
Internal Audit Annual Report 2015/16 – Summary Report

Committee considering report:	Governance and Ethics Committee on 5 September 2016
Portfolio Member:	Councillor James Fredrickson
Date Portfolio Member agreed report:	23 June 2016
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Forward Plan Ref:	GE3085

1. Purpose of the Report

- 1.1 To update the Committee on the outcome of internal audit work carried out during the second half of 2015-16
- 1.2 The Public Sector Internal Audit Standards, as adapted by CIPFA's "Local Government Application Note" requires the Chief Internal Auditor to make a formal report annually to the Council in order to present an opinion of the Council's internal control framework.
- 1.3 An interim report was made to the committee in January to address emerging issues This report builds on the interim report, without repeating any of the detail from that report, to provide the basis for Chief Internal Auditors opinion.

2. Recommendation

- 2.1 To note the report.

3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** None
- 3.6 **Property:** None
- 3.7 **Other:** None

4. Other options considered

- 4.1 None

5. Executive Summary

- 5.1 A summary of the internal audit work that is currently underway is at appendix A. Details of work completed during the second half of 2015-16 is at appendix B.
- 5.2 The following table summarises the results of the audit work where an opinion was given.

Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial System	0	0	0	7	0
Other systems	0	1	3	3	0

- 5.3 The audit that was rated as weak was Contract Letting – Legal Services.

- (1) We found robust processes for overseeing the re letting / extension of contracts over the £50,000 threshold as this is monitored by the Procurement Steering Group. Also, Legal Services are pro-active in being aware of and involved in the letting of contracts to ensure consistent terms and conditions are adequately reflected. However, there is no process to identify spending patterns where the value requires a contract to be entered into to ensure markets have been tested/value for money is obtained when the required Contract Rules of Procedure (CRP) thresholds have been met. We also found an issue with services not complying with the CRP requirements for obtaining three written quotes, the services were either not testing the market, or due to the procuring officer no longer being at the Council we could not establish how the contract was procured as there was no supporting information. (NB thresholds for tendering in the CRP are as follows:
- (a) Up to £9,999 one quote via the procurement portal
 - (b) £10,000 to £99,999 – three quotes via the procurement portal
 - (c) £100,000 to EU threshold – full process and five tenders sought via the procurement portal
 - (d) Above EU threshold – EU procedures apply and five tenders sought via the procurement portal)
- (2) Although this audit is listed against Legal Services, as noted above the main issues of concern relate to the way services across the Council are not always complying with the Council’s Contract Rules of Procedure. Also, the “Contracts Team” within Legal consists, now, of 1 FTE, so the scope for monitoring compliance across services is minimal.

- 5.4 The following summarises the results of follow up audits.

Type	Unsatisfactory	Satisfactory
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Key Financial Systems	0	7
Other systems	0	7

5.5 The results of the audit work in this period are very positive. Note, however, that the bulk of this audit work relates to the Key Financial Systems. These systems have been audited every year since 1998 and so one would expect them to be well controlled.

6. Conclusion

6.1 No fundamental weaknesses were identified in Council's internal control framework through the work carried out by Internal Audit. Overall the internal control framework remains robust Appendices

6.2 Appendix A – Current Internal Audit Work

6.3 Appendix B – Completed Internal Audit work for the second half of 2015-16