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# Internal Audit Interim Report 16-17

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<b>Committee considering report:</b>	Governance and Ethics Committee on 13 February 2017
<b>Portfolio Member:</b>	Councillor James Fredrickson
<b>Date Portfolio Member agreed report:</b>	12 January 2017
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<b>Forward Plan Ref:</b>	GE3091

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## 1. Purpose of the Report

- 1.1 To update the Committee on the outcome of internal audit work carried out during the first half of 2016-17.
- 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 In addition to the formal annual report the Chief Internal Auditor provides an interim report to the organisation in the course of the year. The interim report aims to address emerging issues in respect of the whole range of areas to be covered in the formal annual report. This report provides an interim view looking at the first 6 months of the year.

## 2. Recommendation

- 2.1 To note the report and consider the explanations provided by the Head of Finance respect of the follow up audit where we considered that progress on implementation of agreed actions was unsatisfactory.

## 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 completed work 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	0	0
Other systems	0	0	2	0	0

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

Type	Unsatisfactory	Satisfactory
Key Financial Systems	0	0
Other systems	1	1

- 5.4 One follow audits was given an unsatisfactory opinion. This was:

(1) Procurement Cards - (Finance / Corporate)

### 5.5 Procurement Cards

- (1) **Internal Audit** comments - The overall opinion of the original audit was weak, and as there was little progress at the time of the follow up we rated this as **Unsatisfactory**. Also the level of risk in this area had increased with 30 cards now in use compared with 21 when the audit was undertaken. The overall guidance and processes for approving and issuing the cards were sound. But we found that services were not always following the guidance. We recommended that services should be reminded of the requirement to follow correct procedures, but at the time of the follow up this had not happened. We carried out further testing and this reconfirmed that services were not following correct procedures.
- (2) **Head of Finance** comments – Pressure of work in the finance team delayed the implementation of recommendations. Since the follow up audit was carried out all of the recommendations have now been implemented. Detailed guidance has been amended and issued to Heads of Service and card holders. The issue has been discussed at Corporate Management Team and Heads of Service have been reminded of need to adhere to approved procedures. In addition the Portfolio Holder for Assurance has discussed the matter with Executive

Members and asked that they reinforce this message with their Heads of Service.

- 5.6 A copy of the Action plan from the follow up audit is attached at **Appendix C**. A further audit of procurement cards will be proposed for the 2017-18 audit plan.
- 5.7 The volume of audit work completed during the first half of the year is much reduced from previous years. This was caused by the need to respond to two separate serious allegations of financial irregularity that diverted significant audit resource away from planned work. The first of these allegations resulted in a disciplinary case that led to the dismissal of a senior manager for gross misconduct. The second set of allegations identified weaknesses in procedures. The latter is now being followed up by a full audit of the function. In addition staff have been reminded of the availability of the whistle-blowing procedure through an article on the intranet.

## 6. Conclusion

- 6.1 No fundamental weaknesses were identified in the Council's internal control framework through the work carried out by internal audit. However, as noted in paragraph 5.7 above levels of assurance work completed have been much reduced. The audit team will work to catch up during the second half of the year.

## 7. Appendices

- 7.1 Appendix A – Current Audit work
- 7.2 Appendix B – Completed Audits
- 7.3 Appendix C – Procurement Cards – action plan as revised at follow up