



Report for:
INFORMATION

Contains Confidential or Exempt Information	No
Title	Internal Audit Performance Report Q2 2014/15
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Portfolio	Finance & Performance, Cllr Yvonne Johnson
For Consideration By	Audit Committee
Date to be considered	23 September 2014
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 5 month period 1 April to 31 August 2014.

1. Recommendation

1.1 It is recommended that the Committee review Internal Audit's performance and key issues arising during the period 1 April - 31 August 2014. (**Appendix A**)

2. Reason for Decision and Options Considered

2.1 This is a programmed, periodic report on the progress of internal audit; no decision is required.

3. Key Implications

3.1 Internal audit is an assurance function that provides an independent and objective opinion to 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 2014/15 Plan will form the main input for the development of the 2014/15 opinion to Council.

3.2 Performance as at 31 August 2014

3.2.1 The 2014/15 Plan was approved by the Committee in March 2014. The Plan is indicative and is subject to revision during the year to take account of changing priorities and emergent risks. Audit Board monitors progress against the Plan and the S151 Officer meets regularly with the Head of Audit & Investigation and Mazars. Completion of the Plan against target is set out in Appendix A, along with outturn for the previous 2 years.

3.3 Internal Audit Plan 2014/15

3.3.1 The Audit Plan as at 1st April 2014 comprised 788 days. There have been no changes to the Plan as follows:

2014/15 Audit Plan Analysis of Days	
Status	Days
Audit Plan - 31 March 2014	788
Days Added	-
Days Deleted/Deferred	-
Current Plan	788

3.4 Internal Audit Plan 2014/15 Assurance Profile

3.4.1 Set out below is the current status/assurance profile for the Audit Plan.

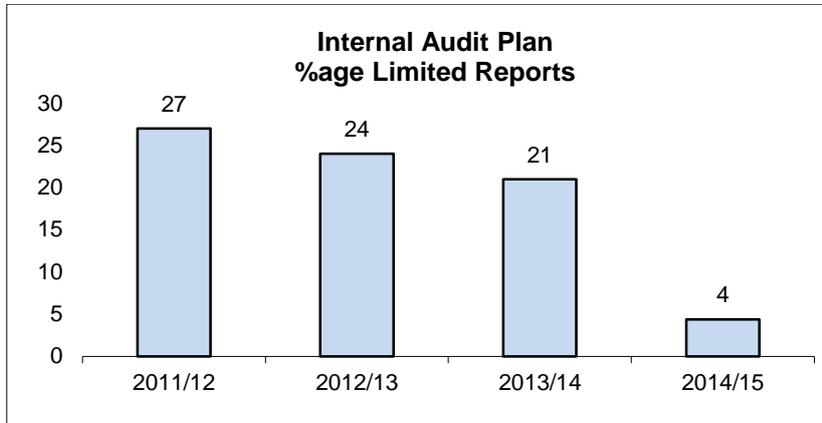
2014/15 Audit Plan Status			2014/15 Audit Plan Assurance Profile		
Status	Total	%age	Assurance Level	Total	%age
Total	91	100	Total	91	100
Draft	6	7	Full	-	-
Final	21	23	Substantial	22	24
WIP	4	4	Limited	4	4
Overdue	-	-	No Assurance	-	-
Not Issued	-	-	Follow up	6	7
Not Due	39	43	Non Assurance Report	-	-
Not Applicable	-	-	To be Determined	59	65
Imminent	21	23	Not Applicable	-	-

3.4.2 Commentary

- The current Plan consists of 91 audits which include the delivery of 7 ICT specialist audits, 14 Key Financial System reviews / follow ups, 32 system based reviews and 38 audits/follow ups within schools.
- In respect of the 4 audits which received 'Limited Assurance', two related reviews undertaken within schools, one in Environment and Customer Services with the remaining relating to a service area

within the Corporate Resources Directorate. Details in respect of these reviews are identified further within the report.

