

Audit Committee

Report Title:	Audit Services - Progress Report
Meeting Date:	29 November 2016
Lead Councillor(s):	Councillor Michael Bond
Local Councillor(s):	All Councillors
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Brief summary of report

1. The Audit Committee has a role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes as well as the internal audit activities.
2. The report provides the Committee with a summary of the activities carried out by Audit Services between May to October 2016. This includes audit work and information pertaining to Audit Services' operations and effectiveness that will be of interest to the Committee.

Action recommended

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| <ol style="list-style-type: none"> 3. The Committee is recommended to take assurance from this progress report and supplementary information that it is satisfied with the work and activities of the internal audit service with a view to the Head of Audit Services being able to provide a year-end opinion on the overall control environment of the County Council, in accordance with the Public Sector Internal Audit Standards (PSIAS). |
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Reason for recommendation

4. This action is within the terms of reference of the Committee. The Committee is required to approve and monitor delivery of the internal audit activity of the Council.

Alternative options

5. The Committee may request further information before agreeing the action recommended.

Who will be affected by this decision?

6. All stakeholders.

Main body of report

7. Audit Services provide management with an objective assessment of whether systems and controls are working properly. Internal audit is a key part of the Council's internal control system because it independently measures and evaluates the adequacy and effectiveness of controls so that:
 - a) the Council can establish the extent to which they can rely on the whole system; and
 - b) individual managers can establish how reliable the systems and controls for which they are responsible are.
8. It is a management responsibility to develop and maintain the internal control framework (i.e. appropriate risk management processes, control systems, accounting records and governance arrangements) and to ensure compliance. It is the responsibility of the internal audit service to form an independent opinion on the adequacy of the systems of internal control.

New Audit Work

9. Audit work has been completed between 26 April and 31 October 2016 on the following: -
 - a) Unaccompanied Asylum Seeking Children;
 - b) Direct Payments;
 - c) Highways Network Asset Inventory;
 - d) Cyber Security;
 - e) Transformation Programme Savings;
 - f) Declaration of Interests, Gifts and Hospitality (Officers and Councillors);
 - g) Compliance with Procurement Regulations; and
 - h) Driver Education Centre.
10. Appendix A summarises the results of these pieces of work. Current work in progress will be reported at a future date.

Follow-up Audit Work

11. Where an audit identifies that there is scope to improve the internal control environment or the delivery of services, actions are agreed with service managers following the completion of the audit. Whilst Audit Services track the implementation of outstanding actions, it is management's responsibility to ensure that the relevant controls are in place.
12. Audits previously carried out that have been followed-up to ensure agreed actions have been implemented during the period are: -
 - a) Building Security – Riverside Centre, Lowestoft;

- b) Fire Pensions;
 - c) Payroll;
 - d) Pensions Administration;
 - e) Oracle Payables;
 - f) Oracle Receivables;
 - g) Contract management in ACS;
 - h) Access Control and User Management;
 - i) Information Governance;
 - j) Programme and Project Management; and
 - k) Mental Health Pooled Fund.
13. Appendix B provides the Committee with a summary of the actions that have not been implemented by their target dates and a summary of the current position.

Assurance Framework Reviews

14. Audit Services have dedicated resources to begin creating an assurance framework for the Council. The assurance framework provides a structured means of identifying and mapping the main control areas of the key governance, risk, statutory and service areas against the Three Lines of Defence model, taking into account the Council's priorities and the transformation and enabling programmes. This will enable assurances to be drawn from different sources and utilise audit resources effectively.
15. Auditors identify and determine key control areas that need to be in place, ascertain what assurance exists for the identified controls and, where assurance is not evident, establish whether further work is required. This feeds into the risk-based planning tool for further audit work.
16. To establish its maturity and effectiveness, each control area is rated by the auditor. This enables an overall opinion of the area under review to be provided. This feeds into the annual Head of Audit opinion and the Annual Governance Statement.
17. Details of the outcomes of the Assurance framework work mapped since the last progress report are reported in Appendix C.

Certification

18. During the period, grant certification work was completed on the following, all grants were certified after relevant audit testing was performed:
- a) Local Bus Subsidy Grant 2015 – 16;
 - b) Extended Troubled Families Grant Claim– August 2016;
 - c) Disabled Facilities Grant; and
 - d) Local Transport Capital Block Funding (Integrated Transport and Highway maintenance) 2015 – 16.

Fraud and irregularity

19. Audit Services deploy resources in investigative / reactive work (i.e. where systems / processes and regulations are not functioning as originally proposed, and which could result in loss to the Council of money or resources). This can include working closely with the Police.

20. A detailed report on fraud was presented to the Audit Committee in January 2016.
21. Since the previous progress report, there have been 16 irregularities reported to Audit Services. In each case, relevant investigation has been undertaken and, where appropriate, liaison with, or referral to, the Police.
22. Currently six cases remain under investigation.

Advice

23. Advice from Audit Services is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that could be raised in future audits and contributes to a stronger control environment. In these instances an audit opinion will not be given.
24. Audit Services currently provide advice input into a number of developments / topics, including:
 - a) Contract Management Board;
 - b) Information Governance Board;
 - c) Next Generation Computing Board; and
 - d) Planning & Performance Board.
25. The Internal Audit Team were awarded the Outstanding Team, Public Sector at the Audit and Risk Awards 2016 and a member of the team was also highly commended in the best newcomer to the profession award.



Sources of Further Information

- a) [Accounts & Audit Regulations 2015](#)
- b) [Public Sector Internal Audit Standards.](#)
- c) [Audit Committee - Audit Services – 2016/17 Internal Audit Plan \(6 March 2016\)](#)
http://committeeminutes.suffolkcc.gov.uk/searchResult.aspx?qry=c_committee~~Audit%20Committee
- d) [Audit Committee - Audit Services Progress Report \(18 May 2016\)](#)
http://committeeminutes.suffolkcc.gov.uk/searchResult.aspx?qry=c_committee~~Audit%20Committee
- e) [Audit Committee – Anti Fraud and Corruption \(28 January 2016\)](#)
http://committeeminutes.suffolkcc.gov.uk/searchResult.aspx?qry=c_committee~~Audit%20Committee