

Mid-Year Internal Audit Progress Report 2016/17

1. Introduction

- 1.1 The Public Sector Internal Audit Standards require the Service Manager (Internal Audit) to report periodically to senior management and committee on Internal Audit's performance relative to its Audit Plan. Reporting should also include any significant risk exposures and control issues where relevant, including fraud risks and governance issues. The Performance and Audit Scrutiny Committee is the designated committee to receive these periodic reports.
- 1.2 The purpose of this report is to update Members on progress made against the 2016/17 Audit Plan (approved by this committee in May 2016), and also provide a flavour of the work undertaken in the year to date.

2. Review of Internal Audit work for the seven months to October 2016

- 2.1 An overview of the work of Internal Audit for the first seven months of 2016/17, and progress made towards achieving the Audit Plan for the year, is set out below.

Corporate and Consultancy Work

- 2.2 A similar approach to last year's Internal Audit Plan is being taken in that as well as continuing to perform the usual statutory fundamental systems audits and other audit responsibilities, Internal Audit is also performing corporate and consultancy style work. This approach recognises that early audit input to activities can often help prevent or bring early resolution to internal control issues, and also bring audit skills and increase available resource on significant corporate projects. For 2016/17 to date the team has assisted in the following work areas:
 - production of the West Suffolk Annual Governance Statement and its associated documents;
 - West Suffolk Strategic Risk Register;
 - information governance;
 - records management;
 - input to corporate projects such as the Medium Term Financial Strategy (MTFS) Income and Contracts work streams;

- conducting a 'health check' of the electoral administration processes across West Suffolk;
- undertaking a number of pieces of work requested by the Operations service including carrying out a health check on the project to procure and implement an IT system for the Waste and Street Scene service; reviewing, advising, and providing guidance on the use of fuel cards, and mobile CCTV cameras; reviewing the efficiency of the Fleet service area's financial processes; and reviewing guidance in respect of use of the councils' pool cars;
- performing the Project Assurance role for the Mildenhall Hub Project and in doing so, consider for each stage of the project whether it is on track and in accordance with agreed governance; and
- other work on behalf of the Head of Resources and Performance including financial due diligence related to areas of potential council investment.

2.3 During the year to date Internal Audit has also:

- responded to around 35 requests for financial vetting or other related financial advice including assessments of organisations' financial suitability to undertake specified contracts for the councils; and
- continued to provide advice to service areas on internal controls.

Fee Earning Work

2.4 Internal Audit is continuing to undertake fee earning work during 2016/17 and by the end of the financial year this is likely to result in approximately £30k of income being earned. Fee earning work consists of the following:

- work on behalf of East Cambridgeshire District Council as part of the agreement in place whereby West Suffolk provides that council with internal audit resources to assist in completion of their annual audit plan;
- audit of the council tax, non-domestic rates, and housing and council tax benefits systems at the Anglia Revenues Partnership (ARP) on behalf of East Cambridgeshire District Council (this is in addition to the work referred to above) and Breckland Council; and
- fee earning grant certification work for Suffolk County Council to provide assurance to the Department for Business Innovation & Skills (New Anglia Growth Hub Funding and Employer Ownership Grant Scheme) and Trading Standards Institute (Safety at Ports and Borders Team and Single Point of Contact for Border Controls) along with Cambridgeshire County Council (Regional Growth Fund) that the conditions of the specific grant determinations have been complied with.

- 2.5 As mentioned above (paragraph 2.4 refers) the West Suffolk Internal Audit Team currently undertakes the council tax, housing benefit and non-domestic rates reviews for Breckland Council, East Cambridgeshire District Council, Forest Heath District Council and St Edmundsbury Borough Council. Discussions are currently in progress to determine a joint audit approach at ARP for all seven partners

Core Financial Systems and Fundamental Review Work (statutory audits which must be undertaken every year)

- 2.6 The following audits must be undertaken every year as these form the foundations of the annual internal audit opinion, the status of each of these audits for 2016/17 as at the end of October 2016 is shown in brackets:

- Council Tax (in progress)
- Non Domestic Business Rates (in progress)
- Housing and Council Tax Benefits (in progress)
- Cash Handling (in progress)
- Accounts Receivable (in progress)
- Payroll (in progress)
- Treasury Management (in progress)
- Main Accounting System (yet to commence)
- Accounts Payable (yet to commence)

- 2.7 At the time of writing this report, as can be seen at paragraph 2.6 above, the majority of the core financial systems / fundamental review work audits are currently in progress, while the remaining audits have not yet commenced. This is normal for this time of the year as these audits generally need to cover as much of the financial year as possible and are therefore not normally commenced until at least the third quarter. The work undertaken on these audits forms the basis of the annual internal audit opinion which will be reported to Performance and Audit Scrutiny members in the 2016/17 Annual Internal Audit Report in May 2017.

3. Probity

- 3.1 Councils are required to participate in the biennial National Fraud Initiative (NFI) which is run by the Cabinet Office. This is an exercise involving data matching of records such as benefits, payroll, pensions, student awards, housing waiting list, taxi driver licences, personal alcohol licences, parking permits and creditor payments. Internal Audit takes a leading role in co-ordinating this exercise working across a number of service areas, as well as ARP, to support those staff to provide their services' data so that they can then investigate and record the results of their matches. Data has been extracted and provided to the Cabinet Office with the results expected in January 2017. These matches will then be risk assessed, reviewed and any appropriate investigations undertaken as necessary.
- 3.2 To supplement national data matching exercises, local data matching will also take place, in conjunction with ARP. This is now possible due to the procurement of additional software at ARP which will enable timely, targeted data matching exercises to detect potential fraud within West Suffolk. This would primarily be used for identifying any potential frauds relating to council tax or business rates.

3.3 Fraud messages are published on the West Suffolk intranet at regular intervals to increase staff awareness.

4. Resources

4.1 The staff complement of the team is currently 3.57 Full Time Equivalents (FTEs) comprising of the Service Manager Internal Audit (1 FTE), two Senior Auditors (2 FTEs), and an Auditor (0.57 FTE).

5. Conclusions

5.1 The Service Manager (Internal Audit) currently considers that progress on the core financial systems audits (paragraph 2.6 refers), as well as other audit responsibilities, is in line with expectations and therefore the Audit Plan should be completed on time, resulting in an ability to deliver a robust annual audit opinion in the 2016/17 Annual Internal Audit Report.

5.2 There are no significant risk exposures or control issues arising from the audit work undertaken during the period that need to be specifically drawn to the attention of the Performance and Audit Scrutiny Committee.