

Contains Confidential or Exempt Information	No
Title	Head of Internal Audit Annual Report 2015/16
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Portfolio	Cllr Yvonne Johnson - Finance, Performance and Customer Services
For Consideration By	Audit Committee
Date to be considered	24 May 2016
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	N/A

Purpose of Report:

The attached report describes the work of Internal Audit for the period 1 April 2015 to 31 March 2016

1. Recommendation

- 1.1 It is recommended that the Audit Committee:
- Reviews Internal Audit performance and key issues arising during the period 1 April 2015 – 31 March 2016; and
 - Endorse the use of the Head of Internal Audit Annual Opinion statement by the Council in support of its Annual Governance Statement included within the statement of accounts for the year ended 31 March 2016.

2. Reason for Decision and Options Considered

2.1 The Public Sector Internal Audit Standards require that the Head of Internal Audit presents an annual report to an Authority's Audit Committee. This is reflected fully in the terms of reference of the Committee. This report provides Members of the Audit Committee with:

- The Head of Internal Audit Opinion for 2015/16;
- An overview of the Council's risk exposure and its overall system of internal control;
- The work undertaken by Internal Audit in 2015/16;
- Review of the outcomes of key internal audit reports; and
- An overview of the performance of Internal Audit.

3. Key Implications

- 3.1 Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving corporate objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic efficient and effective use of resources. While assurance will also be sought from third parties, the assurance gained from the programme of work set out in the 2015/16 Plan, will form the main input for the development of the 2015/16 opinion to the Council.

4. Head of Internal Audit Opinion

- 4.1 This report gives a summary of the work carried out by Internal Audit in the financial year 2015/16 and the results of that work. From the work undertaken during the year, my overall opinion on the Council's system of internal control is that:

Substantial Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally applied consistently. The level of assurance, therefore, remains at a level consistent with the assurance provided from 2014/15.

Controls relating to key financial systems were concluded to be generally at a 'Substantial Assurance' level. The majority of non-key financial system audits included those completed within schools were generally assigned 'Substantial' assurance classifications.

- 4.2 The basis for my opinion is derived from an assessment of the range of individual opinions arising from assignments, contained within the Internal Audit risk based plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. A summary of Audit Opinions is shown in the following table:

Table 1 – Summary of Audit Opinions 2015/16

Category	Full	Substantial	Limited	None
Financial Systems	-	9	-	-
Non-Schools Audits	-	34	1	-
Schools Audits	-	28	2	-
Total	-	71	3	-

- 4.3 It is however pleasing to note that in comparison to the assurance opinions provided in respect of the audits undertaken in 2014/15, there

is a positive direction of travel in respect of the number of Limited assurance opinions issued. Table 2 below provides this summary.

Table 2 – Summary of Audit Opinions 2014/15





Category	Full	Substantial	Limited	None
Financial Systems	-	7	-	-
Non School Audits	-	33	6	-
School Audits	-	27	4	-
Total	-	67	10	-

5. Review of Audit Coverage

5.1 Audit Opinion on Individual Audits

The Committee are reminded that the following assurance opinions can be assigned for an audit:

Table 3 – Assurance Categories

	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	Substantial	While there is basically a sound system of internal control, there are weaknesses which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the processes may put some of the client's objectives at risk.
	Limited	Weaknesses in the systems of internal control are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
	None	Control processes are generally weak leaving the systems / processes open to significant error or abuse. Significant non-compliance with basic control leaves the systems / processes open to error or abuse.

5.2 Summary of Non-School Audit Work

5.3 Table 3 below, details the assurance levels for the non-schools audits undertaken during 2015/16, including those audits completed on the key financial systems.

