

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 1 DECEMBER 2016

SUBJECT OF REPORT: INTERNAL AUDIT ASSURANCE PLAN UPDATE 16/17

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 2016/17 Annual Audit Assurance Plan.

1. SUMMARY OF REPORT

This report updates the Audit Committee on progress in delivering the 2016/17 Annual Audit Assurance Plan and summarises performance from 1st April to 30th September 2016.

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:

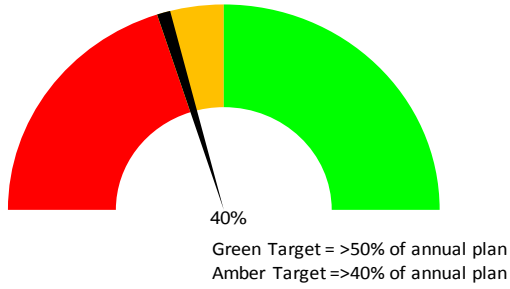
- Overall delivery of the plan is within target;
- Audit Reviews are being completed within their allocated days;
- Customers rated the service as 'excellent';
- Critical and High level recommendations have been implemented;
- State of the Internal Control framework is between satisfactory and good based on our audit opinions;
- Investigations and Unplanned work are impacting upon delivery of the plan.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

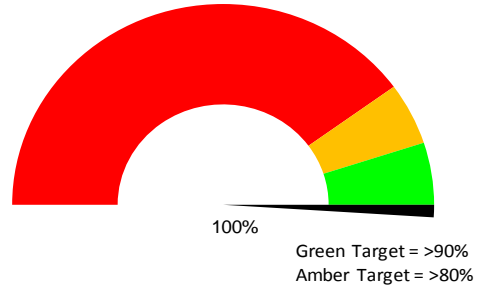
Client - North Somerset Council

Period - April 2016 - September 2016

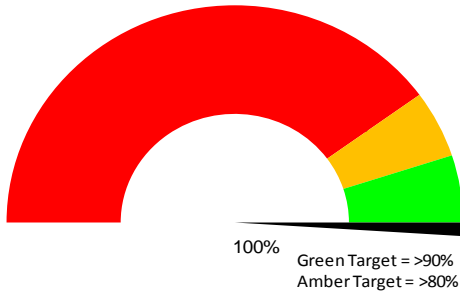
1. AUDIT PLAN COMPLETED



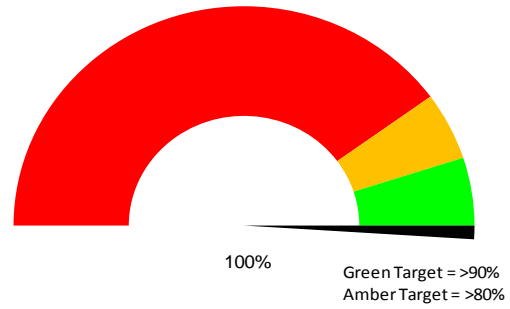
2. AUDITS COMPLETED IN PLANNED TIME



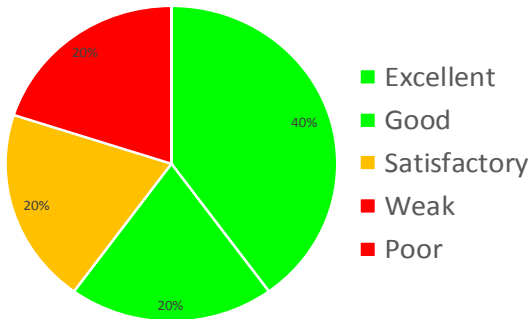
3. CUSTOMER SATISFACTION



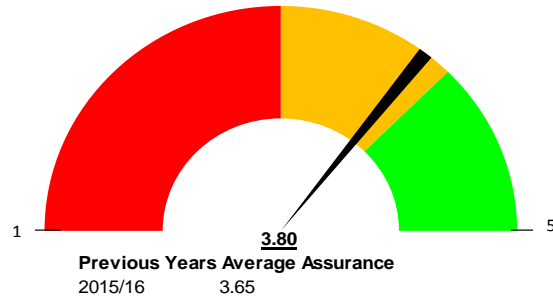
4. IMPLEMENTATION OF RECOMMENDATIONS



5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED



Current Average Assurance Level



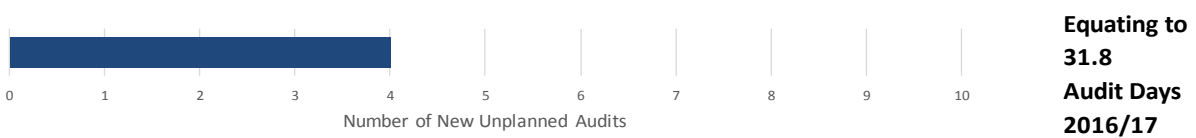
6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



8. NEW UNPLANNED WORK



Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
16-001N	Key Suppliers – Contract Management	Not yet started			
16-002N	Strategic Overview – Procurement	Not yet started			
16-003N	Data Analytics – Contracts	Fieldwork >50%			
16-004N	Commissioning Intentions – Contract Register	Draft Report	3	7	
16-005N	Asset Management Strategy	Not yet started			
16-006N	Capital Programme Management	Not yet started			
16-007N	Fleet Management	Not yet started			
16-008N	Key Suppliers – Performance Management	Reporting			
16-009N	Data Quality – Performance Management	Fieldwork <50%			
16-010N	Council Tax - Data Quality	Final Report	5	0	0
16-011N	Planning - Development Control	Not yet started			
16-012N	Street Works	Not yet started			
