

# **AUDIT COMMITTEE**

**26<sup>TH</sup> JUNE 2015**

## **REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES – H. JENKINS**

### **SECTION B – MATTER FOR INFORMATION**

#### **WARDS AFFECTED - ALL**

#### **INTERNAL AUDIT SERVICE – ANNUAL REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2015**

##### **1. Purpose of the Report**

To provide details of the work undertaken for the financial year 2014/15 compared with that included in the Internal Audit Plan, to highlight issues relevant to the performance of the section.

##### **2. Background**

One of the terms of reference of this Committee is to ‘monitor internal (and external) audit performance’. In order to comply with this requirement to monitor the in-house service, an annual report is given below outlining Internal Audit work undertaken during the last year.

In addition, information is provided for Members on the current position regarding staff vacancies within the Section and the actions being taken to address it.

##### **3. Audit Performance**

A comparison of the work completed during the financial year with the work planned is provided at appendix 1. In the past it has been customary in the Annual Report to Members to provide the Section’s performance indicators. However, due to a request from the Wales Audit Office (WAO) to bring the annual report forward to the June Committee, the performance indicator analysis work of the Welsh Chief Auditor’s Group is not available at this time.

Therefore the performance data in full will be reported to Members at the September Committee.

The position with regard to vacant posts in the section has been reported to Audit Committee on a regular basis throughout the year. At the present time there are no vacancies. However Members will be aware that a part-time Auditor post was deleted from the structure as a result of the savings required as part of the Forward Financial Plan and the post holder left the authority via voluntary redundancy on 31<sup>st</sup> March 2015.

#### 4. Assurance Statement

As part of the annual reporting procedures as governed by the Public Sector Internal Audit Standards (PSIAS) the Head of Financial Services in his role as Head of Internal Audit, has to provide a statement of assurance on the systems of internal control operating within the Authority. This statement is based on the work carried out by the section whose independence remained unchanged during the year and whose work complies with the relevant PSIAS.

It is necessary to highlight to this Committee, any problems in connection with non implementation of significant recommendations contained within agreed Internal Audit Reports. Non implementation could point to continuing weak internal controls operating or non compliance with existing satisfactory controls which then present risks to the Authority. We can confirm that no issues of non-implementation of recommendations have arisen through the year.

The remaining aspect that needs to be highlighted concerns, in general terms, the various Internal Control Systems operating within the Council. This Committee in line with one of its Terms of Reference (and importantly in compliance with the Council's Code of Corporate Governance), i.e. ***“to examine and keep under review the adequacy and effectiveness of ..... internal controls/compliance”*** requires a regular appraisal of the work undertaken by the Internal Audit Service, throughout the year in connection with this important area of its duties and responsibilities. It must be stressed that assurance – on the existence of robust internal controls – can never be absolute – the most the Internal Audit Service can provide to this Committee is a

reasonable assurance that there are no major weaknesses in the internal control systems examined during any year.

In terms of giving an assurance on the robustness of internal controls / compliance within the Authority based upon the assignments and sample testing completed this financial year including the majority of fundamental financial systems and the subsequent response to implementation of recommendations, the conclusion is that:

*Reasonable assurance can be given that there have been no major weaknesses noted in relation to the various internal control systems operating within the Authority.*

In addition to the assurance statement above, the work carried out by Internal Audit is essential in enabling the Director of Finance and Corporate Services to review the effectiveness of the system of internal financial control and to support the production of the 'Annual Governance Statement' that is included in the annual Statement of Accounts.

## **5. Issues Affecting Audit Performance**

The main issues for Internal Audit during 2014/15 were maintaining appropriate coverage whilst an audit assistant post was vacant for a period of 7 months and responding to an increased number of requests for advice and assistance which were received throughout the year. Despite these challenges appropriate coverage of audit work was achieved.

### **List of Background Papers**

Internal Audit Files

### **Appendices**

Appendix 1 –Actual work undertaken against work planned

## **Officer Contact**

Mr. David Rees – Head of Financial Services

Tel. No. 01639 763634

E-mail: [d.rees1@npt.gov.uk](mailto:d.rees1@npt.gov.uk)

Miss Anne-Marie O'Donnell – Audit Manager

Tel. No. 01639 763628

E-mail: [am.odonnell@npt.gov.uk](mailto:am.odonnell@npt.gov.uk)

## APPENDIX 1

<u>Monitoring Date</u>	<u>Year end 14/15</u>		
<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Year end position</u>	<u>Comments</u>
<b><u>Education, Leisure and Lifelong Learning</u></b>			
<b>School Based Audits</b>			
20 Primary Schools	M	19 audits completed	The shortfall was caused by a school cancelling at the last minute due to sickness.
3 Secondary Schools	H	5 audits completed	2 of these audits concentrated only on the budget monitoring arrangements within the schools and were undertaken following concerns raised.
<b>Other Education</b>			
Adult Education	M	Audit Completed	
PLASC	M	This audit was not undertaken due to changes to the formulae the days allocated were used to undertake the 2 audits of budget monitoring processes in 2 comprehensive schools.	
<b>Leisure, Culture and Lifelong Learning</b>			
None			
<b><u>Finance and Corporate Services</u></b>			
<b>Revenue Collection</b>			
Council Tax	H	Audit completed	
NNDR	M	Audit completed	
Debtors	H	Audit completed	
Cash Collection	H	Audit completed	

