Report of	**Assistant Director of Policy & Corporate**	**Author**	**Hayley McGrath** ☎ **508902**
Title	**Year End Internal Audit Assurance Report 2017/18**		
Wards affected	Not applicable		

1.0 Executive Summary

1.1 This report summarises the performance of Internal Audit, and details the audits undertaken, between 1 October 2017 and 31 March 2018.

1.2 The audit plan consists of a mix of regularity, systems and probity audits, and reports are generated for all audits carried out. This report has been designed to show:

- Summary information concerning audits finalised in the period receiving a 'Full' or 'Substantial' assurance rating and more detailed information on those audits receiving a 'Limited' or 'No' assurance rating.
- The effectiveness of the Internal Audit provider in delivering the service

1.3 The key messages are:

- An effective internal audit service was provided during the 2017/18 financial year.
- The Creditors, Housing Benefits, National Non Domestic Rates (NNDR) and Security of Premises (Leisure World) audits have achieved a 'full' assurance rating.
- The assurance rating for the Payroll audit has increased to substantial.
- Only one limited assurance report was issued – Security of Premises (Hollytrees)
- Two priority 1, thirty seven priority 2 and eleven priority 3 recommendations have been made. All recommendations have been accepted by management.
- There is good progress made in implementing and verifying outstanding recommendations.

2.0 Recommended Decision

2.1 To review and comment on:

- Internal audit activity for the period 01 October 2017 – 31 March 2018
- Performance of internal audit by reference to national best practice benchmarks.

3.0 Reason for Recommended Decision

3.1. The Accounts and Audit Regulations 2015 require that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Internal audit is a key element of the Council's corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

4.0 Alternative Options

4.1 None.

5.0   Background Information

5.1   Summary of Audits Finalised During the Period

During the period 1 October 2017 to 31 March 2018 a total of nineteen audits have been finalised. No audit opinion was given for one audit, Waste Key Performance Indicators (KPI's).   There was no previous audit against which a change of level could be assessed in two of the audits. Three audits increased in assurance rating, and three decreased. Ten audits remained at the same level.

Audit	Assurance Level	Change in Level	Priority of Recommendations			
			1	2	3	Agreed
302 - Grounds Maintenance	Substantial	**N/A**	0	4	1	5
313 - Waste KPIs	N/A	**N/A**	0	1	0	1
316 - Council Tax	Substantial	►	0	3	0	3
317 - Housing Benefit	Full	►	0	0	0	0
318 - Benefits Overpayments	Substantial	►	0	3	0	3
319 - Leisure World Cash up	Substantial	▼	0	1	0	1
320 - Creditors	Full	▲	0	0	0	0
321 - Treasury management	Substantial	►	0	1	1	2
323 - Debtors	Substantial	▼	0	2	2	4
325 - Payroll	Substantial	▲	0	4	1	5
326 - Corporate Governance & Scrutiny	Substantial	►	0	2	3	5
327 - Security of Premises Leisure World	Full	▲	0	0	0	0
328 - General Ledger	Substantial	►	0	3	1	4
329 - Museums Merged Service	Substantial	►	0	2	1	3
330 - NNDR	Full	►	0	0	0	0
331 - Parking	Substantial	►	0	7	0	7
332 - Leisure World	Substantial	►	0	3	1	4
336 - Castle Cash Up	Substantial	►	0	1	0	1
337 - Security of Premises Hollytrees Museum	Limited	**N/A**	2	0	0	2

5.2   Use of Audit Resources:

	Days	%
Audit days delivered April – September 2017	123	38
Audit days delivered October 2017 – March 2018	156	48
Audit days remaining	47	14
	326	**100%**

5.2.1 The audit days remaining relate to Homelessness and Housing Advice; Housing Register and Allocations; Waste Management; Financial Assistance Policy; and Licensing for Taxis which have been carried over to 2018/19 at the request of management. The balance of the days to delivery relate to end of year work including the finalisation of draft reports.

5.3 Status of all recommendations as at 31 March 2018:

5.3.1 Following the completion of each audit, a report is issued to management, incorporating recommendations for improvement in controls and management's response to those recommendations.

