


30 October 2018

Report of	Assistant Director of Policy & Corporate	Author	Hayley McGrath
Title	Mid-Year Internal Audit Assurance Report 2018/19		 508902
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 April and 30 September 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 first half of the 2018/19 financial year.
 - The Visitor Information Centre (VIC) Cash Up, Discretionary Housing Payments and Exceptional Hardship Payments, Council Tax, and Housing Benefits and Local Tax Support Scheme audits have achieved a 'Full' assurance rating.
 - The assurance rating for the Council Tax audit has increased from "Substantial" assurance.
 - Two priority 1, nineteen priority 2 and five 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 1 April – 30 September 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 April to 30 September 2018 a total of twelve audits have been finalised. There was no previous audit against which a change of assurance level could be assessed in two cases, including one (Community Hub) where no assurance rating was given. One audit increased its assurance rating whilst in the remaining nine, the audits remained at the same level. A guide to assurance levels is set out at appendix A.

Audit	Assurance Level	Change in Level	Priority of Recommendations			Agreed
			1	2	3	
401 – Cash Up – VIC	Full	►	0	0	0	0
402 – Zone Working	Substantial	►	0	1	2	3
403 – Discretionary Housing Payments and Exceptional Hardship Payments	Full	►	0	0	1	1
404 – Health and Safety	Substantial	►	0	3	1	4
405 – S106 Monies	Substantial	►	0	1	1	2
406 – Homelessness and Housing Advice	Substantial	►	0	1	0	1
407 – Housing Register and Allocations	Substantial	►	0	1	0	1
409 – Council Tax	Full	▲	0	0	0	0
410 – Housing Benefits / Local Tax Support Scheme	Full	►	0	0	0	0
411 – Treasury Management	Substantial	►	0	2	0	2
428 – Community Hub	N/A	N/A	2	8	0	10
430 – Cash Up – Aqua Springs	Substantial	N/A	0	2	0	2

5.2 Use of Audit Resources:

	Days	%
Audit days delivered April – September 2018	106.5	32
Audit days remaining	222.5	68
	329	100%

5.2.1 The number of days delivered is in line with the profiled plan. A larger proportion of the plan is delivered in the second half of the year as they relate to key financial control and governance audits which impact on the annual Head of Internal audit Opinion and the Annual Governance Statement. A number of the audits have also been deferred to later in the year, at the request of management, to meet operational requirements.

5.2.2 During the period, seventeen days carried over from 2017/18 in respect of Homelessness and Housing Advice, and the Housing Register and Allocations audits have been delivered. These audits were previously deferred at the request of management due to

changes in legislation that came in to effect on 1 April 2018, and would have impacted on the audit coverage / work undertaken.

5.3 Status of all recommendations as at 30 September 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 30 September 2018.

	Outstanding Recommendations That Are:			
Date	Implemented & Verified	Awaiting Verification	Not Due	Overdue
30/09/18	148	35	67	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 35 recommendations that are awaiting verification 29 of them relate to IT audits (a net reduction from 48 reported in March 2018).

5.3.6 The "not due" recommendation include those relating to the annual managed audit where it has been agreed that they will be formally followed up as part of the next audit.

5.4 Performance of Internal Audit 2018/19 to date – Key Performance Indicators (KPIs):

KPI	Target	Actual
<i>Efficiency:</i>		
Percentage of annual plan completed (to at least draft report stage)*	35%	33%
Average days between exit meeting and issue of draft report	10 max	4.3
Average days between receipt of management response and issue of final report	10 max	0.5
<i>Quality:</i>		
Meets CIPFA Code of Practice – per Audit Commission	Positive	Positive
Results of Client Satisfaction Questionnaires (Score out of 10)	7.8	9.3
Percentage of all recommendations agreed	96%	100%

* As noted in 5.2.1, the audit plan is profiled towards the second half of the year. In addition a number of audits have been deferred, at the request of management, to meet business needs.

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 LLP, 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 small number of 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 Homelessness and Housing Advice and the Housing Register and Allocations audits have been completed. Both audits retained a substantial assurance rating with one priority 2 recommendation being raised in each.

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.

Appendices

Appendix A – Guide to Assurance Levels

Guide 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.