

**REPORT TO:** AUDIT & STANDARDS COMMITTEE  
**DATE:** 9 SEPTEMBER 2015  
**TITLE:** INTERNAL AUDIT ACTIVITY REPORT  
**LEAD OFFICER:** SARAH MARSH, INTERNAL AUDIT MANAGER (01279)  
446884

**RECOMMENDED** that:

**A** the Committee notes the contents of this report.

**PROGRESS AGAINST AUDIT PLAN**

1. Work has continued on the 2015/16 Audit Plan as detailed in Appendix 1 and timings have been agreed with CMT/HoS to ensure a steady flow of reports throughout the year.
2. Management has requested that Internal Audit carry out two additional assignments which fall outside the scope of the original Audit Plan. This work is being accommodated through the contingency provision which was built into the 2015/16 Audit Plan.

**INTERNAL AUDIT REPORTS**

3. The following reports have been issued since the Committee received its last update in June 2015:
  - *Human Resources – Recruitment (Substantial Assurance)* – Overall the recruitment process was found to well managed. Employment checks are rigorous and communication with recruiting departments is effective. Minor issues raised in the report relate to the lack of formal training for recruiting managers and the current procurement arrangements for advertising vacancies.
  - *Community Partnerships (Moderate Assurance)* – This audit established a register of community partnerships and risk assessed them in order to help the Council ensure they have adequate assurances and governance arrangements in place. Some difficulties were encountered in identifying all partnerships or their governance arrangements. This, in itself, does not indicate that individual community partnerships are being poorly managed, or that inappropriate governance structures are in place. However, lack of common understanding of the nature of partnerships, and of suitable guidance for Officers in managing them day-to-day, may

increase the risk of this happening. The Head of Community Wellbeing has agreed to take the lead on this.

- *Energy Management, Sustainability & Carbon Reduction (Moderate Assurance)*—Although the Council’s CO2 emissions data is published and supplied to the Government, there has been no formal performance reporting against the Council’s carbon reduction targets since 2013, and future targets remain to be agreed. Over-reliance on a single Officer has meant that there are no planned projects to pro-actively reduce emissions during 2015/16. Management is set to address these issues through a revised Sustainability and Carbon Management Plan for 2016/17.

## RECOMMENDATION TRACKER

4. The Audit and Standards Committees receives details of all overdue recommendations, plus any fundamental recommendations from final reports, regardless of whether they are overdue or not.
5. The current tracker (see Appendix 2) contains 23 recommendations. The one fundamental recommendation relies on action being taken by the North Essex Parking Partnership.

Recommendation type	Number
Fundamental not passed its due date	0
Fundamental passed it due date	1
Significant passed its due date	19
Requires Attention passed its due date	2

## PERFORMANCE INDICATORS

6. The table below sets out the performance indicators for 2015/16 as agreed at the March 2015 Audit and Standards Committee. It is too early in the year to report against most of these targets. However, Internal Audit can confirm that the cost of the service is within financial budgets and overall productivity of the team is currently 79% (an increase of 7% from that reported in June 2015).

Aspect of Service	Performance Indicator	Target
Cost of service	<ul style="list-style-type: none"> <li>• Planned days delivered</li> <li>• Financial budget</li> <li>• Productivity of staff</li> </ul>	<ul style="list-style-type: none"> <li>• 100%</li> <li>• Within financial budgets</li> <li>• 85%</li> </ul>

Aspect of Service	Performance Indicator	Target
Internal Audit processes	<ul style="list-style-type: none"> <li>• Achievement of the annual Plan</li> <li>• Issue of draft report after closing meeting</li> <li>• Issue of final report after agreement with client to draft</li> </ul>	<ul style="list-style-type: none"> <li>• 95% minimum</li> <li>• 10 working days</li> <li>• 5 working days</li> </ul>
Effective management engagement	<ul style="list-style-type: none"> <li>• Management responses within 10 working days of draft report</li> <li>• Implementation of agreed audit recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• 10 working days</li> <li>• Within agreed timescales</li> </ul>
Compliance with professional standards	Public Sector Internal Audit Standards	<ul style="list-style-type: none"> <li>• 100% compliant</li> </ul>

## OTHER INTERNAL AUDIT ACTIVITIES

### Risk Management

7. In 2015 the Internal Audit Manager, in conjunction with the Senior Insurance Officer, facilitated a risk management workshop with CMT/HoS in order to review the current Corporate Risk Register. A revised strategic risk register was agreed in August 2015 and is currently being refined by CMT/HoS for presentation at the November 2015 Audit and Standards Committee meeting.

