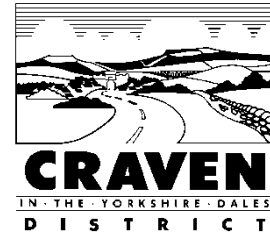


**Audit & Governance Committee –  
29<sup>th</sup> September 2014**

**INTERNAL AUDIT PLAN 2014/15  
PROGRESS REPORT**



Report of the Audit Manager: Shared Internal Audit Service

Wards Affected: All

**1.0 PURPOSE OF REPORT**

1.1 This is to update Committee Members about the progress made on the 2014/15 Internal Audit Plan and on the improvement actions from the assessment of Internal Audit produced by Mazars which was submitted to the Committee in June.

**2.0 RECOMMENDATIONS**

Members are recommended to:-

- 2.1 Note the contents of the report and the attached Appendices.
- 2.2 Approve the revised allocation of audit days for 2014/15 as set out in Appendix 1.

**3.0 INTERNAL AUDIT PLAN 2014/15**

3.1 At its meeting on 24 March 2014, the Committee approved the Internal Audit Plan for 2014/15. Appendix 1 attached to the report sets out the days allocated to the various audits and the days spent during the period April-June 2014. This was the latest date for which comprehensive time recording information was available at the time of writing. The Appendix also includes an up to date commentary.

3.2 The key points are:-

- as at the end of June, a total of 78 days had been spent on Craven audit work ie 31% of the total provision of 250 days.
- 66 of the 78 days was spent on completing audits brought forward from 2013/14. This included 56 days on the Annual Audits (major financial systems) and 10 days on completing IS audits.
- on the brought forward Annual Audits Appendix 1 includes a comparison of the actual time spent on each audit compared to the original provision. The reasons

# AGENDA ITEM 7 (b)

for the main areas where additional time was needed are also shown.

- on the IS audits, the 10 days has been drawn down from the Contingency provision as agreed with the Finance Manager/Deputy S151 officer in June.

3.3 The consequence of the time spent on completing audits brought forward from 2013/14 is that the time allocations on some of the planned audits for 2014/15 will have to be slightly reduced to stay within the overall 250 days provision. Appendix 1 therefore includes a proposed Revised Allocation of days.

The main changes are:-

Annual Audits – major financial systems – a lighter touch where considered appropriate to concentrate on key controls. In addition, the levels of assurance Internal Audit are now able to give on these audits are either “significant” or “good” that controls are adequate and effective in mitigating the risks involved.

Risk-Assessed Systems – reductions of 5 days each in the audits for Resource Resilience and the Museum/Gallery/TIC (Processes and Procedures at the Old Town Hall). Increase of 5 days on Information Governance due to number of documents to review.

IS – Strategic Review – a reduction of 15 days (from 25 to 10). The recent resignation of two senior officers means that some elements of this review will have to be deferred until new management arrangements are in place. The remaining provision of 10 days is to determine whether the outstanding internal audit recommendations as recorded on the performance monitoring system (TEN) are still appropriate. Some of those recommendations date back for up to 2 years.

3.4 The proposed revised allocation of audit days was considered by the Internal Audit Partnership Board at its meeting on 28 August 2014 and is now put forward for the Committee’s approval.

## 4.0 IMPROVEMENT ACTION PLAN

In their report to the last meeting of the Committee in July, Mazars identified various actions to address areas of non-compliance with the Public Sector Internal Audit Standards and improve the work of Internal Audit and its place within the overall governance and assurance arrangements within the Council. Appendix 2 sets out these actions and the progress made at the time of writing.

## 5.0 SHARED SERVICE AGREEMENT WITH HARROGATE BC

5.1 The current Internal Audit Shared Service Agreement between Craven DC and Harrogate BC is due to end on 31 March 2015. At the time of writing, discussions are in hand at officer level between the two Authorities on the potential roll forward of the Agreement.

## 6.0 IMPLICATIONS

# AGENDA ITEM 7 (b)

## 6.1 Financial and Value for Money Implications

None.

## 6.2 Legal Implications

None.

