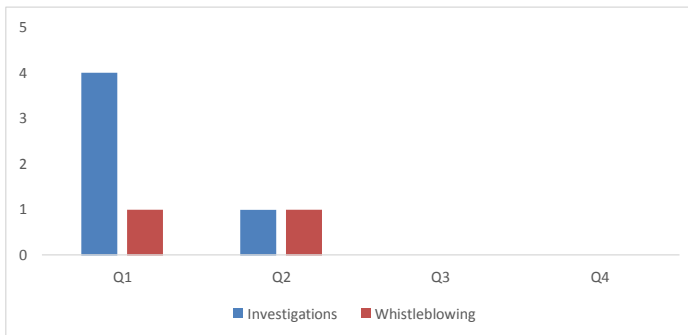
Green Target = >90%
Amber Target = >80%

Assurance Level Provided

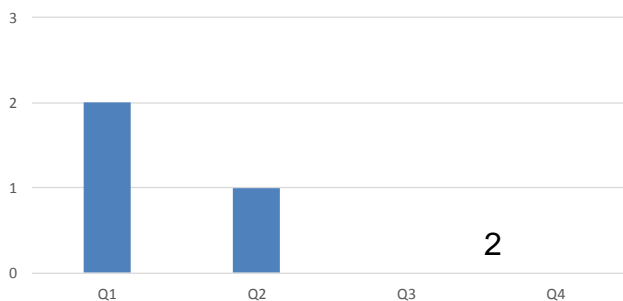


- Excellent
- Good
- Adequate
- Weak
- Poor

Investigations & Whistleblowing



Unplanned Audits



Equating to 22 Audit Days

A) COMPLETION OF THE INTERNAL AUDIT PLAN

The performance dashboard shows that at the half-way point of the year, 59% of the plan is substantially completed. This includes work that is either finalised, at reporting stage, or at the end of fieldwork.

This positive position is mainly due to establishing smarter working processes across the partnership, adopting single reviews where possible and using a new audit software system which allows audit reports to be automated, thus saving time.

The remaining 41% of the plan is currently in the early stages of fieldwork, or in the planning phase and we therefore remain confident that we expect to meet our targets by the end of the year.

B) AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

The percentage of audit reviews completed within the assigned days to date is 87%. This is a broadly strong performance, meeting the minimum target set, and shows the team's ability to complete work within defined timescales. On the few occasions where audits have overrun, these are predominantly in areas where the services we were working with were experiencing post-ICT transformation issues and thus we were therefore unable to extract the required information from their systems within the timescales expected.

Overruns are also allowed in positive circumstances where we feel that a small amount of extra work can provide real additional benefit and value for money to the service we are working with. This is reflected in our customer service feedback scores.

C) CUSTOMER SERVICE

The ethos of the partnership is around providing quality and adding value wherever possible, therefore this is a particularly key performance indicator. A measure of this is the quality assurance surveys of auditees. Performance again of 100% satisfaction exceeds targets and demonstrates high levels of satisfaction. In addition, auditees often provide proactive feedback on individuals' performance which has also been very positive. One particular comment from a member of management read:

"I would like to thank you for producing what is an extremely helpful review of the system that we have in place..."

"...I would also say that I do consider this to be a very valuable approach to checking business systems and would recommend that you make senior managers within the organisation aware of this as a way to ensure business integrity."

D) IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

The service focusses resources in this area on ensuring that the critical/ high level recommendations have been implemented, i.e. those recommendations that identify key risks, or will best help the organisation to achieve its objectives.

Again, performance is strong in this key area with 100% of critical or high level recommendations found to be implemented when followed up during the year. We are continuing to follow-up all other non-critical recommendations in line with the dates that they are due to be implemented.

We can also report that 100% of audit recommendations proposed within our reviews have been accepted and agreed by the respective service managers.

E) INVESTIGATIONS/ WHISTLEBLOWING

The service has directly undertaken four investigations during the year and provided specialist advice to the Human Resources team on one of their investigations. Of these:

- Three investigations are still ongoing and two have been referred to the Police
- Two investigations stemmed from whistleblower referrals
- One investigation resulted in disciplinary action

The investigations, whilst in some cases serious in a specific area have not identified any significant failures in internal control or systemic issues with the Council's systems of governance.

F) ASSURANCE LEVEL PROVIDED

To date 95% of audits completed have an audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5').

