

Report to	Governance Committee
Date	24 February 2015
By	Chief Finance Officer
Title of Report	Internal Audit Progress and Implementation Report
Purpose of Report	To update the Governance Committee on the work of Internal Audit and progress against the Internal Audit Strategy and Annual Plan (2014/15)

Recommendation:

- 1) The Committee is recommended to note progress against the Internal Audit Strategy and Annual Plan and the implementation of recommendations previously made.**
 - 2) The Committee approves the deletion of the audit of Capital Accounting from this year's audit work plan.**
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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 10 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 best professional practice and the expectations of the Authority's External Auditors.
- 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 core to providing a systematic and risk based approach to the internal audit of the Authority's systems and services.
- 2.5 The tracking of recommendations ensures that agreed control improvements are implemented.

3. Progress Against the Audit Plan

- 3.1 Two reports have been finalised since the last report to the Governance Committee as follows:

Audit Review	Assurance Opinion (*1)	Number of Agreed Recommendations and Priority
Human Resources – Recruitment	Substantial Assurance	1 x Medium
Income Processing	Substantial Assurance	No recommendations

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

- 3.2 The audit of Human Resources focused primarily on the processes for recruiting and appointing employees. It concluded Substantial Assurance and just one recommendation was made. The recommendation concerned the absence of formal recording of the approval to recruit stage of the process.
- 3.3 The audit of Income Processing also concluded Substantial Assurance and no recommendations were made in this instance. The audit focused on the controls within the Civica ICON e-returns system and related processes as the method of reconciling, reporting and coding income electronically.

4. Additions to the Audit Plan

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

5. Deletion of Audits

- 5.1 The audit of Capital Accounting has been now been deleted from this year's plan. This has been provisionally agreed by the Director of Corporate Services and the Chief Finance Officer. It has been removed as the South Downs Centre project is now complete and there is relatively little remaining activity on the capital programme this year. It now requires formal approval by this Committee.

6. Summary of progress against the 2014/15 Internal Audit Plan

- 6.1 Table below provides a summary of progress against the 2014/15 Internal Audit Plan.

Original Plan	Current Status
Grant Payments (c/f from 2013/14)	Final Report
Payroll	Final Report
Treasury Management	Draft Report
Income Processing	Final Report
Capital Accounting	Deleted from Plan
Corporate Governance Processes	In progress
Procurement	Final Report
Planning Income	Draft Report
Recruitment	Final Report
IT Audit (IT Governance)	In progress
Risk Management Workshops and Advice	Provision not used for year to date
Contingency for investigations	Provision not used for year to date

7. Implementation of Recommendations

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

Planning Income (2013/14 Audit)		
Status	No. of Recommendations	Comments
Not implemented	1 x Medium	
Procurement (2014/15 Audit)		
Status	No. of Recommendations	Comments
Not implemented	1 x Medium	Planned Implementation Date not yet reached

8. Resources

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

9. Risk Management

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

10. Human Rights, Equalities, Health and Safety

10.1 There are no implications arising from this report.

11. Sustainability

11.1 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.

12. External Consultees

12.1 None

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Appendices I. Assurance Opinions - Definitions

SDNPA Consultees Chief Finance Officer, Head of Finance, Monitoring Officer, Deputy Monitoring Officer, Legal Services, Chief Executive Officer, Director of Corporate Services, Director of Strategy & Partnerships, Director of Operations & Director of Planning.

Background Documents Internal Audit Reports

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	<p>Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk.</p> <p>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.</p> <p>Not all major risks are identified and/or being managed effectively.</p>
No	<p>Control is generally weak or non-existent, leaving the system open to significant error or abuse and high risk to the Authority.</p> <p>A high number of key risks remain unidentified and/or unmanaged.</p>