HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
27 October 2015

From: Executive Director and Deputy Chief Executive (S151 Officer)

Subject: **INTERNAL AUDIT QUARTER 1 AND QUARTER 2 PROGRESS REPORT 2015/16**
All Wards

1.0 PURPOSE AND BACKGROUND:

1.1. The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).

1.2 The Audit and Governance Committee approved the Internal Audit Plan 2015/16 at its meeting held on the 25 March 2015. The purpose of this report is to inform Members of the progress made to date in delivering the 2015/16 Internal Audit Plan and any developments likely to have an impact on the plan throughout the remainder of the financial year.

2.0 THE REPORT

2.1 Within the report there is a summary of progress made against the plan and a summary of the audit opinions for the individual audits completed thus far.

2.2 Veritau has carried out its work in accordance with the Public Sector Internal Audit Standards.

2.3 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Council's S151 Officer on financial systems.

3.0 CONCLUSION:

3.1 Veritau is progressing in the delivery of the agreed internal audit plan. There are no significant delays anticipated with the work which is expected to be completed by the end of the year. In the period between 1st April 2015 and 30th September 2015 Veritau has completed one internal audit review on the Whistleblowing Policy to final report stage. A further audit on Information Governance has been completed and a draft report issued. Three audits (Website Management, Customer Complaints and Safeguarding Children) are ongoing. Planning work has started for five other audits. Draft timings for future 2015/16 audits have been discussed with officers and for those audits that have not yet started then the report provides proposed start dates.

3.2 The completed audit highlighted no significant risks to the Authority or to the overall opinion of the Head of Internal Audit on the risk management, governance and controls operated at the Council. However the audit plan is at an early stage of delivery and views may be subject to change in the light of findings emerging from work carried out later in the year

4.0 DECISIONS SOUGHT:

4.1 The Audit and Governance Committee is asked to consider the work undertaken by internal audit to date.

5.0 RISK ANALYSIS:

5.1 There are no risks associated with the recommendations in the report.

6.0 FINANCIAL IMPLICATIONS:

6.1 There are no financial implications associated with the recommendations in the report.

7.0 LEGAL IMPLICATIONS:

7.1 There are no legal implications associated with the recommendations in the report.

8.0 RECOMMENDATIONS:

8.1 It is recommended that Members note the work undertaken by internal audit in the year to date.

JUSTIN IVES

Background papers: None

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Annex

Hambleton District Council

Internal Audit Progress Report 2015/16

Period to 30 September 2015

Audit Manager:	Stuart Cutts
Head of Internal Audit:	Max Thomas
Circulation List:	Members of the Audit, Governance and Standards Committee Director of Support Services and Deputy Chief Executive (S151 Officer)
Date:	30th September 2015

Veritau
Assurance Services for the Public Sector

Background

1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report, to 'those charged with governance' progress against the internal audit plan agreed by the Committee and to identify any emerging issues which need to be brought to the attention of the Committee.

2 Members of this Committee approved the Internal Audit Plan 2015/16 at their meeting on the 25 March 2015. The total number of planned audit days for 2015/16 is 285. This report summarises the progress made in delivering the agreed plan.

3 This is the first Internal Audit progress report to be received by the Audit, Governance and Standards Committee in 2015/16. This report updates the Committee on the work completed between 1 April 2015 and 30 September 2015.

Internal Audit work completed in 2015/16

4 In the period between 1 April and 30 September 2015 we have completed one internal audit review to final report stage. A further audit has been issued as a draft report and three audits are ongoing. Planning work has started for five other audits.

5 We have agreed timings with management for all 2015/16 audits. For those audits we have yet to start then we have provided proposed start dates in this report. We are on target to deliver the agreed Audit Plan by the end of April 2016.

6 Further information on the audits from the agreed 2015/16 audit plan is included in **Appendix A**.

7 Information on the findings from the audit completed since the last Audit, Governance and Standards Committee is included in **Appendix B**. The report highlighted no significant risks to the Council.

Audit Opinions

8 For most reports we provide an overall opinion on the areas under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Details of the definitions used are included in **Appendix C**.

