

Report to	<b>Governance Committee</b>
Date	<b>18 September 2014</b>
By	<b>Chief Finance Officer</b>
Title of Report	<b>Internal Audit Progress and Implementation</b>
Purpose of Report	<b>To update the Governance Committee on the work of Internal Audit and progress against the Internal Audit Strategy and Annual Plan (2014/15)</b>

---

**Recommendation: The Committee is recommended to note progress against the Internal Audit Strategy and Annual Plan and the implementation of recommendations previously made.**

---

**1. Introduction**

- 1.1 This report details progress against the Internal Audit Strategy and Annual Plan including reports that have been issued and the implementation of recommendations. The report provides an update on the internal audit work undertaken in the first 5 months of the 2014/15 financial year.

**2. Background**

- 2.1 An Internal Audit Strategy and Annual Plan was approved by the Governance Committee on 25 February 2014 and provides the framework to deliver the service ensuring the most appropriate use of internal audit resources to provide assurance on the Authority's control environment and management of risks.
- 2.2 The Audit Plan sets out an annual schedule of those systems, services and functions to be covered. These include the audit of core financial systems to meet the expectations of the SDNPA's external auditors and best professional practice.
- 2.3 Proper practice is defined by the Public Sector Internal Audit Standards. These standards are issued by CIPFA in collaboration with the Chartered Institute of Internal Auditors.
- 2.4 The delivery and monitoring of this work plan is key to providing a systematic and risk based approach to the internal audit of the Authority's systems and services. In addition the tracking recommendations ensures that agreed control improvements are implemented.

**3. Progress Against the Audit Plan**

- 3.1 One report has been finalised since the last report to the Governance Committee as follows:

<b>Audit Review</b>	<b>Assurance Opinion (*1)</b>	<b>Number of Agreed Recommendations and Priority</b>
Grant Payments	Reasonable Assurance	Total: 4 Medium: 4

Note.

\*1) A definition of the Assurance Opinions given is provided in **Appendix I**.

- 3.2 The Audit of Grant Payments was an audit that was originally part of the 2013/14 audit plan but was deferred until this year at the request of the Director of Corporate Services.
- 3.3 The audit found that although acceptance of the grant conditions is requested at the offer stage, this is not formally followed up. This increases the risk of grants being spent outside of the approved terms and conditions.
- 3.4 At the time of this review, there were 34 approved grants not yet claimed or paid, totalling £240k. In response to the recommendation made management have given assurance that mechanisms are being put in place to monitor delivery of grants and follow-up as appropriate.
- 3.5 Two 2014/15 audits have been completed and reported in draft but have not yet been finalised. These are the audits of:
- Payroll
  - Human Resources
- 3.6 An audit of Procurement is in progress.
- 3.7 Details of the outcomes of these reviews will be presented to the next Governance Committee.

#### 4. Additions to the Audit Plan

- 4.1 There have been no additions to the plan to date.

#### 5. Rescheduling of Audits

- 5.1 The audit of Income Processing was originally scheduled for Quarter 1 but is not planned for Quarter 3.

#### 6. Implementation of Recommendations

- 6.1 A protocol for monitoring the implementation of Internal Audit recommendations is in place between the SDNPA and the service provider (Audit and Business Risk at Brighton & Hove City Council).
- 6.2 The following table provides an analysis of recommendations from previous audit reports which have not yet been implemented.

<b>Planning Income (2013/14 Audit)</b>		
<b>Status</b>	<b>No. of Recommendations</b>	<b>Comments</b>
Implemented	1 x Medium	
Not implemented	2 x Medium	Planned Implementation date not yet reached

<b>Grant Payments (2014/15 Audit)</b>		
<b>Status</b>	<b>No. of Recommendations</b>	<b>Comments</b>
Implemented	1 x Medium	
Not implemented	3 x Medium	Planned Implementation date not yet reached

#### 7. Resources

- 7.1 The service is being delivered within the original budget and there are no additional resource implications arising directly from this report.

## **8. Risk Management**

8.1 Internal Audit has an important role to play in relation to effective risk management for the organisation.

## **9. Human Rights, Equalities, Health and Safety**

9.1 There are no implications arising from this report.

## **10. Sustainability**

10.1 There are no immediate sustainability implications relating to this report. Where relevant internal audit reviews consider environmental impact and sustainability and the consideration of governance arrangements is incorporated in many audit reviews. Environmental impact and sustainability are considered in the delivery of the audit service and with investment in skills within the audit team to be able to give proper consideration of this agenda.

## **11. External Consultees**

11.1 None

### **CATHERINE VAUGHAN Chief Finance Officer**

Contact Officer: Mark Dallen, Acting Head of Internal Audit

Tel: 01273 291314

email: [mark.dallen@brighton-hove.gov.uk](mailto:mark.dallen@brighton-hove.gov.uk)

Appendices I Assurance Opinions - Definitions

SDNPA Consultees Chief Finance Officer, Head of Finance BHCC, Monitoring Officer, Deputy Monitoring Officer, Senior Solicitor, Chief Executive Officer, Strategy and Partnerships, Director of Planning, Director of Operations, Monitoring Officer

Background Documents Internal Audit Reports

## Agenda Item 12 Report GOV22/14 Appendix I

### Assurance Opinions - Definitions

Categories of Assurance	Assessment
Full	There is an effective system of control designed to ensure the delivery of system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
Substantial	Whilst there is an effective system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
Reasonable	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Authority.
Limited	Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance lead to an increased risk of loss to the Authority. Not all major risks are identified and/or being managed effectively.
No	Control is generally weak or non-existent, leaving the system open to significant error or abuse and high risk to the Authority. A high number of key risks remain unidentified and/or unmanaged.