<u>Monitoring Date</u>	<u>Year end 14/15</u>		
<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Year end position</u>	<u>Comments</u>
<b>Benefits Administration</b>			
Benefits	M	Audit completed	
Prosecution Panel	N/A	Audit Manager attended each panel held	
<b>Exchequer</b>			
Payroll	M	Audit completed	
Creditors	H	Audit completed	
Travel Expenses	M	Audit completed	
<b>Accountancy</b>			
Treasury Management	H	Audit not undertaken	This audit was not undertaken as WAO as part of their work programme audited this area.
Bank Reconciliation	M	Audit completed	
<b>Legal Services</b>			
None			
<b><u>Chief Executive's</u></b>			
Electoral Registration	M	Audit completed	Data matching exercises were carried out and the results passed to the elections team for action.
Internal/Public Information	L	Not undertaken	Audit will be carried out during 15/16
<b><u>Social Services, Health and Housing</u></b>			
<b>Housing General Fund:</b>			
Homelessness	M	Audit completed	

<u>Monitoring Date</u>	<u>Year end 14/15</u>		
<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Year end position</u>	<u>Comments</u>
<b>Social Services</b>			
Fostering & Adoption	H	Not undertaken.	This audit was not undertaken due to the service being reconfigured and now falling under the Western Bay Fostering & Adoption Service
Professional Abuse Strategy Meetings	H	Audit completed using the days which had been allocated to the Fostering & Adoption Audit	
Hillside Secure unit	M	Audit completed	
Community Meals	M	Not undertaken	This audit was not undertaken as full service review was being undertaken, however we have since received a request for assistance and an audit is currently under way and being funded from contingencies in the 15/16 plan.
Environmental Health	H	Not undertaken	This audit was not undertaken as the service had been audited by WAO as part of an all Wales review, It was also recently audited by the Food Standards Agency,
Pre-employment checks - Adults	M	Audit undertaken	Report issued in new financial year
<b>Environment</b>			
Asset Register	M	Audit completed	Report issued on IT assets authority wide
Stores/Equipment	M	Audit completed	Assistance provided at the interim and annual stock takes
Planning	M	Audit completed	
Grant funding	H	Audit completed	Various grants were audited and certified by the Head of Financial Services
Carbon Reduction Commitment	H	Audit completed	

<u>Monitoring Date</u>	<u>Year end 14/15</u>		
<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Year end position</u>	<u>Comments</u>
<b><u>Cross Directorate</u></b>			
CRB checks	H	Audit completed	
Special Investigations	N/A	A total of 13 special investigations were undertaken throughout the year and formal reports issued when appropriate	
Advice and Guidance	N/A	On-going throughout the year	
I.T. Audit	N/A	Assurance work carried out throughout the year and as part of other audits. One specific report has been issued.	An audit of the data centre is currently under way it was started last financial year however due to a number of issues it is still underway.
Contract Audit	N/A	Work was undertaken during the year on ongoing projects prior to the final account being signed off	
Corporate Governance	N/A	Attendance at the regular meetings of the Governance Group, and contributed to the production of the Annual Governance Statement.	
Bribery Act	N/A	Audit completed	
Officer Declarations	M	Audit completed	
Data protection	H	Not undertaken	Following discussions with the Head of Legal Services due to the policy being revised it was agreed that the audit would be undertaken during 15/16.
Petty Cash	M	Audit completed	
Risk Management	M	No audit undertaken	Assistance was provided by the Audit Manager during the process of the policy being revised and made fit for purpose.



<u>Monitoring Date</u>	<u>Year end 14/15</u>		
<u>Audit Plan Item</u>	<u>Risk Factor</u>	<u>Year end position</u>	<u>Comments</u>
<b><u>Cross Directorate Cont'd</u></b>			
Annual Governance Statement	N/A	Contribution made to the production of the statement.	
Banking System Administrator	N/A	Work was undertaken throughout the year as and when required	
<b><u>Other Commitments</u></b>			
Working Parties	N/A	Attendance at the various South Wales and All Wales Audit Groups.	
Audit Committee	N/A	Four Audit Committees held each year.	
FOI Requests	N/A	All FOI requests received were answered within the agreed timescales	
Accounting Instructions	N/A	Work on-going to update all the Authority's Accounting Instructions.	
Contingencies	N/A	A number of unplanned audits were undertaken following requests from service managers e.g. I -Proc Project, Bronleigh Day Centre and Port Talbot Local Day Service	
WGBWA	N/A	Audit completed	
WPI's	L	1 WPI examined and report issued	
SWTRA	N/A	No work undertaken	