

Audit Committee

Report Title:	Audit Services - Progress Report
Meeting Date:	15 March 2017
Lead Councillor(s):	Councillor Michael Bond
Local Councillor(s):	All Councillors
Director:	Geoff Dobson, Director of Resource Management Tel: 01473 264347 e-mail: geoff.dobson@suffolk.gov.uk
Assistant Director or Head of Service:	Tim Ryder, Assistant Director (Scrutiny and Monitoring) Tel: 01473 264246 e-mail: tim.ryder@suffolk.gov.uk
Author:	Richard Hart, Principal Auditor, Audit Services Tel: 01473 264254 e-mail: richard.hart@suffolk.gov.uk

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 November 2016 to January 2017. This includes audit work and information pertaining to Audit Services' operations and effectiveness that will be of interest to the Committee.

Action recommended

- | |
|---|
| <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). |
|---|

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 are for their area of responsibility.
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.

Audit Work

9. Audit work has been completed between November 2016 and January 2017 on the following: -

Audit Area	Audit Opinion
HMRC Compliance (Employment Status Indicator Checks)	Limited Assurance
Foster Carers Recruitment Strategy and Allowances	Limited Assurance
Integrated Health and Wellbeing Commissioning Arrangements	Sufficient Assurance
ACS Residential Care Overpayments	No Assurance
Payroll	Sufficient Assurance
Accountability (Governance)	Sufficient Assurance

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. Appendix A provides the Committee with a summary of the actions that have not been implemented by their target dates. The Committee should note that in two instances follow up work has not yet occurred because resources are currently deployed on other audit work.

Assurance Framework Reviews

13. Audit Services have dedicated resources to 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.
14. 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.
15. 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.
16. Details of the outcomes of the Assurance framework work mapped since the last progress report are listed below, more detail can be found in Appendix A.

Assurance Area	Assurance level
Business Continuity and Emergency Planning	Sufficient Assurance
Financial Governance	Sufficient Assurance

Certification

17. During the period, grant certification work was completed on the Troubled Families Grant (Suffolk Family Focus). Audit Services are required to validate a 10% sample of families/individual claims. The resource requirements to complete the validation of the claim have been higher than envisaged. The number of claims will increase as attempts are made to reach the target number of families, this will require an ongoing requirement for audit resources to undertake sample testing.
18. Some audit resource has been deployed to ensure that evidence and records relating to historic grant auditing are correctly stored and archived. There is a requirement to maintain European grant records for 25 years.

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. The annual report will be presented to the Committee in June 2017.
21. Since the previous progress report, there have been 9 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 7 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;
 - d) Planning & Performance Board;
 - e) Highways Network Assets group;
 - f) HMRC Employment Status Indicator and Inland Revenue 35 working Group; and
 - g) Fire – Health and Safety Quality System Assessment Review.

Miscellaneous

25. The Internal Audit Team have recently been shortlisted for the Public Finance Innovation Awards 2017 as a finalist in the category “Innovation in Internal Audit”. This was based around the approach to the planning and delivery of audit work which contributes to the Head of Audit annual opinion.



Sources of further information

- a) [Accounts & Audit Regulations 2015](#)
- b) [Public Sector Internal Audit Standards.](#)
- c) Audit Committee - Audit Services Progress Report (29 November 2016)
- d) http://committeeminutes.suffolkcc.gov.uk/searchResult.aspx?qry=c_committee~~Audit%20Committee Audit Committee – Anti Fraud and Corruption (28 January 2016)
http://committeeminutes.suffolkcc.gov.uk/searchResult.aspx?qry=c_committee~~Audit%20Committee