5.3.2 The table below provides a breakdown of the outstanding recommendations as at the 31 March 2018.

Date	Outstanding Recommendations That Are:			
	Implemented & Verified	Awaiting Verification	Not Due	Overdue
31/03/18	108	101	36	0

5.3.3 Progress in following up recommendations has continued throughout the period with revised lists of recommendations provided to the Assistant Directors to enable them to confirm that they have been implemented and for Internal Audit to verify.

5.3.4 Priority continues to be given to those awarded a higher priority rating and/or those that have been outstanding the longest, and work continues with management to arrange for them to be verified and cleared down.

5.3.5 Of the 101 recommendations that are awaiting verification 48 of them relate to IT audits. Internal audit have received updates from Corporate ICT who are currently working through the recommendations to ascertain whether the recommendations can be closed down.

5.4 Performance of Internal Audit 2017/18 to date – Key Performance Indicators (KPIs):

KPI	Target	Actual
Efficiency:		
Percentage of annual plan completed (to at least draft report stage)*	100%	100%
Average days between exit meeting and issue of draft report	10 max	5.5
Average days between receipt of management response and issue of final report	10 max	1
Quality:		
Meets CIPFA Code of Practice – per Audit Commission	Positive	Positive
Results of Client Satisfaction Questionnaires (Score out of 10)	7.8	None Received
Percentage of all recommendations agreed	96%	100%

* excluding audit days that have been deferred / delayed at the request of management.

5.4.1 The key performance indicators show that the internal audit provider is successfully meeting or exceeding the standards set.

5.5 Colchester Borough Homes Limited

5.5.1 Colchester Borough Homes Limited has its own agreed audit plan which is administered by Mazars Public Sector Internal Audit Limited, who are also the Council's auditors. The coverage of the plan, and the scope of the audits, is decided by Colchester Borough

Homes Limited and in general the audits do not affect the systems operated by the Council.

5.5.2 However, there are a few audits that, whilst they are carried out for either Colchester Borough Homes Limited or the Council, have a direct relevance and impact on the other organisation and in these circumstances it is appropriate that the results of the audit are reported to both organisations. These are known as joint audits.

5.5.3 The Housing Rents and Service Charge audits have been completed. Housing Rents retained a substantial assurance rating with two priority 2 recommendations. Service Charges increased to a substantial assurance rating, also with two priority 2 recommendations.

6.0 Strategic Plan Implications

6.1 The audit plan has been set with due regard to the identified key strategic risks to the Council and the objectives of the strategic plan to be vibrant, prosperous, thriving and welcoming. Therefore, the audit work ensures the effectiveness of the processes required to achieve the strategic objectives.

7.0 Risk Management Implications

7.1 The failure to implement recommendations may have an effect on the ability of the Council to control its risks and therefore the recommendations that are still outstanding should be incorporated into the risk management process.

8.0 Other Standard References

8.1 There are no direct Publicity, Financial, Consultation, Equality, Diversity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Key to Assurance Levels

Assurance Gradings

Internal Audit classifies internal audit assurance over four categories, defined as follows:

Assurance Level	Evaluation and Testing Conclusion
Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
No	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Recommendation Gradings

Internal Audit categories recommendations according to their level of priority as follows:

Priority Level	Staff Consulted
1	Major issue for the attention of senior management and the Governance and Audit Committee.
2	Important issues to be addressed by management in their areas of responsibility
3	Minor issues resolved on site with local management.

Summary of Audits with a Limited Assurance Rating:

			Priority of Recommendations			
			1	2	3	Agreed
337 – Security of Premises (Hollytrees Museum)	Days	Assurance				
	2	**Limited**	2	0	0	2

Scope of Audit: This review examined the following areas:

- Security of premises.

Key Outcomes: The recommendations resulting from this review are summarised as follows:

- Staff should be reminded of the importance of checking visitors ID when visiting the Museum. Where appropriate, visitors should be escorted whilst on the premises to help ensure that they are only able to access areas of the building that they need to. Once the purpose of the visit has been concluded, the visitor, should be escorted from the premises. (1)
- Restricted areas should be should be securely locked where appropriate. (1)