

# MIDDLESBROUGH COUNCIL

## AGENDA ITEM 6

### COMMITTEE REPORT

#### CORPORATE AFFAIRS AND AUDIT

24 September 2015

#### 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 2015/16 Audit Plan at their meeting on 25 June 2015. The total number of planned audit days for 2015/16 is 1118. At the time of this report, 14% of the Plan has been completed with a number of other audit assignments ongoing and close to the draft stage. 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 have since been introduced by the Audit and Assurance Manager 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 2**.
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 1**. Two Priority 1 recommendations have been made since the last update to Members in June 2015 and further detail is provided in Appendix 1. There are no outstanding

Priority 1 recommendations from previous years. The Service's opinion methodology is detailed in **Appendix 3**. Please note that the format of the information provided in Appendix 1 has changed slightly to that previously provided to Committee Members. The format has been reviewed to help provide Members with the key issues being identified during audit work in a concise way. This format can be expanded/adjusted for future meetings in order to provide Members with the information they require.

6. In addition to the final audit reports issued in **Appendix 1**, 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.
  - Ongoing monitoring of the Council's counter fraud arrangements.
  - Following up on the implementation of previous audit recommendations.
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. Ongoing reductions in the number of audit days available means that the contingency allocation has also reduced meaning that requests for additional work may result in the replacement of a planned audit depending on priorities and risks. No significant variations have been requested so far for the 2015/16 Plan.
8. Internal Audit, along with other assurance processes of the Council, have a statutory obligation under the Accounts and Audit (Amendment) (England) Regulations 2015 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.
- 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

## **AUTHOR**

**Helen Fowler – Audit and Assurance Manager**  
**Telephone: 01642 771165 or 01642 729821**

---

*Address: PO Box 99A, Town Hall, Middlesbrough. TS1 2QQ*  
*Website: <http://www.middlesbrough.gov.uk>*