### Project Management

8. Following discussions with the Corporate Governance Group, the Internal Audit Manager has taken the lead in promoting good practice in project management across the Council, with a view to handing this management function over to the Policy & Performance Team when suitable resources become available.

### Decent Homes Backlog Funding Programme

9. Following a change in Homes and Communities Agency (HCA) rules, Internal Audit has been allowed to act as Reporting Accountant to the Head of Finance in providing assurance over the Council's use of Decent Homes Backlog Funding during the financial year 2014/15, rather than paying additional fee to the External Auditors (as occurred previously).
10. This grant audit allows the Council to retain the £4.1M it was allocated in the 2014/15 funding year from the Homes & Communities Agency (HCA) under the Decent Homes Backlog Funding programme.

## **Project Groups**

11. Internal Audit sits on a number of project groups in order to provide advice and challenge on internal controls, risk management and governance arrangements. This includes:
- Risk Management task and finish group which is looking at a system solution for a more integrated service planning and risk management process.
  - Technology Forge task and finish group to increase the functionality of the Council's asset management system.
  - IT Operations Board which has been set up to oversee implementation of the Council's IT Strategy.
  - Oversight during the Agresso finance system upgrade (now postponed to 2016/17).

## **National Fraud Initiative**

12. Internal Audit continue to co-ordinate the Council's responses to data matches coming out of the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
13. Internal Audit is reviewing the Council's whistleblowing policy in conjunction with Human Resources, and engaging with management to determine the Council's approach to corporate fraud following the transfer of its Counter-Fraud and Corruption Officers to the Department for Work and Pensions (DWP) in October 2015.

## **INTERNAL AUDIT SHARED SERVICE: BOROUGH OF BROXBOURNE, HARLOW AND EPPING FOREST DISTRICT COUNCIL**

14. As explained at the last Audit and Standards Committee meeting, the Internal Audit Manager now oversees the delivery of Internal Audit services for Epping Forest District Council as well as Broxbourne and Harlow Councils with the cost of this post being shared equally.
15. Epping Forest District Council has made a commitment to join the shared service with the creation of one audit team across the three authorities over the coming year. A joint team meeting from all three Councils took place in July 2015 and has resulted in the Internal Auditors starting to share experiences and Epping Forest are aligning their working practices and documentation to those already in place at Broxbourne and Harlow.

## **IMPLICATIONS**

### **Place (includes Sustainability)**

None specific.

Author: **Graeme Bloomer, Head of Place**

### **Finance (includes ICT)**

It is important that the organisation responds to and implements the recommendations flowing from the internal audit process in order to protect and improve the overall internal control environment of the Council.

Author: **Simon Freeman, Head of Finance**

### **Housing**

None specific.

Author: **Andrew Murray, Head of Housing**

### **Community Wellbeing (includes Equalities and Social Inclusion)**

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

### **Governance (includes HR)**

Internal Audit provides a key element of assurance within the overall Governance framework within the Council and it is important that recommendations flowing from internal audit recommendations are acted upon and implemented within reasonable timescales if reliance on internal controls and procedures is to continue.

Author: **Brian Keane, Head of Governance**

## **BACKGROUND PAPERS**

Internal Audit Plan and Internal Audit monitoring reports

### **Glossary of terms/abbreviations used**

CMT – Corporate Management Team

HoS – Heads of Service

### **Appendices**

Appendix 1 – Audit Plan Monitoring

Appendix 2 – Audit Recommendations Tracker