

## **GOVERNANCE COMMITTEE**

**Item 4**

**MEETING: 27TH JUNE 2016**

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**SUBJECT: INTERNAL AUDIT ANNUAL REPORT – 2015/2016**

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### **REPORT OF THE HEAD OF INTERNAL AUDIT**

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#### **1. Purpose of Report**

- 1.1 To consider the performance of Internal Audit for 2015/2016, areas of work undertaken and the internal audit opinion regarding the adequacy of the overall system of internal control within the Authority.

#### **2. Description of Decision**

- 2.1 The Governance Committee is asked to consider and note the Internal Audit Annual Report.

#### **3. Key Performance Indicators**

- 3.1 The Internal Audit service measures its performance in terms of Efficiency, Quality and Client Satisfaction. Performance during the year is shown in Appendix 1. Where possible, performance specifically relating to the Authority is included. All of the KPI targets were achieved.
- 3.2 Audits scheduled for 2015-16 were completed to at least draft report stage within the financial year, with the exception of the planned review of compliance with the Authority's revised Standing Orders. This was deferred until 2016/17 following delays in finalising the revisions to the Standing Orders.

#### **4 Summary of Internal Audit Work**

- 4.1 The findings of the 2015/16 audits have been taken together with the findings of audits from the previous two years to form an opinion on each of the identified key risk areas, and an opinion on the adequacy of the overall system of internal control for the Authority. The detailed analysis of these opinions is provided at Appendix 2.
- 4.2 As a result of the audits carried out, a number of recommendations have been made to improve internal control. The numbers of recommendations made are shown below:

<b>Categorisation of Risk</b>	<b>Definition</b>	<b>Number Made</b>
High	A fundamental control weakness which presents material risk to the audited body and requires immediate attention by senior management.	0
Significant	There is a control issue which could have a significant impact on the achievement of the aims and objectives of the organisation, or which presents a significant risk to the organisation's reputation. Prompt management action is required to remedy the situation.	0
Medium	There is a control weakness within the system, which presents material risk to the area or service being audited, and management attention is required to remedy the situation within a reasonable period.	19
Low	There is a minor control weakness or non-compliance within the system and proportional remedial action is required within an appropriate timescale.	7

- 4.3 The work undertaken did not identify any matters material to the overall internal control environment of the Authority.

## **5. Compliance with the Public Sector Internal Audit Standards**

- 5.1 Internal Audit continues to comply with the Public Sector Internal Audit Standards through the standards being built into audit working practices.

## **6. Conclusions**

- 6.1 This report provides assurance that sufficient audit work was completed within the year to enable an opinion on the Authority's internal control environment, with no significant or high risk issues being identified.
- 6.2 Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken within 2015/16, it is considered that overall throughout the Authority there continues to be a good internal control environment.

## **Background Papers**

Internal Audit Operational Plan 2015/2016 - Governance Committee  
16th March 2015.

## Appendix 2

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2015/16			
Efficiency and Effectiveness			
Objectives	KPI's	Targets	Progress
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the key risk areas identified.	1) All key risk areas covered over a 3 year period	1) Achieved
	2) Percentage of draft reports issued within 15 days of the end of fieldwork.	2) 90%	2) Achieved (100%)
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report).	3) 80%	3) Achieved (86%)
	4) Cost per £m Turnover	4) Lower than average within CIPFA Benchmarking Club	4) Achieved - £416 v £819 average
Quality			
Objectives	KPI's	Targets	Progress
1) To maintain an effective system of Quality Assurance.	1) Opinion of External Auditor	1) Satisfactory opinion	1) Achieved
2) To ensure recommendations made by the service are agreed and implemented.	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented.	2) 100% for high and significant. 90% for medium risk	2) High and significant – n/a Medium – achieved (91%)
Client Satisfaction			
Objectives	KPI's	Targets	Progress
1) To ensure that clients are satisfied with the service and consider it to be good quality.	1) Results of Post Audit Questionnaires	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)	1) Achieved (Average score for last 12 months is 1.0)
	2) Results of other Questionnaires	2) Results classed as 'Good'	2) None undertaken
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported	3) No compliments or complaints received

## Internal Audit Coverage

Key Risk Area	Audits undertaken 2015/16	Level of Assurance from audits undertaken 2015/16	Level of Assurance from Previous 3 years work
Corporate Governance	None (planned audit of compliance with revised Standing Orders deferred)	n/a	Substantial
Service / Business Planning, IRMP	Review of Medium Term Financial Planning process	Substantial	Substantial
Financial Management	Financial Transactions Testing on Payroll and Accounts Payable / Review of process for setting and collecting charges.	Substantial Substantial	Substantial
Risk Management	No audit work planned		Substantial
Procurement and Contract Management	No audit work planned		Substantial
Human Resource Management	No audit work planned		Substantial
Asset Management	No audit work planned		Substantial
ICT	No audit work planned		Substantial
Fraud and Corruption	Financial Transactions Testing on Payroll and Accounts Payable.	Substantial	Substantial
Information Governance	Review of Information Governance Arrangements, including compliance with Data Handling Guidelines.	Moderate	Moderate
Business Continuity and Contingency Planning	Review of response to recent and on-going strike action.	Substantial	Substantial
Performance Management	No audit work planned		Substantial
Payroll	Financial Transactions Testing	Substantial	Substantial
Partnership Working	Review of partnership working arrangements.	Substantial	Substantial
Project Management	No audit work planned		Substantial