

# Report to Accounts, Audit & Governance Committee

13<sup>th</sup> September 2016

By the Chief Internal Auditor



**Horsham  
District  
Council**

## INFORMATION REPORT

Not Exempt

### Internal Audit – Quarterly Update Report

#### Executive Summary

This report summarises the work completed by the Internal Audit Section since September 2016.

#### Recommendations

The Committee is recommended to:

- i) Note the summary of audit and project work undertaken since June 2016.

#### Reasons for Recommendations

- i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- ii) The Accounts, Audit and Governance Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

#### Background Papers

Internal Audit Reports and Correspondence

**Wards affected:** All.

**Contact:** Paul Miller, Chief Internal Auditor, 01403-215319

## Background Information

### 1 Introduction and Background

- 1.1 The purpose of this report is to provide a quarterly summary of work undertaken by the Internal Audit Team since June 2016.
- 1.2 The Accounts and Audit (England) Regulations 2011 state that “a relevant body (*the Council*) must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.” This responsibility is discharged through the Council’s Internal Audit Section.

### 2 Relevant Policy / Professional Standards

- 2.1 Internal Audit follows the mandatory standards set out in the Public Sector Internal Audit Standards (PSIAS) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors.
- 2.2 Internal Audit is conducted in accordance with the Council’s Constitution. Financial Regulation FR27 states that the Director of Corporate Resources shall maintain a continuous, comprehensive and up-to-date internal audit. The Chief Internal Auditor is required to report on a quarterly basis on the work of internal audit, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council’s governance arrangements, risk management systems and internal control environment.

### 3 Summary of Audit Findings

#### 3.1 Building Control Partnership ~ Cost Sharing Arrangements

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE** (↔)<sup>1</sup>

The terms of the Building Control Partnership are clearly set out in a Partnership Agreement which is monitored at regular meetings of the Partnership Board. Detailed financial statements are provided at each meeting of the Partnership Board in which the costs and income are analysed in accordance with the terms of the Agreement.

#### 3.2 Private Sector Housing Assistance Grants

OVERALL AUDIT OPINION: **SUBSTANTIAL ASSURANCE** (↑)

There is a sound system of control in place for the administration and processing of Private Sector Housing Assistance Grants. The process was found to be satisfactory, although it has been agreed that documented procedures need to be updated.

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<sup>1</sup> <sup>1</sup> The symbols in brackets indicate the movement in the level of assurance when the area was last audited.

(↑) = Improved.

(↔) = No change.

(↓) = Reduced.

If blank ~ No previous opinion

### 3.3 Recruitment

**OVERALL AUDIT OPINION: SATISFACTORY ASSURANCE** (↔)

Controls over the recruitment process are generally working effectively, although audit testing identified a few areas where improvements are needed. In particular, procedural guidance for managers on the Council's Intranet will be reviewed and updated where necessary covering all areas of risk.

### 3.4 Security ~ Parkside

**OVERALL AUDIT OPINION: LIMITED ASSURANCE**

Following the office move, a review of security has been undertaken at Parkside to assess the adequacy of physical security for the protection of the Council's assets and data.

The Parkside building has a 24 hour security presence, and a "Clear Desk Policy" has been implemented to help ensure that valuable items are securely locked away at the end of the working day.

However, a number of control weaknesses have been identified which is exposing the Council to unnecessary risk. Appropriate remedial actions have been agreed to improve the current security arrangements.

## 4. Other Audit Work

### 4.1 The Internal Audit team has been involved in a number of other areas:

- The Chief Internal Auditor has been leading on the Internal Audit work stream for joining up Internal Audit services with Arun D.C. and Chichester D.C. An outline business case has been completed which has been approved by each of the Council's Cabinets, and an independent project manager has now been appointed to develop this further into a 'full' business case. The resource implications of this piece of work were significantly underestimated, and therefore the time allocation estimated in the audit plan for 2016/17 has been exceeded. However, this was an important piece of work as the outcomes of the review will impact on the future provision of the audit service.
- Internal Audit has also had involvement in a number of areas which are listed below:
  - Data matching has been undertaken on behalf of Saxon Weald Homes using our audit interrogation software.
  - Disabled Facilities Capital Grant Certification audit undertaken on behalf of Central Government.
  - Bribery procedures have been written to support the Council's Anti-Fraud and Corruption Policy.
  - Independent review of a new supplier e-form.
  - Independent review of new E-bay process.