- The trend of limited assurance reports at this stage of the Audit Plan for the past 3 years is set out below:



3.4.3 Current Assurance Opinions

The current assurance opinions provided by Internal Audit are as follows:

Level	Definition
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 a basically 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 control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls 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 processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

As outlined in the chart above, four audits have to date been issued with an assurance opinion of limited. Details of the audit areas and a high-level outline of the issues identified are as outlined:

- In relation to the two primary schools that received limited assurance, the issues identified related to the achievement of value for money in respect of procurement activities, asset management and the completion of bank reconciliations.
- In respect of the limited assurance report within E&CS, this related to our audit on Commercial Waste, where specifically two priority

one and two priority two recommendations were made and agreed. The main weaknesses identified related to

- The identification of clients who did not have a valid Waste Transfer Note in place; and
 - A lack of procedures being in place to ensure that businesses are disposing of their trade waste lawfully, particularly where they choose to use private contractors.
- The limited assurance opinion with Corporate Resources related to our audit on Network Monitoring, where three priority one recommendations and eight priority two recommendations were made and agreed. The main issues identified related to:
 - No current risk assessment being in place to assess supplier resilience;
 - Incident reporting and request procedures should be subject to review to ensure proper reporting, authorisation and tracking of incidents and secure transmission of information;
 - Action being required to ensure that the Problem Management System as specific within the SLA is implemented and used to assist in the resolution of issues.

It should be noted that agreed action plans in respect of all issues identified are in place and will be followed up by Internal Audit.

3.5 2014/15 Schools Internal Audit Plan

3.5.1 The Schools Internal Audit Plan comprises the following:

- 31 schools subject to a Probity audit.
- 2 schools subject to a Post 16-19 Education Funding Agency audit.
- 5 schools (those with 'Limited Assurance' identified as part of the 2013/14 Audit Plan) will be followed up.

Set out below is the current status of the Schools Internal Audit Plan:

1415 Audit Plan Status - Schools			1415 Audit Plan Assurance Profile - Schools		
Status	Total	%age	Assurance Level	Total	%age
Total	38	100	Total	38	100
Draft	1	3	Full	-	-
Final	17	45	Substantial	16	42
WIP	2	5	Limited	2	5
Overdue	-	-	No Assurance	-	-
Not Issued	-	-	Follow up	5	13
Not Due	-	-	Non Assurance Report	-	-
Not Applicable	-	-	To be Determined	15	39
Imminent	18	47	Not Applicable	-	-

3.6 Post 16/19 Education Funding Audits

3.6.1 As the Council assumed responsibility for commissioning and funding 'further education' services' in 2010, there is a requirement to provide

assurance that public money expended on Post 16/19 Education is used in accordance with the principles of regularity and propriety. Consequently, all 8 schools in the Borough are subject to Post 16-19 Education Funding Agency audit as part of a 3 year rolling program of reviews. The aim of the funding reviews is to substantiate learner existence/eligibility and to confirm that the submitted funding claim is not overstated and is supported by appropriate documentation.

3.6.2 As part of the 2014/15 review program, 2 schools were audited and received 'substantial assurance'.

3.7 Audit Board

3.7.1 At the Audit Board meeting held on 9 September 2014, reports were submitted in relation to:

- Internal Audit Q2 Performance Report.
- Risk Management Q2 Performance Report and the Council's Strategic Risk Register
- Counter Fraud & Investigations Performance Report.

4 Financial

4.1 All audit activity covered in this report is being delivered within the Audit & Investigation budget.

5 Legal

5.1. No legal implications.

6 Value For Money

6.1 Value for money reviews have been identified within the audit plan.

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 The issues outlined in this report have a particular focus on the Council's organisational improvement objective 'Becoming a high performing organisation, focused on the needs of its communities'.

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

Appendix A: 2014/15 Internal Audit Performance.

17 Background Information

Indicative Audit Plan 2014/15

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	9/09/14		
Maria Christofi	Director of Finance (Deputy s151 Officer)	9/09/14		
Steve Tinkler	Head of Audit & Investigation	9/09/14		

Report History

Decision type:	Urgency item?
For information	No

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

Appendix A: 2014/15 Internal Audit Plan Performance

Measure	31 Aug 2014		Aug 2013	Aug 2012
	Target	Actual		
Mazars				
% of draft reports issued 12 days after fieldwork	95	100	94	94
% of drafts issued (Allocation + 20 days)	95	98	91	90
% of final reports issued 5 days after responses	100	100	100	100
% of QA forms rated 'satisfactory' or above.	90	100	91	100
% of Plan Completion (draft reports issued)	40*	33	21	28

Commentary

- *Target Plan completion as at 30 September 2014 is 40%
- **Plan completion for the 5 month period ended 31 August 2013 was 33%.
- 4 (4%) audits were WIP at that time.

