

MIDDLESBROUGH COUNCIL

COMMITTEE REPORT

CORPORATE AFFAIRS AND AUDIT

03 December 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, 31% 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 are still outstanding from previous periods and the latest update to Members is provided in Appendix 1. One further Priority 1 recommendation has

been made this year. The Service's opinion methodology is detailed in **Appendix 3**.

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. In addition to the detail on internal audit activity provided in Appendix 1, it is highlighted that the internal audit report on Project Governance and Property Disposals referred to in previous external audit reports is currently still in draft and awaiting agreement with management. The overall opinion of this report currently provides an overall assurance opinion (in accordance with the definitions provided in Appendix 3) of a Cause for Concern and will include one Priority 1 recommendation. Overall, the report will identify that improvements are required to the Council's project governance and property disposal processes in order to ensure that the control environment is effective going forward. The Auditors have since noted that the Council is already taking steps, via its Governance Improvement Plan, to address the project management issues identified in this and the recent Project Management audit report.
8. 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. Most additional work requests so far this year have been accommodated by the contingency allocation built into the Plan. It is possible that the Leisure Management System (LMS) audit which was to be an information technology audit, may be requested to be deferred but this will be confirmed in December.
9. 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

10. 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

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

RECOMMENDATIONS

12. 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

13. 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.

14. 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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