Table 4 – Summary of Audit Opinions 2015/16

Directorate / Audit	Assurance Opinion / Description
Chief Executive/ Cross Cutting Reviews	
Freedom of Information / Data Protection Compliance	Substantial
Delivery of Corporate Savings Programme	Substantial
Statutory Compliance	Substantial
Contract and Contractor Performance Management - Corporate Standards	Substantial
Capital Programme Governance and Delivery	Substantial
Budget Management and Control	Substantial
Managing the Establishment	Substantial
Corporate Resources Directorate	
Council Tax Reduction Scheme	Substantial
Payroll - Follow Up and Transformation	N/a – Follow Up
Council Tax	Substantial
NNDR	Substantial
Corporate Collections	Substantial
Treasury Management	Substantial
Pensions Administration	Substantial
Social Services Income / Debtors	Substantial
Non Pay Expenditure / Creditors - Follow up	N/a – Follow Up
Facilities Management Arrangements	Substantial
Corporate Procurement and Supply Chain Management including Supplier Resilience	Substantial
Whistleblowing	Substantial
Children, Adults and Public Health	
Health Visiting Transition - Adults and Children	Substantial
Partnership Management and Governance - Brighter Futures Programme	Substantial
School Places	Substantial
Safeguarding Children	Substantial
Care Act Implementation - incorporating Safeguarding of Adults	Substantial
Section 75 Agreement Governance - Better Care Fund	Substantial

Resource Allocation System - Personal Budgets	Substantial
Ofsted - Pre-inspection review	Substantial
Environment and Customer Services	
Welfare Reform Act	Substantial
Ringo Parking Service	Substantial
Housing Benefits	Substantial
Library Services Contract	Substantial
Blue Badge / Freedom Pass Administration	Substantial
Greenford Depot - Leasing	Substantial
Regeneration and Housing	
Housing and Homeless Strategy	Substantial
Housing Rent and Arrears Collection - Follow up	N/a – Follow Up
Planning Applications	Substantial
Building Control	Substantial
Disabled Facilities Grants	Substantial
Broadway Living	Substantial
IT Audits	
ICT Project Management and Delivery	Substantial
Data Centre Environmental Controls	Substantial
iDox System Implementation	Substantial
Contingency Reviews	
Mortlake Cemetery	Substantial
Healthwatch Ealing	Limited

- 5.4 Outlined below is a summary of the audit (Healthwatch Ealing) where an assurance opinion of limited has been given.
- 5.5 The purpose of this section of the report is to give assurance to the Committee as to the effective progress being made to address the weaknesses identified within the individual reports. We will undertake regular follow up activity in respect of these and all future P1 recommendations and report progress in respect of the timely implementation of these to the Audit Board and the Audit Committee. Failure by officers to implement recommendations in accordance with agreed timescales could result in Officers to attend and provide explanations to future meetings of the Audit Board or the Audit Committee.

5.5.1 Healthwatch Ealing

The main areas of concern reported identified that:

- Notice of Annual General meetings were not being provided to all parties entitled to attend.
- An annual strategy and forward plan were not in place.
- Community membership applications were not approved by the Board of Trustees.
- The Board of Trustees did not have a Treasurer in post.

- Board members did not receive training on financial management and procurement.
- Declaration of Interest forms had not been completed by some of the Board members.

As a result of these findings six Priority 1 and one Priority 2 recommendations were made and agreed.

5.6 Summary of School Audit Work

- 5.7 During 2015/16 30 school audits were completed. A summary of the assurance levels provided is as outlined within Table 4 below:

Table 5 – Summary of School Audit Opinions

School Probity Audits	
Beaconsfield Primary School	Substantial
Blair Peach Primary School	Substantial
Christ the Saviour Primary & Infant School	Substantial
Dairy Meadow Primary School	Substantial
Dormers Wells Junior School	Substantial
Durdan's Park Primary School	Substantial
East Acton Primary School	Substantial
Elthorne Park High School	Substantial
Featherstone Primary School	Substantial
Hambrough Primary School	Substantial
Havelock Primary School	Substantial
John Chilton School	Substantial
Mandeville Special School	Substantial
Northolt High School	Limited
Oaklands Primary School	Substantial
Oldfield Primary School	Substantial
Our Lady of the Visitation	Substantial
Ravenor Primary School	Substantial
South Acton Children's Centre	Substantial
Springhallow School	Substantial
St Ann's School	Substantial
St Anselms RC Primary School	Substantial
St Gregory's RC Primary School	Substantial
St John Fisher Primary School	Substantial
St Mark's Primary School	Substantial
St Vincent's RC Primary School	Substantial
Villiers High School	Substantial
West Acton Primary School	Substantial
West Twyford Primary School	Substantial
St John's Primary	Limited

- 5.8 Outlined below is a summary of the audit findings where an assurance opinion of limited has been provided.

