

# Governance, Risk and Best Value Committee

10.00am, Tuesday 15 December 2015

## Internal Audit Quarterly Update Report: 1 July 2015 – 30 September 2015

|                   |     |
|-------------------|-----|
| Item number       | 7.2 |
| Report number     |     |
| Executive/routine |     |
| Wards             |     |

### Executive summary

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Internal Audit has made reasonable progress in the first quarter of the audit year. This report provides details of the activity from 1 July 2015 – 30 September 2015.

### Links

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|                          |                      |
|--------------------------|----------------------|
| Coalition pledges        | <a href="#">PO30</a> |
| Council outcomes         | <a href="#">CO25</a> |
| Single Outcome Agreement |                      |

## Internal Audit Quarterly Update Report: 1 July 2015 – 30 September 2015

### Recommendations

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- 1.1 Committee is requested to note the progress of Internal Audit in issuing 7 internal audit reports during the quarter.

### Background

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- 2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the relevant Committees.
- 2.2 Status of work and a summary of findings are presented to the Governance, Risk and Best Value Committee for consideration on a quarterly basis.

### Main report

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#### **Audit findings for the period**

- 3.1 Internal Audit has made reasonable progress in the second quarter of the audit year with 7 reports being issued for the quarter. This is a lower volume of reports than we would typically issue in a quarter and reflects the timing of the quarter (which contained the summer recess, where we found activity levels within the Council to be noticeably lower) and the investment in resources that we have put into the Schools Assurance Pilot.
- 3.2 Appendix 1 provides a summary of reports and the classification of findings in the period. A copy of all final reports is available to members.
- 3.3 The only Internal Audit report issued during the period that recorded 'High' findings was the Integrated Health & Social Care review (SFC 1501), which was scrutinised in the September GRBV committee. As a consequence, it is not proposed to include details of those findings in this report.
- 3.4 The status of outstanding recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report from 1 July 2105 to 30 September 2015.'

## Schools Assurance Pilot

- 3.5 Included within our audit plan for the year for year was a commitment to undertake joint reviews with the Health & Safety team to validate the Children and Families Local Assurance Statement provided by a sample of 15 Schools.
- 3.6 The commencement of this projected required a greater level of investment than we had initially expected and met a greater level of resistance from the schools than we anticipated (it was strongly supported throughout by Senior Management within Children & Families). These teething issues have now been overcome and by 30 September, fieldwork had been completed in 9 of the 15 schools.
- 3.7 The findings to date have been mixed with some Schools performing well and others less so. We are also starting to see some common themes emerging which we will share with Children & Families to help them develop Council wide solutions. It is currently anticipated that the fieldwork stage of the pilot will be completed by the end of December and the final report on findings should be available by the end of January.

## Half Year KPI's

- 3.8 The end of September marked the end of the first half of the 15/16 audit year. Our KPI's are currently tracking as follows:

|   |        |
|---|--------|
| <b>Staffing</b>   |        |
| Chief Internal Auditor & Principal Audit Managers to be professionally qualified              | Green  |
| Internal Audit training events to be held during the year                                     | Green  |
| <b>Operational</b>  |        |
| Audits outlined in the annual plan to be completed in the year initially planned              | Green  |
| Terms of Reference (ToRs) to be agreed for each audit before substantive field work commences | Green  |
| Exit meetings to be held at the end of the fieldwork  | Green  |
| Draft reports issued to management for comment within 2 weeks of the exit meeting             | Yellow |
| Management comments received within 2 weeks of draft report being issued                      | Red    |
| Recommendations agreed with management prior to issue   | Green  |

|  |       |
|--|-------|
| of the final report  | Green |
| Final report issued within 1 week of management comments being received  | Red   |
| <b>Reporting</b>   |       |
| Status of recommendations to be tracked, with overdue high and medium grade recommendations being reported to the GRBV | Green |
| <b>Wider Relationships</b>   |       |
| Average client satisfaction score for quality  | Green |
| Average client satisfaction score for efficiency   | Green |
| Average client satisfaction score for timing   | Green |

We have included within Appendix 2 the Half Year KPI results for 2015/16.

- 3.9 The two 'red' KPI indicators highlight that we continue to find it difficult to get agreed management responses to our findings and close out audits within our targeted timelines. We frequently experience delays in receiving management responses from auditees and it is not uncommon for initial management responses to be of insufficient quality and require additional input from the internal audit team. These factors impact the efficiency of the closure process but have no impact on the quality of the work performed and the conclusions reached in the internal audit reviews performed.
- 3.10 The remaining indicators are tracking in line with our expectations, with the client feedback scores, which are tracking well above target, being particularly pleasing.