## 6.3 Contribution to Council Priorities

The delivery of an Internal Audit Service contributes to Council transformation.

## 6.4 Risk Management

The internal audit function is an integral part of internal control.

## 6.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1 – Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on age, disability, gender, race/ethnicity, religion or religious belief (faith), sexual orientation or rural isolation.

## 7.0 CONSULTATION WITH OTHERS

Finance Manager/Deputy S151 Officer. Internal Audit Shared Service Partnership Board.

## 8.0 ACCESS TO INFORMATION: BACKGROUND DOCUMENTS

None.

## 9.0 AUTHOR OF THE REPORT

Martin Helm, Audit Manager, Craven District Council and Harrogate Borough Council Shared Internal Audit Service.

**Note:** Members are invited to contact the author in advance of the meeting with any detailed queries of questions.

## 10.0 APPENDICES

Appendix 1 – Internal Audit Plan 2014/15 Q1 Monitoring

Appendix 2 – Improvement Action Plan

# AGENDA ITEM 7 (b)

## APPENDIX 1

### INTERNAL AUDIT PLAN 2014/15 Q1 MONITORING

	Approved Plan	Actuals April - June	Revised Plan	Comments
	(Days)	(Days)	(Days)	
<b><u>Annual Audits</u></b>				
Benefits	25	-	17	Quarter 4 audit
Procurement/Creditor Spend Reviews	10	1	10	Ongoing. Further 3 days spent in July.
Treasury Management	5	-	8	Quarter 4 audit
Council Tax/ Business Rates	20	-	10	Quarter 4 audit
Payroll	15	-	9	Quarter 4 audit
Debtors	10	-	11	Quarter 4 audit
Creditors	10	-	5	Quarter 4 audit. Audit is to review implementation of recommendations from the comprehensive 2013/14 audit.
	<b>95</b>	<b>1</b>	<b>70</b>	

## AGENDA ITEM 7 (b)

	Approved Plan	Actuals April - June	Revised Plan	Comments
	(Days)	(Days)	(Days)	
<b><u>Risk Assessed Systems</u></b>				
Officer Expenses	10	-	10	Ongoing – 5 days spent in July and August. Report to A&G in November.
Resource Resilience	30	-	25	Quarter 2/3 audit. Planning in hand.
Information Governance	10	1	15	Quarter 2 audit in hand. Reviewing documentation to establish information governance standards.
Car Parking	15	1	15	Quarter 2 audit. In hand. Further 10 days spent in July. Report to A&G in November.
Museum/Gallery/TIC	10	-	5	Quarter 2 audit. In-hand. 3 days spent in July.
	75	2	70	
<b><u>IS Strategic Review</u></b>	25	-	10	Planned for Quarter 3. Senior Management changes in IS will cause a delay and reduce scope to reviewing validity of outstanding recommendations as recorded on TEN.
	25	-	10	

## AGENDA ITEM 7 (b)

	Approved Plan	Actuals April - June	Revised Plan	Comments
	(Days)	(Days)	(Days)	
<u>Contingency etc</u>				
Audits brought forward from 2013/14	9	56	67	See Note 1
Contingency	24	11	11	See Note 2
	33	67	78	
<u>Other Audit Work</u>				
Planning/ Management	17	6	17	
Audit Committee	5	2	5	
	22	8	22	
<b>TOTAL</b>	250	78	250	

Notes

## AGENDA ITEM 7 (b)

### 1. Audits brought forward from 2013/14

A breakdown of the figures is:-

	Approved Plan	Actuals April-June	Revised Plan	Comments
	(Days)	(Days)	(Days)	
Treasury Management	1	2	2	Reported to A&G Committee in June. "Partial" assurance level.
Debtors	1	4	4	Reported to A&G in June. "Good" assurance level.
Mechanics Workshop	6	-	6	Audit recently picked up from Aug 2013. Deferred due to transfer of Audit staff to Accountancy.
Craven Pool Benefits	1	-	-	No longer required.
	-	4	4	Reported to A&G in June. "Significant" assurance level.
Council Tax/ Business Rates	-	15	15	Reported to A&G in June. "Good" assurance level.
Payroll	-	6	6	Reported to A&G Committee in June. "Significant" level of assurance.
Creditors	-	25	30	Comprehensive audit. New Auditor part way through as original Auditor left. Full report is a separate item on the agenda.
	9	56	67	

