



HARBOROUGH DISTRICT COUNCIL

INTERNAL AUDIT UPDATE

November 2014

Date: 20th November 2014

Introduction

- 1.1 The Welland Internal Audit Consortium provides the internal audit service for Harborough District Council and was initially commissioned to provide 235 audit days to deliver the 2014/15 annual audit plan.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Governance & Audit Committee to scrutinise the performance of the internal audit team and – of equal significance – to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the committee with information on progress in delivering planned work and on the performance of the consortium.

Progress with the annual audit plan

- 2.1 At the time of writing, six final reports have been issued, one draft report and planning has commenced on a further three audits. This means that a total of 47% of the amended audit plan (excluding contingency) has been delivered to at least discussion draft stage.
- 2.2 Table 2 provides a summary of the current status of all assignments in the audit plan, including the planned start date for outstanding assignments.

Internal audit performance

- 3.1 Relevant performance indicators have been developed to provide the Committee with an objective basis upon which to assess the performance and effectiveness of the consortium. Table 1 shows the latest available information for performance against 2014/15 targets.

Table 1 PERFORMANCE TARGETS 2014/15			
Ref	Indicator	Target	Current Performance
IA1	Chargeable time	90%	82% (Note: this exclude contractors that are only paid for fully productive audit work)
IA2	Audits completed within budget	90%	93% (Projected year-end position)
IA3	Audits on time	90%	100%
IA4	Customer satisfaction	3.6	4
IA5	Delivery of planned work by 31 st March	90%	N/A Year-end indicator.

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

The consortium is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Governance Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that the consortium are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to the consortium's attention. As a consequence, the Governance & Audit Committee should be aware that the audit opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to the consortium's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The consortium endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Progress against 2014/15 internal audit plan (as amended)

Assignment	Assurance sought	Budget days	Actual days	Status	Planned start	Assurance Rating	Comments
Fundamental Financial Systems							
Benefits	Review of assurance provided by Coventry & Warwickshire Audit Partnership who provide the internal audit services for the Revenues and Benefits shared service.	5	0	Not started	Q4		
Local Taxes	As above.	5	0	Not started	Q4		
Financial Systems Key Controls	Assurance that fundamental financial system controls are operating in the manner expected. Carried out in liaison with external audit.	30	0	Not started	Q4		
IT Audit							
System Administration	Controls to ensure system administration of the network and business critical systems.	10	0.95	Planning	Q3		Audit due to commence December
IT strategy, governance & policies	Existence of an adequate IT strategy, effective systems of governance and relevant IT policies.	10	0.95	Planning	Q3		Audit due to commence December.
Counter Fraud Arrangements							
General Counter Fraud Arrangements	Monitoring and responding to the Council's corporate arrangements for preventing and detecting fraud.	10	0	Not started	Q4		

Assignment	Assurance sought	Budget days	Actual days	Status	Planned start	Assurance Rating	Comments
Advisory Work							
Harborough Innovation Centre	Advisory review of compliance with grant conditions, and the governance arrangements regarding criteria for tenants of the HIC.	5	8.2	Final		Substantial	See appendix B(i)
Contingency	Time available for committee input / suggestions.	17	0.1	N/A		N/A	8 days commissioned for preparation of Annual Governance Statement.
Annual governance statement	Preparation of the 2013-14 Annual Governance Statements	8	8	Final		N/A	
Corporate/ Cross Cutting Risks							
Equalities Act Compliance	Arrangements for ensuring compliance with the requirements of the Equalities Act.	15	11.8	Final		Sufficient	
Data Quality Review	Accuracy of performance metrics, reliability of data, and reliability of data from partners or contractors supplying performance data.	15	5.9	Draft report			Discussion draft issued 27 th October 2014
Measuring Benefits Realisation	Adequacy of arrangements for identification and measurement of outcomes, financial and qualitative, following the implementation of projects.	15	9.6	Final		Sufficient	See appendix B(ii)
<i>Information Sharing Protocols</i>	<i>Adequacy of arrangements for sharing and handling information about customers in accordance with Data Protection and Freedom of Information legislation. Including data sharing with all partners and shared services.</i>	<i>0</i>	<i>0</i>	<i>Cancelled</i>			<i>Already covered by 2013/14 audit of Information Management.</i>

<i>Assignment</i>	<i>Assurance sought</i>	<i>Budget days</i>	<i>Actual days</i>	<i>Status</i>	<i>Planned start</i>	<i>Assurance Rating</i>	<i>Comments</i>
Service Delivery Risks							
Welfare Reform	Adequacy of arrangements for management of customer intelligence to identify and focus on the most vulnerable. Including financial impact adequacy of budget and budget monitoring.	15	9.2	Final		Substantial	See appendix B(iii)
Duty to Cooperate	Arrangements for meeting the duty to cooperate and work with other organisations. Including the risk of delaying decisions and potential impact on local decision making and governance when working with others.	15	1.1	Planning	Q3		Scoping meeting held 15 th October 2014. Audit due to commence during November.
Contract Management	Controls for ensuring: compliance with contract specification; appropriate performance management; monitoring and challenge of underperformance; and well delivered services.	10	0	Not started	Q3		To be conducted as an 'embedded assurance' project due to commence November/ December.
Private Sector Housing Objectives	Arrangements for delivering grants to the right people to meet our objectives. Including assurance around validity of grants and loans and controls to prevent and detect fraud.	15	12.3	Final		Sufficient	
Unplanned work							
Recommendation Follow Up		5	5.2				
Committee & Client Liaison Work		15	13.2				
TOTAL		220	86.5	39%			

Notes

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Substantial	There is a sound control framework designed to manage or mitigate risks to the achievement of defined objectives. Testing confirms that the controls are being applied consistently.
Sufficient	The control framework is basically sound but either <ul style="list-style-type: none">• there are minor gaps or weaknesses which mean that some risks are not fully managed or mitigated; or• testing provides evidence of non-compliance sufficient to weaken the effect of some controls.
Limited	There are significant weaknesses in key elements of the control framework which mean that significant risks are not managed or mitigated. Testing demonstrates significant levels of non-compliance with prescribed processes and procedures
No	The controls identified are not sufficient to manage/mitigate identified risks to the achievement of defined objectives. Testing demonstrates high levels of non-compliance with prescribed processes and procedures.

Assurance ratings in the range Substantial or Sufficient indicate that an acceptable level of internal control has been identified.