## Measures of success

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- 4.1 The Action Plans of these reports, when implemented, will demonstrate that the Council continues to strengthen its control framework and overall approach to risk management.

## Financial impact

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- 5.1 None.

## Risk, policy, compliance and governance impact

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- 6.1 If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.
- 6.2 To mitigate the associated risks, the Committee should review the progress of Internal Audit and the higher classified findings, and consider if further clarification or immediate follow-up is required with responsible officers for specific items.

## Equalities impact

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- 7.1 No full ERIA is required.

## Sustainability impact

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- 8.1 None.

## Consultation and engagement

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- 9.1 None.

## Background reading/external references

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- 10.1 None.

## Magnus Aitken

Chief Internal Auditor

## Links

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|                                 |   |
|---------------------------------|---|
| <b>Coalition pledges</b>        | PO30 - Continue to maintain a sound financial position including long-term financial planning |
| <b>Council outcomes</b>         | CO25 - The Council has efficient and effective services that deliver on objectives            |
| <b>Single Outcome Agreement</b> |   |

**Appendices**

Appendix 1 – Summary of Internal Audit report findings issued for period of 1 July 2015 – 30 September 2015.

Appendix 2 – 2015/16 Half Year KPI Results.

# Appendix 1

## Summary of Internal Audit reports issued for period 1 July 2015 – 30 September 2015

| Title of Review  | High Risk Findings | Medium Risk Findings | Low risk Findings |
|--|--------------------|----------------------|-------------------|
| Integrated Health & Social Care – HSC 1501                       | 2                  | 1                    | 1                 |
| Review of Carbon Reduction Commitment Scheme Compliance – CG1501 | -                  | 3                    | 1                 |
| LPF – Immediate Payments – CG1504                                | -                  | 2                    | 3                 |
| Procurement Arrangements – CW1501                                | -                  | 2                    | 2                 |
| Use of demographics in the Budgeting Processes – CG1502          | -                  | 2                    | 1                 |
| PVG Checks and References – CF1501                               | -                  | 1                    | 1                 |
| Management of Development Funding – SFC1501                      | -                  | -                    | 1                 |

## CEC Internal Audit -KPIs for 2015/16 – Half Year

| KPI  | Target Level | Current status | Comments   |
|--|--------------|----------------|--|
| <b>Staffing</b>  |              |                |  |
| Chief Internal Auditor & Principal Audit Managers to be professionally qualified                                       | 100%         | 100%           |  |
| Internal Audit training events to be held during the year  | 2            | 1              | A full day soft skills training event was held in September. Subsequent to the 30 September cut off a new UK GAAP seminar has been held and a further formal training event is planned for later in the audit year.  |
| <b>Operational</b>   |              |                |  |
| Audits outlined in the annual plan to be completed in the year initially planned                                       | 90%          | 95%            | We currently anticipate completing 95% of the named audits initially included in the 2015/16 audit plan. We do not currently expect to complete two planned audits as a consequence of events resulting in completing them no longer being appropriate.                        |
| Terms of Reference (ToRs) to be agreed for each audit before substantive field work commences                          | 100%         | 100%           |  |
| Exit meetings to be held at the end of the fieldwork   | 100%         | 100%           |  |
| Draft reports issued to management for comment within 2 weeks of the exit meeting                                      | 90%          | 87.5%          | This is a symptom of the holiday period during the summer with Internal Audit staff holidays delaying production & issue of draft reports subsequent to close out meetings   |
| Management comments received within 2 weeks of draft report being issued   | 90%          | 33%            | We continue to experience difficulties in obtaining management comments within the targeted timescales.  |
| Recommendations agreed with management prior to issue of the final report  | 100%         | 100%           |  |
| Final report issued within 1 week of management comments being received  | 80%          | 50%            | We continue to experience difficulties in closing out reports within the targeted timescales. This is frequently due to the initial management responses being of insufficient quality and the requirement for additional input from the Internal Audit team as a consequence. |
| <b>Reporting</b>   |              |                |  |
| Status of recommendations to be tracked, with overdue high and medium grade recommendations being reported to the GRBV | 100%         | 100%           |  |



|  |     |      |  |
|--|-----|------|--|
|  |     |      |  |
| <b>Wider Relationships</b>                       |     |      |  |
| Average client satisfaction score for quality    | 3.5 | 4.80 | Our client satisfaction survey works on a 1-5 scoring system (5 being highest) |
| Average client satisfaction score for efficiency | 3.5 | 4.95 |  |
| Average client satisfaction score for timing     | 3.5 | 4.71 |  |