## AGENDA ITEM 7 (b)

### 2. Contingency

A breakdown of the Actual Time Spent from April to June inclusive is:-

	<u>Days</u>
Completing IS audits brought forward from 2013/14	
PCI Data Standards	4*
Data Protection	6*
Other	1
	<hr/>
	11
	<hr/>

\* Draw down of 10 days approved by Finance Manager/Deputy S151 Officer (in absence of Corporate Head of Financial Management (S151 Officer) in June. The full audit reports for PCI Data Standards and Data Protection are separate items on the agenda.

There is no scope for any further draw downs from the Contingency provision and stay within the overall 250 days.



# AGENDA ITEM 7 (b)

APPENDIX 2

## IMPROVEMENT ACTION PLAN

Ref	Issue	Action	Priority	Timescale	Status	Comments
1	Internal assessments – Annual Review of the Effectiveness of Internal Audit	<p>Ensure a suitably qualified person completes the assessment</p> <p>2013/14 – Audit Manager coordinated information for consideration by audit committee. Some checks on independence.</p> <p>2014/15 – to consider process and how to further develop independence. Report to Committee.</p>	High	<p>June 2014</p> <p>November 2014</p>	<p>Completed</p> <p>In hand</p>	<p>Report submitted to A&amp;G Committee. Chair certified IA effectiveness.</p> <p>Audit Committee “own” the process.</p>
2	Risk based planning	<p>Ensure internal audit planning is based on a formal risk assessment - preferably as part of a new assurance framework.</p> <p>2015/16 Plan – Discussions with appropriate Members/ Officers.</p>	Medium	Jan/Feb 2015		

## AGENDA ITEM 7 (b)

Ref	Issue	Action	Priority	Timescale	Status	Comments
3	Coordination	An assurance mapping exercise should be carried out within the framework of a new Assurance Framework	Medium	December 2014		Mazars have been requested to provide points of practice.
4	Continuing professional development	Implement training and development plans covering all Internal Audit staff	Medium	June 2014 Revised to Sep 2014	In-hand	To produce training plans for each Auditor from the 2014 appraisals
5	Engagement Planning	Formal engagement plans should be completed for all audit engagements	Medium	May 2014	Completed	Auditors reminded to complete engagement plans (Team Meeting on 13 May 2014).
6	Engagement Work Programmes	All work programmes should be approved by an appropriate officer before commencing work	Medium	May 2014	Completed	Auditors reminded to ensure work programmes are signed off before work starts. Actioned at Team Meeting on 13 May 2014.
7	Purpose, Authority and Responsibility	The Internal Audit Charter should be updated to include all the requirements of the PSIAS.	Low	June	Completed	Updated Charter approved by A&G Committee in June.

## AGENDA ITEM 7 (b)

Ref	Issue	Action	Priority	Timescale	Status	Comments
8	Organisational Independence	Audit Manager's performance appraisal should be conducted in line with the PSIAS. To consider how the Chief Executive and Audit Committee Chair can be involved with the appraisal of the Audit Manager.	Low	February 2015		For Head of Finance (HBC)
9	Planning, Resource Management and Coordination	Ensure that draft audit plans are completed within the requirements of the PSIAS and Councils' assurance frameworks  2015/16 Plan	Low	February 2015		
10	Risk Management	Introduce arrangement to consider how the risk of fraud is managed.	Low	December 2015		
11	Reporting the results of audit work	Audit Manager should discuss the reporting needs of Members and Officers to identify whether any changes need to be made.  Members  Officers		June 2014  Sep 2014	Completed	Issue discussed at A&G Committee

## AGENDA ITEM 7 (b)

Ref	Issue	Action	Priority	Timescale	Status	Comments
12	Timeliness of audit reporting	Audit Manager should agree a suitable performance standard with Officers and Members		Sep 2014		
13	Conflict of Interest Declarations	Internal Audit should introduce annual declarations		August 2014	In hand	