16-013N	Traffic Management	Not yet started			
16-014N	Regulatory Services – Public Protection	Final Report			
16-015N	Tell Us Once (Connected Data)	Draft Report	3	8	
16-016N	Corporate Risk Register	Fieldwork <50%			
16-017N	Transformation Programme	Not yet started			
16-018N	Insurance Act 2015	Consultative Review	N/A	4	4
16-019N	Social Impact Bond	Not yet started			
16-020N	Public Health	Not yet started			
16-021N	Payment Cards	Consultative Review	N/A		
16-022N	Foster Carers	Not yet started			
16-023N	Care Homes	Fieldwork <50%			
16-024N	Safeguarding in Schools	Fieldwork >50%			
16-025N	Late Payments & Use of Purchase Orders	Not yet started			
16-026N	Risk & Robustness Statement	Not yet started			
16-027N	Repayment of Training Fees	Reporting			
16-028N	Debt Management	Fieldwork <50%			
16-029N	Core Financial Systems	Fieldwork <50%			
16-030N	Seafront Retail Operations	Interim Final	2	13	
16-031N	Cost & Volume Analysis	Not yet started			
16-032N	Better Care Fund	Not yet started			
16-033N	Direct Payments	Not yet started			
16-034N	Financial Assessments (Referral & Charging)	Not yet started			
16-035N	HR Policies Compliance (Sickness)	Reporting		5	
16-036N	Employment Procedures	Reporting		5	
16-037N	Annual Governance Review	Not yet started			
16-038N	Members Allowances	Reporting		6	
16-039N	Members Code of Conduct	Reporting		3	
16-040N	School Audits	Fieldwork <50%			
16-041N	Licensing – Website	Final Report	3	2	
16-042N	ICT - Various	Not yet started			
16-043N	Information Security	Fieldwork <50%			
16-044N	South West Grid for Learning	Fieldwork >50%			
16-045N	Children's Centre's Software	Fieldwork >50%			
16-046N	City Deal	Fieldwork <50%			
16-047N	Economic Regeneration & Major Projects	Fieldwork <50%			
16-048N	South Bristol Link Road	Not yet started			
16-049N	Metrobus Grant Claim	Final Report	5	0	0
16-104N	School	Investigation			
16-105N	Housing	Investigation			
16-201N	Worle Community School	Completed			
16-202N	Scheme of Delegation	Fieldwork <50%			
16-203N	High Impact Families Grant Claim	Final Report	4	0	0
16-204N	Webber Bus	Ongoing			

A) COMPLETION OF THE INTERNAL AUDIT PLAN

The performance dashboard shows that at the half-way point of the year, 40% of the plan is completed. This includes work that is either finalised, at reporting stage, or at the end of fieldwork.