Wider Internal Audit work

10 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:

- **Support to the Audit, Governance and Standards Committee**; this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice to Members.

- **Ongoing support to management and officers;** we meet regularly with management to provide advice on a range of specific business and internal control issues. These relationships help to provide ‘real time’ feedback on areas of importance to the Council.

- **Contractor assessment;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Rating Agency) to assess the financial standing of potential contractors.

- **Follow up of previous audit recommendations;** it is important that agreed actions are regularly and formally ‘followed up’. This helps to provide assurance to management and Members that control weaknesses have been properly addressed. In 2015/16, we have followed up agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report as a result of our follow up work.

- **Risk Management;** Veritau advise on the Council’s risk management processes. We have attended the recent risk management workshop which has helped to inform our ongoing work on this area.

- **Investigations;** We perform special or ad-hoc reviews or investigations into specific issues.

Stuart Cutts
Audit Manager
Veritau Ltd

30 September 2015

Appendix A

Table of 2015/16 audit assignments to 30 September 2015

Audit	Status	Assurance Level (if Completed) / Planned Start date (if Not Started)	Audit Committee
Strategic Risk Register			
Business Continuity	Not Started	Quarter 4	
Disaster Recovery	Not Started	Quarter 4	
Website Management Arrangements	In Progress	-	
Information Governance	Draft Report	-	
Fundamental/Material Systems			
Housing Benefits	Planning	-	
Payroll	Not Started	Quarter 3	
Council Tax/NNDR	Planning	-	
Sundry Debtors	Not Started	Quarter 3	
Creditors	Not Started	Quarter 4	
Income/Receipting System	Not Started	Quarter 4	
General Ledger	Not Started	Quarter 4	
Budget Management and Preparation	Not Started	Quarter 4	
Regularity Audits			
Risk Management	Not Started	Quarter 3	
Corporate Procurement	Not Started	Quarter 4	
Contract Management	Planning	-	
Key Performance Information	Not Started	Quarter 3	
Awarding of Grants	Planning	-	
Planning	Not Started	Quarter 3	
Customer Complaints and Feedback	In Progress	-	
Strategic Asset Management	Not Started	Quarter 4	
Safeguarding Children	In Progress	-	
Technical/Project Audits			
Corporate Plan	Not Started	Quarter 3	
Human Resources (HR) systems and processes	Not Started	Quarter 3	
Purchase to Pay	Not Started	Quarter 4	
Data Centre Security	Not Started	Quarter 4	
Whistleblowing Policy	**Completed**	**Substantial Assurance**	**October 2015**
Payment Card Industry Data Security Standards	Planning	-	
Follow-Ups	In Progress		

Summary of Key Issues from audits completed to 30 September 2015; not previously reported to Committee **Appendix B**

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Whistleblowing	Substantial Assurance	A whistleblowing policy is primarily intended for people to raise concerns that are in the public interest and where the interests of others or of the organisation itself are at risk. It is intended to supplement rather than replace existing grievance procedures. We reviewed the Council's Whistleblowing policy against expected best practice as issued by the National Audit Office.	July 2015	**Strengths** The Council has a Whistleblowing policy included as an Annex in the Anti Fraud and Corruption Policy. The policy is accessible to all staff via the Council's intranet. We found the content contained within the Whistleblowing policy was generally comprehensive and fit for purpose. The policy included the main expected areas. The Council was in the process of appointing a new HR manager during the audit. The responsibilities for Whistleblowing and a review of policies and procedures had been assigned to the new manager. The audit work was timed to support that review and enable prompt consideration of any weaknesses. **Weaknesses** The whistleblowing policy has not been reviewed since 2011. Training on the policy was initially completed then but there has been none since. There is always a possibility that policies and procedures not reviewed or publicised for such a time period become out of date or less understood by officers. There were some instances where the policy would benefit from some additional information and examples.	Management agreed with our findings. The comments from the audit are to be considered as part of an internal review of Whistleblowing procedures planned to be completed by 30th November 2015.

Appendix C

Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
Opinion	**Assessment of internal control**
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.