

MIDDLESBROUGH COUNCIL**COMMITTEE REPORT****CORPORATE AFFAIRS AND AUDIT****04 December 2014****Internal Audit – Progress Report****Helen Fowler – Audit and Assurance Manager****PURPOSE OF REPORT**

1. To update Members on the main findings arising from internal audit work carried out since the annual report was submitted to Members. In addition, the report will brief Members on the performance of the Council's internal audit service, Tees Valley Audit and Assurance Services (TVAAS).

BACKGROUND

2. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
3. The Council's internal audit service is provided by Tees Valley Audit & Assurance Services (TVAAS), a shared service arrangement between Redcar & Cleveland and Middlesbrough Councils. Members approved the 2014/15 Audit Plan at their meeting on 30 June 2014. The total number of planned audit days for 2014/15 is 994. At the time of this report, 32% of the Plan had been completed. This is behind schedule, given the number of audits due to be completed, and is attributable to a number of factors:
 - Higher than expected sickness absence levels in the first few months of the financial year including some long term absence.
 - Individual performance management issues which are being addressed via the appropriate mechanisms.

The level of completion of the audit plan is continuously monitored and resources reallocated as appropriate.

4. A service level agreement for the provision of internal audit services is in place between Redcar and Cleveland Council and Middlesbrough Council and includes a number of performance measures. Additional performance measures were introduced by the Audit and Assurance Manager in 2013/14 and were selected

based on the perceived development and improvement needs of the Service. The current status against each of these measures is detailed in **Appendix 1**.

5. A brief summary of all internal audit reports issued in final, since the last update to Members of this Committee, is provided in **Appendix 2**. No further Priority 1 recommendations have been made as yet as a result of 2014/15 audit work and there are no outstanding Priority 1 recommendations from previous years. The Service's opinion methodology has changed for 2014/15 onwards and is detailed in **Appendix 4**.
6. In addition to the final audit reports issued in **Appendix 2**, TVAAS staff have been involved in a number of other areas of work (that do not result in the issue of a formal report):
 - Detailed housing benefit count testing.
 - Reviewing payments made to a supplier to confirm whether the Council's procurement rules had been complied with.
 - Reviewing a number of requests for exemptions from contract procedure rules.
 - Coordinating the Council's involvement in the national fraud initiative (NFI).
 - Advising on the policy, procedures and documentation for business grants.
 - Undertaking a review of the Council's counter fraud arrangements (ongoing).
 - Following up on the implementation of previous audit recommendations.
 - Providing assistance with the inventory and stock count arrangements prior to the transfer of mima.
7. All proposed variations to the agreed Audit Plan arising as the result of emerging issues and/or requests from directorates are communicated to the Corporate Affairs and Audit Committee for information and comment. This will ensure that audit resource remains focussed on areas of strategic importance to the Council and will reassure Members of this Committee that there is a controlled process for deviating from the agreed audit plan. The reduction in the number of audit days for 2014/15 means that the contingency allocation is considerably reduced meaning that requests for additional work may result in the replacement of a planned audit depending on priorities and risks. To date, no significant variations to the Plan have been agreed although **Appendix 3** sets out a small number of assignments that have been completed using contingency.
8. Internal Audit, along with other assurance processes of the Council, have a statutory obligation under the Accounts and Audit (Amendment) (England) Regulations 2011 and the PSIAS to provide assurance from the work they undertake in respect to the internal control systems operating within the Council.

FINANCIAL CONSIDERATIONS

9. Redcar & Cleveland Council charges Middlesbrough Council for the provision of an internal audit service. Charges are based on a daily charge rate linked to the grade of staff involved in the audit work.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

10. There are no specific financial or ward implications arising from the Internal Audit Progress report 2014/15.

RECOMMENDATIONS

11. Members are requested to:

- Note and comment upon the findings arising from internal audit work
- Consider and comment upon the proposed use of contingency time (to date) to the audit plan 2014/15.
- Note and comment upon the performance of the Service.

REASONS

12. The Public Sector Internal Audit Standards (PSIAS) 2030 states that the Audit and Assurance Manager must ensure that internal audit resources are 'effectively deployed' to achieve the approved audit plan and progress should be reported to the Corporate Affairs and Audit Committee.

13. Internal Audit assists management in delivering the objectives of the Council by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the quality of controls in place to assure delivery, ensure value for money and achieve better outcomes for local people.

BACKGROUND PAPERS

- Public Sector Internal Audit Standards (PSIAS)
- Various reports issued by Internal Audit

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