## **5. Audit Plan ~ Progress Update**

- 5.1 The audit plan is progressing well (see Appendix 2 for current status). However, the 'Shared Services' project (with Arun D.C and Chichester D.C) has had a significant impact on resources in recent months, and as a consequence, some elements of the audit plan may not be achieved.

It is important to note that the number of audit days currently provided will be examined during the next few months as part of the shared service review of Internal Audit. It is anticipated that the number of audit days available will diminish in future years. It is imperative that there are sufficient audit days in the plan to enable the Chief Internal Auditor to provide an overall annual opinion on the Council's governance, risk management and control environment.

The annual audit plan will continue to be compiled using a risk based approach. However, it should be noted that if the number of actual audit days for 2017/18 is significantly reduced, audits scheduled for 2016/17 which are not undertaken will not be automatically carried forward to 2017/18.

## **6 Next Steps**

- 6.1 The Committee will be kept informed about progress in terms of the audit plan and the outcomes of the Shared Services project.

## **7 Outcome of Consultations**

- 7.1 Service managers are consulted during each audit. At the end of each review, audit findings and recommendations are discussed with the service manager at a final meeting, and actions are agreed. An action plan is incorporated into the final report including details of responsible officers and agreed implementation dates. There are occasions when a director may also be consulted, particularly for audits which span a number of departments.

## **8 Other Courses of Action Considered but Rejected**

- 8.1 Not applicable.

## **9 Resource Consequences**

- 9.1 This report summarises information about the work undertaken by Internal Audit, and therefore there are no direct financial or HR consequences.

## **10 Legal Consequences**

- 10.1 There are no legal consequences. Where compliance issues are identified during audit fieldwork, the Head of Legal & Democratic Services (or relevant legal specialist) will be consulted.

## **11 Risk Assessment**

- 11.1 All internal audit work is undertaken using a risk based approach and as part of this process, audit findings are risk assessed prior to being reported. The risk assessment then determines the order in which control weaknesses are reported

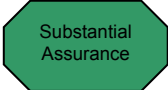
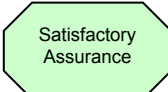

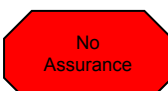
and informs the overall audit assurance opinion. See Appendix 1 for audit report assurance definitions.

## **12 Other Considerations**

- 12.1 Internal Audit is a reporting function and there are no consequences in respect of Crime & Disorder; Human Rights; Equality & Diversity; or Sustainability. However these areas are considered where appropriate during audit fieldwork.

# Appendix 1

## SUMMARY OF INTERNAL AUDIT ASSURANCE OPINIONS

 <p>Substantial Assurance</p>	<p><u>System of Control:</u> There is a sound system of control in place which minimises risk to the Council; and/or</p> <p><u>Compliance with Controls:</u> Audit testing identified that expected controls are being consistently applied. Only a few errors or weaknesses were identified, but the implementation priority is considered to be of low importance.</p>
 <p>Satisfactory Assurance</p>	<p><u>System of Control:</u> Whilst there is an adequate system of control and all key controls are in place, there are some weaknesses which may place the Council at risk in a few areas; and/or</p> <p><u>Compliance with Controls:</u> Audit testing identified a lack of compliance with controls in a few areas.</p>
 <p>Limited Assurance</p>	<p><u>System of Control:</u> There are several weaknesses in the system of control and / or the absence of one or more key controls, which is placing the Council at risk in a number of areas; and/or</p> <p><u>Compliance with Controls:</u> Audit testing identified a lack of compliance with several controls and/or one or more key controls and/or potential risk of abuse.</p>
 <p>No Assurance</p>	<p><u>System of Control:</u> The system of control is generally weak leaving the system open to significant error or abuse; and/or</p> <p><u>Compliance with Controls:</u> Significant non-compliance with basic control processes leaves the processes / systems open to significant error or abuse.</p>