There have been no internal audit reports issued this year where it is considered that the systems of internal control are poor (i.e. 'Level 1') and only one area where we considered the control framework to be weak ('Level 2').

The level 2 opinion was in respect of an audit around the repayment of training fees, which the Human Resources service had raised with us as a potential issue. The objective of the review was to try and quantify the extent of non-repayment of course fees. Although a number of methods were used to try to identify staff that had received training over the last two years, we were unable to obtain sufficient information to undertake testing. This was due to there being no processes in place to ensure that the information is accurately and completely captured.

As a result of this, the framework of internal control was assessed at Level 2 and we recommended that processes are put in place to enable accurate records to be maintained. We will revisit this area in 2016/17 to establish whether the processes implemented are working and the required improvements have been achieved.

There are currently no report items of sufficient importance to be considered for inclusion in the Annual Governance Statement 2015/16.

G) UNPLANNED AUDITS

Three pieces of audit work have been requested by management that were not in the original plan. These requests were due to the need for immediate assurance, and as such could not wait for inclusion in the following years audit plan.

The total amount of time spent on unplanned audits to date is 22 days. The partnership recognises the importance and value to management of being able to respond to these types of requests and thus ensures that contingency is built into resources so that we can be flexible to needs.

JOINT WORKING WITH BATH AND NORTH EAST SOMERSET COUNCIL

The committee has been regularly updated on the joint working arrangements between North Somerset Council Internal Audit Service, and Bath and North East Somerset Council Internal Audit Service.

As previously reported a formal proposal was made to the Executive of each council to create a formal partnership for the provision of its Audit & Assurance function and this was endorsed in December 2014.

The new arrangements under the name 'Audit West' formally commenced on the 1st August 2015 under a five year contract, with Bath & North East Somerset acting as host authority.

As part of the formal process the existing audit and assurance employees from the North Somerset Internal Audit Team were transferred under TUPE to B&NES on the 1st August 2015.

In October 2015, the first phase of restructuring commenced to integrate all staff into the a single structure encompassing the existing Bath & North East Somerset team and set up the new 'Audit West' operating model to meet its contractual obligations.

This process has been challenging for all staff as everyone's role has effectively changed, with new expectations and demands placed upon every member of the new service. The response has however been very positive with no impact on performance and it is pleasing to note that four of the seven ex-North Somerset Council employees have been appointed to key roles within the new integrated structure.

NON-CORE SERVICES

In addition to delivering the Audit and Assurance Plan, the partnership continues to provide a range of other functions which are not part of the core delivery of services to North Somerset Council.

This also means there has been an increased focus on chargeable work as this delivers the additional revenue to support our own savings plans, this includes selling services for:

- Business Continuity for other Council and in Schools/Academies
- Responsible Officer Service in Academies
- Business Rates Reviews for other Councils
- Financial Assessments

During the first six months we have expanded in all of these areas and these will be summarised in our Annual Report.

Currently a series of other added value pieces of work is being provided direct to the Council in 2015/16, including:

- A new project on Business Rates and GIS Mapping which is well underway and led by audit staff. This involves the matching and layering of multiple data sets from many services to create a complete map of the area and business community. Use of this product is already generating several new opportunities in the short to medium term for services to consider.
- Involvement remains in work around co-ordinating internal and external resources to combat 'illegal' airport car parking.
- RIPA training was provided to over 20 key staff by audit in October and support given to the Head of Legal Services for the formal RIPA inspection of the Council by the Office of Surveillance Commissioners in November. The report is awaited and expected to be broadly positive.

4. CONSULTATION

In developing and delivering the Annual Audit Assurance Plan the Internal Audit Service has consulted widely with officers and members and with the external auditors.

5. FINANCIAL IMPLICATIONS

There are no direct financial implications from this report which is focussed on performance.

6. RISK MANAGEMENT

Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. The Internal Audit Service assists the council in addressing its risk profile. Internal Audit helps by identifying risks, improvement areas and by institutionalising good practice.

7. EQUALITY IMPLICATIONS

Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

8. CORPORATE IMPLICATIONS

Failure to deliver the agreed Annual Assurance Plan may result in an inability to provide assurance to officers, members and the public of the soundness of the council's corporate governance.

9. OPTIONS CONSIDERED

None

AUTHOR

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BACKGROUND PAPERS

Annual Audit Assurance Plan 2015/16
Audit Committee Annual Report to Council 2014/15

Audit Committee March 2015
Audit Committee March 2015