Although this is still just within target, the likelihood of ending the financial year on target is under threat. This is due to the amount of unplanned work being undertaken in respect of investigations and specific management requests for audit work.

Audit West is however able to draw on additional resources across the Partnership in such situations and has indeed done so on recent requests for unplanned work. This should help ensure that the plan remains substantially on target by year-end. Had these additional resources not been available, then there would be a reduction in the amount of assurance that the Internal Audit Service were able to provide.

B) AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

There has been a reinforced emphasis on providing value through the completion of audits within planned time and this has so far resulted in a 100% achievement rate. This has been realised not only through the team's ability to complete work within defined timescales, but also due to the efficiency that has been achieved through joint working, where in particular time savings have been achieved by completing similar pieces of work across the two authorities.

A further contributor to this current success is due to the reduction in the number of IT issues now being experienced, both within the service and around the council. For example, this has meant it has been possible to extract information from systems within the planned timescales.

Despite this success, the Committee are reminded that the severity of future budget cuts and officer involvement in this process may impact on the ability of the Audit Service to complete audits in planned time, i.e. in situations where meeting the Budget Reduction Challenge is given priority over all other activities.

C) CUSTOMER SERVICE

The ethos of the partnership is to provide quality and add value. Therefore this remains a key performance indicator and a measure of accomplishment is the quality assurance surveys of auditees. Performance again of 100% satisfaction exceeds targets and demonstrates high levels of service.

In addition to these survey results, the partnership has also received some excellent feedback from individual officers of North Somerset Council. Such comments include:

"Firstly, can we pass on our thanks to you for the manner of the inspection, the time you gave to listen as well as ask questions and the way in which you conducted yourself all day. It was a pleasure to have you as part of our school for the day. We are delighted with our overall rating but in no way complacent. Steps have already been taken to action some of the points raised on the verbal feedback and conformed in the report. Thank you for your kind offer of some additional support and we will look at building that in during the coming months. It would be a pleasure to work with you again. Thank you once again".

D) IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

As in previous years, the service has focussed its resources in this area to ensure 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.

Performance continues to remain 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 all audit recommendations proposed within our reviews have been accepted and agreed by the respective service managers.

E) ASSURANCE LEVEL PROVIDED

To date 80% of audits completed have an audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5').

As yet 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').

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

F) INVESTIGATIONS/ WHISTLEBLOWING

The service has undertaken two new investigations during the year and continued work on four further investigations carried over from the previous year amounting to over 25 days work.

Two of the investigations have now been completed and resulted in police charges. One further investigation is with the police, who are awaiting a charging decision from the CPS.

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. However, the 2016/17 audit plan has included reviews with specific focus on areas where investigations have taken place in order to provide ongoing assurance in these areas of potential risk.

G) UNPLANNED AUDITS

Four pieces of audit work have been requested by management that were not in the original plan. These requests were due to 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 32 days. The partnership recognises the importance and value to management of being able to respond to these

types of requests, however this flexibility is becoming increasingly more challenging if further budget cuts are applied.

JOINT WORKING – AUDIT WEST PARTNERSHIP

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 now badged as 'Audit West'.

As described previously in this report, partnership working has proved to be very successful and now over 25% of the North Somerset Council audit plan involves joint reviews with B&NES on common areas. This has improved productivity and value, and to further capitalise on these opportunities joint working has also extended into investigations and non-core services.

In financial terms the new arrangements have also delivered significant financial savings to the Council with £125,000 savings made in 2015/16 and a further £30,000 planned in 2016/17 from delivering on external income opportunities. A fuller update on these areas and the implications on the Audit function will be given in our annual report once the long-term budget position becomes clearer

4. CONSULTATION

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

Jeff Wring - Head of Audit West

Jeff.wring@n-somerset.gov.uk

Pete Cann - Audit Manager (Audit West)

Peter.cann@n-somerset.gov.uk

BACKGROUND PAPERS

Annual Audit Assurance Plan 2016/17

Audit Committee March 2016

Audit Committee Annual Report to Council 2015/16

Audit Committee September 2016