

Bolsover District Council**Audit Committee****16th May 2016****Internal Audit Consortium 2015/16 Annual Report to Bolsover District Council**

This report is public

Purpose of the Report

The purpose of this report is to:

- Present a summary of the internal work undertaken during 2015/16 from which the opinion on the internal control environment is derived
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
- Compare work actually undertaken with that which was planned and summarise performance
- Comment on compliance with the Public Sector Internal Audit Standards
- Comment on the results of the quality assurance programme
- Confirm progress against the improvement plan and to present the new improvement plan
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter

1 Report Details

- 1.1 Appendix 1 details the audit reports issued in respect of audits included in the 2015/16 internal audit plan. The appendix shows for each report the overall opinion on the reliability of the internal controls. An additional column shows the opinion given at the last audit for information. The report opinions can be summarised as follows:

Control Level	Number of Reports	Percentage 2015/16	Percentage 2014/15
Good	17	60.7	70.4
Satisfactory	8	28.6	18.5
Marginal	3	10.7	11.1
Unsatisfactory	0	0	0
Unsound	0	0	0
Total	28	100	100.0

- 1.2 A definition of the above control levels is shown in Appendix 1.
- 1.3 There were no issues relating to fraud arising from the reports detailed in Appendix 1.
- 1.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2015/16		2016/17
	Plan	Actual	Plan
Cost per Audit Day	£279	£237	£286
Percentage Plan Completed	96%	93% (1)	96%
Sickness Absence (Days per Employee)	8.5 (Corporate Target)	11(2)	8.5 (Corporate Target)
Customer Satisfaction Score (see para 11 below)	80%	94%	85%
To issue internal audit reports within 10 days of the close out meeting.	90%	100%	90%
Number/proportion of audits completed within time allocation	80%	71% (3)	80%
% 2015/16 Agreed recommendations implemented by due date	80%	72% (4)	80%
Quarterly reporting to Audit Committee	90%	100%	90%

1) In respect of the 2015/16 internal audit plan, 100% of the plan will be completed however the last 2 reports in respect of PSN/Network security and taxi licences are in the process of being finalised. The audit testing in respect of taxi licences has been expanded to cover in more detail areas in relation to safeguarding due to the issues arising in relation to child exploitation at Rotherham. These reports will be issued and reported during the 2016/17 financial year.

2) Due predominantly to 1 long term sickness case, the employee has now returned to work

3) Due predominantly to having a new member of staff that is in the process of being trained.

4) The Internal Audit Consortium's improvement plan at Appendix 3 details how efforts will be made to try and improve this figure.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

- 1.5 In respect of the main financial systems, Appendix 1 shows that internal controls were found to be operating satisfactorily or well, giving an overall confidence in the internal control system operating in relation to these systems.

- 1.6 Overall, 89.3% of the areas audited received a good or satisfactory opinion demonstrating that there are effective systems of governance, risk management and control in place. The table at 1.1 demonstrates that controls are on a par with the previous year. There were no areas that were judged to be unsatisfactory or unsound.
- 1.7 There were 3 marginal reports issued during the year where only limited assurance on the reliability of internal controls can be given. Management have agreed the recommendations made and are actively working to implement them.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 1.8 The internal control issues arising from audits completed in the year have been reported to the Director of Operations for consideration during the preparation of the Annual Governance Statement. There have been no unsatisfactory or unsound reports issued in 2015/16 however, health and safety has been raised as a significant governance issue.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 1.9 The Internal Audit Plan for 2015/16 was approved by the Audit Committee on the 13th April 2015.
- 1.10 A comparison of planned audits with audits completed is shown as Appendix 2. Overall 100% of planned audits will be completed (currently 93%) however the last two reports are in the process of being finalised and will be issued and reported on in the 2016/17 financial year.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

- 1.11 During 2015/16 a self assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non compliance.
- 1.12 Progress against the last improvement plan was reported to this Committee in June 2015. With the exception of the external review of internal audit and ongoing targets that improvement plan has been completed. Appendix 3 shows the new improvement plan for the Consortium that will ensure the service continually moves forward and develops.
- 1.13 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Director of Operations but has a direct and unrestricted access to senior management and the Audit Committee.
- 1.14 Quality control procedures have been established within the internal audit consortium as follows:
- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these

reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.

- Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
- Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.
- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff.

1.15 The above quality control procedures have ensured conformance with the PSIAS.

1.16 Based on the customer satisfaction survey forms returned, the average score was 94% for customer satisfaction during 2015/16 (2014/15 result 85.3%).

1.17 The results of the Client Officer survey for Bolsover was a score of 91.4% (32 out of a maximum of 35 - for the seven areas reviewed this represented 4 'very good' scores and 3 'good' score). The 2014/15 score was also 91.4%.

