

### Internal Audit Annual Report 2016/2017

#### 1 Introduction

1.1 The main purpose of this report is as follows:

- To summarise the effectiveness of Internal Audit
- Comment on the work undertaken by Internal Audit during the year
- Provide management and members with an opinion on the adequacy and effectiveness of the Council's arrangements, risk management and systems of internal control

#### 2 Audit Planning

2.1 The Internal Audit Section works on a three-year strategic audit plan; this is produced following consultation with the Head of Finance & Governance/S151 officer and is approved by the Corporate Governance & Audit Committee. The Plan is prepared using a risk-based assessment which can be linked to the Council's Corporate Risk Register and is designed to review all the major areas and systems on a cyclical programme. Any areas and systems considered to be fundamental to the Council's operations are reviewed annually.

2.2 The Annual Audit Plan for 2016/2017 represented the first year, of a three year plan. Each of the audits is undertaken on an operational risk-based approach following discussions with the Heads of Service/Departments.

2.3 The annual Internal Audit plan is a live document and is updated with emerging risks as and when required. Any changes are reported to the Corporate Governance and Audit Committee.

#### 3 Staffing

3.1 During 2016-17 the Internal Audit Section operated on 2.8 members of audit staff and a full time Corporate Counter Fraud Officer. This establishment was made up of the following posts:

- Principal Auditor (1.0fte)
- Senior Auditor (0.60fte annualised)
- Auditor (0.60fte)
- Auditor (0.60fte)
- Corporate Counter Fraud Officer (1fte)

All auditors have the requisite experience to effectively fulfil their responsibilities.

3.2 The Corporate Counter Fraud Officer (CCFO) works closely with Internal Audit and is now part of the audit team. The CCFO is responsible for investigating and reporting on, any offences against or within the council. Internal Audit is responsible for

reviewing the controls annually in order to give assurance to those charged with Governance that the Internal Control arrangements within the Council are robust and regularly reviewed by both Internal and External Audit.

#### **4 Performance against the Internal Audit Plan**

4.1 The Internal Audit Section completed the following Audits /Reviews during 2016/2017:

##### Completed Planned Audits

- Personnel & Recruitment
- Industrial Estates / Investments
- Data Security PSN
- Treasury Management
- Rent in Advance and Deposit Bonds
- Community Careline
- Estates Rent Arrears
- S106/ CIL
- Emergency Planning
- Elections
- Contract Management
- Building Services
- G4S Car Park Income
- Annual Governance Statement
- Annual Internal Audit Report

##### Key Financial Systems (reviewed annually)

- Bank Reconciliation
- Creditors
- Council Tax
- Debtors
- Housing Benefit
- NDR
- Payroll

4.2 The Audit Section undertook annual testing on all the Key Financial Systems; the main financial systems that feed into the financial statements, in order to identify and ensure that the appropriate levels of internal control, were in place. In addition, there are a number of controls which are tested by internal audit that are based upon agreed criteria with the External Auditors, Ernst and Young. This testing and the results are then used by external audit to place reliance on the work of Internal Audit and avoid duplication.

4.3 In addition to the planned work, Internal Audit continues to respond to requests by the Council's services and departments, where and when advice and assistance is required, whilst remaining impartial. A number of minor issues were addressed by internal audit during the year.

#### Planned Reviews not completed

- 4.4 During 2016/2017, five audits from the original audit plan were deferred. The reasons relating to these audits were reported to the Corporate Governance and Audit Committee and included; awaiting the engagement of a new contract to be awarded, systems being covered under another audit or the pending outcome of an independent review. The time initially allocated to these audits was absorbed by non-programmed work. In addition, an unexpected amount of time was required on the proposed shared service project; this time was taken out of the contingency allocation.

### **5 Reporting**

- 5.1 All internal audit reports were reviewed by the Principal Auditor prior to publication and reported to the Corporate Governance & Audit Committee five times a year. A report showing progress against the audit plan is also taken to Committee. In some cases audits that commenced before the 31<sup>st</sup> March 2016, were not completed until after the 1<sup>st</sup> April, 2016 and these related to the previous Audit Plan 2015/16.
- 5.2 A number of recommendations were raised and reported on during 2016-17, all of which had been agreed by management and the Corporate Governance & Audit Committee. As a result internal audit undertook a series of follow up reviews throughout the year; in order to ascertain whether the recommendations made, had been implemented and deadlines met. Where recommendations are not implemented they are brought to the attention of the Corporate Governance & Audit Committee.

### **6 Opinion on the Control Environment**

- 6.1 Based upon the internal audit work undertaken during the year 2016-17, the overall opinion is that 'satisfactory' assurance can be given, and generally that there is a sound system of internal control designed to meet the Council's objectives.