5.8.1 Northolt High School

The areas of concern identified during this review related to the following:

- Invoices had been certified for payment by a member of staff without the delegated authority to do so.
- A formal Scheme of Delegation detailing the authorisation limits of staff had not been produced.
- Key policies and procedures had not been approved by the Board of Governors.

As a result of these findings one Priority 1 and eight Priority 2 recommendations were made and agreed.

5.8.2 St John's Primary

The areas of concern identified during this review related to the following:

- Purchases and invoices were not being authorised appropriately.
- There was no evidence that multiple quotations or tenders were undertaken for purchases made by the school.

As a result of this two Priority 1 and four Priority 2 recommendations were made and agreed.

5.9 Follow up Reviews

Internal Audit complete a programme of follow up reviews to ensure that agreed management actions in respect of significant recommendations made have been implemented. The status of the Priority One recommendations raised during 2015/16 is as outlined within the table below.

Non School Audits

Number of P1 recommendations to follow up	8
Number of P1 recommendations due to be implemented by 31/05/2016	1
Number of P1 recommendations fully implemented	1
Number of P1 recommendations partially implemented	0

School Audits

Number of P1 recommendations to follow up	7
Number of P1 recommendations due to be implemented by 31/05/2016	7

Number of P1 recommendations fully implemented	6
Number of P1 recommendations partially implemented	1

Partially implemented recommendations will continue to be monitored and any instances of non-implementation reported to subsequent Audit Committees.

5.10 Internal Audit Performance

The performance against the agreed performance indicators is as follows:

Measure	31 March 2015	
	Target	Actual
% of draft reports issued 12 days after fieldwork.	95	100
% of draft reports (Allocation plus 20 days)	95	100
% of final reports issued 5 days after responses.	100	100
% of Plan Completion (draft reports issued)	100	99

One review, of the iDox System Implementation, had not been completed by the 31st March. This has since been completed.

4 Financial

- 4.1 The revenue budget for Audit & Investigation for 2015/16 incorporates the expenditure cost for the service, including the current contract with Ealing's audit partner.
- 4.2 All audit activity covered in this report will be delivered within the current Audit & Investigation budget.

5 Legal

- 5.1. All Local Authorities are required to make proper provision for Internal Audit in accordance with the 1972 Local Government Act and the Accounts and Audit Regulations 2011 (as amended). The Public Sector Internal Audit Standards (PSIAS) requires proper planning of audit work.

6 Value For Money

- 6.1 Ealing's Internal Audit Services were provided by Mazars LLP during 2015/16. The contract with Mazars ended on the 31st of March and, following a competitive tender process, PwC have been appointed as the new strategic internal audit partner. The contract places an obligation on PwC to continuously develop and improve services over

the life of the contract, including improved benchmarking of services and costs.

7 Sustainability Impact Appraisal

7.1 Not applicable

8 Risk Management

8.1 The Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

9 Community Safety

9.1 Not applicable.

10 Links to Strategic Objectives

10.1 Internal Audit makes a significant contribution to delivering the Corporate Plan and Council Objective, providing regular assurance to senior management and members on the effectiveness of the corporate governance and internal control framework. Internal Audit impacts on all services and functions throughout the Council, including internal and external partnerships and stakeholders. This links to the strategic objective of being a high performing organisation focused on the needs of its community.

11 Equalities and Community Cohesion

11.1 No equality impact assessment has been undertaken as the report does not affect the general duties of the Equalities Act 2010.

12 Staffing/Workforce and Accommodation implications:

12.1 Not applicable.

13 Property and Asset

13.1 Not applicable

14 Any other implications:

14.1 None.

15 Consultation

15.1 As per attached table.

16 Appendices

None

17 Background Information

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Ian O'Donnell	Executive Director of Corporate Resources	12.05.16	12.05.16	Throughout
Mick Bowden	Interim Director of Finance (Deputy s151 Officer)	11.05.16	12.05.16	Throughout
Cllr Yvonne Johnson	Portfolio Holder – Finance, Performance & Customer Services	12.05.16		

Report History

Decision type:	Urgency item?
For information	No

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no.:	Report author and contact for queries:		
	Steve Tinkler, Head of Audit & investigation. Ext 8571		