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

1.18 The Audit Charter was last reported to and approved by the Audit Committee in September 2015 and is also scheduled for approval elsewhere on this meeting's agenda as it has been updated to reflect the April 2016 updates to the Public Sector Internal Audit Standards.

1.19 Based on the information provided in this report on the completion of the 2015/16 internal audit plan, it is considered that the requirements of the Charter were met during the year.

2 Conclusions and Reasons for Recommendation

2.1 To present to Members the annual report for the Internal Audit Consortium in respect of Bolsover District Council for 2015/16.

2.2 To ensure compliance with the Public Sector Internal Audit Standards.

2.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

3 Consultation and Equality Impact

3.1 Not Applicable.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

This report ensures that Members are aware of the work undertaken by internal audit during 2015/16 and the Internal Audit Consortium Managers opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

5.2 Legal Implications including Data Protection

None.

5.3 Human Resources Implications

None

6 Recommendation

6.1 That the Internal Audit Consortium Annual Report for 2015/16 be noted.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None
Links to Corporate Plan priorities or Policy Framework	The internal audit plan helps to achieve the corporate aim "Strategic Organisational Development" which looks to continually improve the organisation.

8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Reports issued 2015/16
Appendix 2	Comparison of Planned Audits to Audits Completed 2015/16
Appendix 3	Internal Audit Consortium Improvement Plan April 2016
Background Papers	
Report Author	Contact Number
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Bolsover District Council – Internal Audit Reports Issued 2015/16

Ref	Report Title	Overall Opinion 2015/16	Overall Opinion Previous Audit
1	Corporate Target	Good	Satisfactory
2	Creswell Leisure Centre	Marginal	Satisfactory
3	Non Domestic Rates	Good	Good
4	Stores	Marginal	Satisfactory
5	Disabled Facilities Grants	Good	Good
6	Health and Safety	Marginal	Satisfactory
7	Housing Benefits and Council Tax Support	Good	Good
8	Commercial Waste	Satisfactory	Satisfactory
9	Treasury Management	Good	Good
10	Recruitment and Selection	Marginal	Satisfactory
11	Council Tax	Good	Good
12	Housing Rents	Good	Good
13	Transparency Agenda	Satisfactory	N/A
14	Sundry Debtors	Good	Good
15	Expenses and Allowances	Good	Satisfactory
16	Pleasley Vale Outdoor Centre	Good	Good
17	ICT Disaster Recovery Arrangements	Good	Satisfactory
18	Procurement	Satisfactory	Marginal
19	Creditors	Good	Good
20	Housing Repairs	Good	Satisfactory
21	Payroll	Satisfactory	Good
22	Risk Management	Satisfactory	Good
23	Cash and Bank	Good	Satisfactory
24	Main Accounting	Good	Good
25	The Tangent Business Centre	Good	Good
26	Budgetary Control	Good	Good
27	Members Allowances	Satisfactory	Satisfactory
28	Data Protection	Satisfactory	Satisfactory

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

INTERNAL AUDIT CONSORTIUM**BOLSOVER DISTRICT COUNCIL****Comparison of Planned Audits to Audits Completed 2015/16**

Main Financial Systems – Planned Audits	Progress as at 31st March 2016
Main Accounting System	In Progress
Budgetary Control	In Progress
Payroll	Complete
Creditor Payments	Complete
Debtors	Complete
Treasury Management (Loans and Investments)	Complete
Cash and Banking	In Progress
Council Tax	Complete
Non Domestic Rates	Complete
Housing / Council Tax Benefit	Complete
Housing Rents	Complete
Housing Repairs	Complete
Stores	Complete
Expenses and Allowances	Complete

Other Operational Audits – Planned Audits	Progress as at 31st March 2016
Operations Directorate	
Commercial Waste	Complete
Contract final accounts	Ongoing
Cash floats and balances	Complete
Growth Directorate	
Disabled Facilities Grants	Complete
The Tangent Business Centre	In Progress
Taxi Licences	In Progress
Transformation Directorate	
Members Expenses	In Progress
Creswell Leisure Centre	Complete
Pleasley Vale Outdoor Centre	Complete
Health and Safety	Complete

Computer / IT Related – Planned Audits	Progress as at 31st March 2016
PSN Compliance/Network Security	In Progress
Disaster Recovery	Complete

Fraud and Corruption – Planned Audits	Progress as at 31st March 2016
Fraud Modules	Complete
National Fraud Initiative	Complete
Recruitment and Selection	Complete

Corporate / Cross Cutting Issues – Planned Audits	Progress as at 31st March 2016
Corporate Governance/ Assurance Statement	Complete
Financial Advice/Working Groups	Input to working group
Procurement/Contract Monitoring	In Progress
Corporate Targets	Completed
Risk Management	Complete
Data Protection	In Progress
Transparency Agenda	Complete

Client Officer / SMT Issues	Progress as at 31st March 2016
Alliance Accounts / NFI Key Contact Assistance	On going

