

Internal Audit and Corporate Counter Fraud

Annual Report 2017/2018

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 four year strategic audit plan; this is produced following consultation with the Head of Finance & Governance now the Director of Corporate Services/S151 officer and is approved by the Corporate Governance & Audit Committee. The Plan is prepared where possible 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 basis. Suggestions are also made by Senior Officers. Any areas and systems considered to be fundamental to the Council's operations are reviewed annually.

2.2 The Annual Audit Plan for 2017/2018 represented the first year, of a four 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 to this plan are reported to the Corporate Governance and Audit Committee.

3 Staffing

3.1 During 2017-18 the Internal Audit Section operated on 2.2 fte's of audit staff and 1.5 fte's Corporate Counter Fraud staff. This establishment was made up of the following posts:

- Principal Auditor (1.0fte)
- Senior Auditor (0.60fte annualised)
- Auditor (0.60fte)
- Corporate Counter Fraud Officer (1fte)
- Assistant Corporate Counter Fraud Officer (0.50fte) effective from 8.1.2018

All auditors have the requisite experience to effectively fulfil their responsibilities and execute duties to the required professional standard under PSIAS (Public Sector Internal Audit Standards).

3.2 The Corporate Counter Fraud team is now part of the audit team. The CFFO is responsible for investigating and reporting on, any offences against or within the council. Internal Audit is responsible for reviewing the internal controls annually, in order to give assurance to those charged with governance that the control environment within the Council is robust and regularly reviewed by both Internal and External Audit.

3.3 The Fraud Team has taken on an additional member of staff to assist the CCFO with the increased workload. The Corporate Fraud Assistant post is a job share, one of which started on the 8th January 2018, and the other returned from maternity leave on the 30th April 2018.

4 Performance against the Internal Audit Plan

4.1 The Internal Audit Section completed the following Audits /Reviews during 2017/2018:

Completed Planned Audits

- Contract Management
- Leisure Centres – Contract Management
- Income Management
- Business Continuity
- Information Technology (GDPR / Data Security)
- Building & Facilities Services
- Section 106 / CIL – Follow Up
- Key Financial Systems Report 2017-2018
- Annual Governance Statement
- Annual Internal Audit Report
- PSIAS

Key Financial Systems (reviewed annually)

- Bank Reconciliation (Cash and Bank)
- Creditors
- Council Tax
- Debtors
- Housing Benefit
- NDR
- Payroll
- Treasury Management
- Fixed Asset Register

4.2 The Audit Section undertook annual testing on all the Key Financial Systems; that is the main financial systems that feed into the Council's statutory 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.

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 2017/2018, four audits from the original audit plan were not completed. The reasons relating to these audits were reported to the Corporate Governance and Audit Committee these were:
Budgetary Control: This was delegated responsibility and monitored by Finance.
Contracts / Procurement: This was completed in 2016/2017.
Customer Service Centre: This audit was incorporated in the GDPR / Data Security Audit.
Westward House: Income was covered by the Income Management Audit.
One Audit the Novium was started in 2017/2018 and will be completed in 2018/2019.

5 Reporting

5.1 All internal audit reports were reviewed by the Principal Auditor prior to publication and being reported to the Corporate Governance & Audit Committee which met five times in 2017-18. A report showing progress against the audit plan is also taken to each Corporate Governance and Audit Committee meeting. In some cases audits that commenced before the 31st March 2017, were not completed until after the 1st April, 2017 and these related to the previous Audit Plan 2016/17.

5.2 A number of recommendations were raised and reported on during 2017-18, all of which had been agreed by management and then reported to Corporate Governance & Audit Committee. A number of follow up reviews were also carried out during the year; in order to ascertain whether the recommendations made, had been implemented and deadlines met. Where recommendations were not implemented they are brought to the attention of the Corporate Governance & Audit Committee. During 2017/2018 there were no recommendations that were not implemented.

6 Opinion on the Control Environment

6.1 Based upon the internal audit work undertaken during the year 2017-18, the overall opinion is that 'satisfactory' assurance can be given, and generally that there is a sound system of internal control.