Special Investigations / Contingency	As required
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Audit Committee / Client Liaison	On going
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Internal Audit Consortium Improvement Plan April 2016

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
PSIAS requires an external assessment of internal audit to be undertaken at least once every 5 years with the first one being due by the end March 2018	Budget has been agreed by Joint Board. Consultation has taken place with the Audit Committees in relation to the review (April 2016).	a) To agree a specification for the review with the project Sponsors (Head of Finance, Director of Operations, Head of Resources) b) To advertise the contract on source Derbyshire via the Royal Hospital Procurement Service c) To assess quotations and appoint a reviewer d) To facilitate the review e) To present the findings to each audit Committee f) To implement the resulting action plan	Internal Audit Consortium Manager April/May 2016 May/June 2016 June/July 2016 August – Dec 16 December 2016 To be agreed when review is completed

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
<p>The Standards state that Internal Auditors are encouraged to demonstrate their proficiency by obtaining professional certifications.</p> <p>The skills and competencies required by each level of Auditor should be defined and continuous professional development should be in place</p>	<p>Two Auditors are studying for AAT and one Auditor is studying for CIPFA. All other Seniors/Auditors have their AAT qualification and one senior Auditor has the IIA qualification as well. The Internal Audit Consortium Manager is CIPFA qualified. The last training needs assessment was undertaken in June 2013, since then one part time Auditor has been appointed and another temporary Auditor</p>	<p>The training needs assessment should be reviewed and updated. This should take account of the new Auditors needs and also the continuous professional development needs of the rest of the team. This will be aligned with employee development reviews that are taking place in April/May 2016.</p>	<p>Internal Audit Consortium Manager</p> <p>June 2016</p>

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
<p>The policy states that policies and procedures should be regularly reviewed and updated to reflect changes in working practices and standards</p>	<p>Procedures and working practices have been fully reviewed as part of the review of the structure and job descriptions in 2015. A new structure was implemented from December 2015</p> <p>Test schedules are reviewed at the start of each audit but there is scope to review more fully in the light of risk, governance and VFM.</p>	<p>To ensure that the revised structure is effective and meets the needs of the constituent Council's</p> <p>Review the audit Charter and Audit Manual in relation to the revised PSIAS that came in to effect from April 2016</p> <p>To review the test schedules for the main financial system to ensure still fully relevant and risk based.</p> <p>To review other test schedules to ensure they still focus on key risk and governance areas.</p> <p>To develop test schedules for Safeguarding, Social Media, BACS</p>	<p>Internal Audit Consortium Manager Ongoing</p> <p>Internal Audit Consortium Manager April – June 2016</p> <p>Senior Auditors March 2017 And ongoing process</p> <p>Internal Audit Consortium Manager Ongoing process</p> <p>Internal Audit Consortium Manager/ Senior Auditors June - December 2016</p>

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
<p>The standards ask if the internal audit activity has evaluated the potential for fraud and also how the organisation itself manages fraud risk</p>	<p>The IAC has developed a fraud risk register. The “Protecting the public purse” checklist has been completed and any identified weaknesses addressed. The Audit Commission’s fraud modules are completed whilst undertaking main system reviews Participation in NFI Completion of the annual TEICCAF (The European Institute for combatting Corruption and Fraud) fraud survey. Attendance at the TEICCAF Annual fraud conference</p>	<p>To review each Council’s arrangements against the checklist attached to the Fighting Fraud and Corruption Locally Strategy 2016 – 19</p> <p>Complete Checklist Formulate an action plan if required Report to Audit Committees Implement action plan</p>	<p>Internal Audit Consortium Manager/ Head of Finance/ Director of Operations/ Head of Resources</p> <p>June/July 2016 June/July 2016 September 2016 July onwards</p>

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
The Standards state that the internal audit activity should assess and make appropriate recommendations for improving the governance process.	The Internal Audit Consortium Manager writes the AGS for CBC and is part of an AGS working party for NEDDC/BDC. This involves a review of the CIPFA assurances and liaison with senior management. In April 2016 CIPFA have published "Delivering Good Governance in Local Government Framework 2016"	To review CIPFA's 2016/17 Delivering Good Governance publication and review each Council's compliance with this.	Internal Audit Consortium Manager Review summer 2016 implement for 2016/17 AGS

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
The Standards require that the Head of Audit establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action	A system has been established for flagging recommendations that have not been confirmed as implemented at CMT/Quarterly directorate meetings. However the target PI for the % of recommendations implemented by their due date was not reached for the 2015/16 year.	The Internal Audit Consortium Manager/Senior Auditors need to establish a more pro-active approach to contacting managers to ensure that recommendations are confirmed as implemented promptly and if not escalating as appropriate	Internal Audit Consortium Manager/Senior Auditors Ongoing