

Annual Report of the Head of Internal Audit

Summary

- 1 This report summarises the outcome of audit and fraud work undertaken in 2014/15 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

Background

- 2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, and the council's internal audit charter, the Head of Internal Audit is required to provide an annual report to the Audit and Governance Committee. This report is to be used by the committee to inform its consideration of the council's annual governance statement and it must include:
 - a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies;
 - a statement on conformance with the PSIAS;
 - an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme;
 - the Head of Internal Audit's opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control;
 - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity);

- any particular control weakness judged to be relevant to the preparation of the Annual Governance Statement.

2014/15 Internal Audit & Counter Fraud Work

- 3 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of audits finalised since the last report to this committee in March 2015 are included at annex 2.
- 4 Internal audit delivered 94.2% of the 2014/15 internal audit plan by 30 April 2015 (against a target of 93%). The service also achieved a positive customer satisfaction rating of 100% (against a target of 95%), and agreed actions to address 100% of high priority issues identified through audit work (against a target of 95%).
- 5 All of the actions agreed with services as a result of internal audit work are followed up to ensure that the underlying control weaknesses are addressed. The results of follow up work are summarised twice yearly for this committee as part of the regular monitoring reports. Overall, good progress in implementing actions continues to be made by management.
- 6 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included in Annex 3. This has been another successful year for the team with 43% of cases investigated resulting in positive action being taken (2013/14 - 55%). Housing fraud has continued to be an area of success with 44 properties either recovered or prevented from being let following joint work with the Housing Department. The team continues to develop fraud areas such as Adult Social Care fraud, Council Tax Support fraud, Parking Fraud and abuse of York's Financial Assistance Scheme. It has recently started to work with School Services to investigate false applications for school placements. The team identified real savings of £135k for the council in 2014/15 - a 39% increase from the previous year.

Breaches of Financial Regulations

- 7 Where breaches of council regulations, legislation, or other external regulations are identified through internal audit work these are reported to the committee in accordance with best practice. In most cases, actions agreed with managers as a result of the audit work will address the breaches identified. There have been a number of breaches of the council's financial regulations identified during the course of internal audit work in 2014/15. A summary of the breaches identified since the last report to this committee in March 2015 is included at annex 4. There are no specific matters which need to be brought to the attention of the committee.

Conformance with the Public Sector Internal Audit Standards

- 8 In order to comply with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit and Governance Committee along with any areas of non-conformance with the standards. The QAIP consists of various elements, including:
 - maintenance of a detailed audit procedures manual and standard operating practices;
 - ongoing performance monitoring of internal audit activity;
 - regular customer feedback;
 - training plans and associated training and development activities;
 - periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).
- 9 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment was last carried out in April 2014.

- 10 The outcome of the QAIP demonstrates that the service confirms to the Public Sector Internal Audit Standards. Further details of the 2015 Quality Assurance and Improvement Action Plan are given in annex 5.

Opinion of the Head of Internal Audit

- 11 In accordance with the council's internal audit charter, the Head of Internal Audit is required to provide an annual report to the Audit and Governance Committee. The report sets out the Head of Internal Audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. In doing so, the report also contributes to the preparation of the Annual Governance Statement.
- 12 The opinion of the Head of Internal Audit is given at annex 1. The opinion is based on audit and counter fraud work completed during the year including that detailed in the annexes to this report and other monitoring reports to this committee during the year. Internal audit work has been conducted in accordance with proper standards. No qualifications to this opinion are considered necessary.
- 13 In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2014/15 Annual Governance Statement:
 - a) Overtime – a review of overtime payments identified weaknesses in procedures for controlling amounts of overtime worked in some service areas. In addition to the financial implications, there are risks to health and safety if employees are not prevented from working excessive hours. A final report has been issued and actions have been agreed with management to address these control weaknesses.
 - b) Attendance Management – an audit report was issued in 2013/14 identifying that there are a number of weaknesses with the council's processes for recording and managing sickness absence. The council is still in the process of implementing actions to address these weaknesses.

- c) Information Security – there have been improvements in control in this area but internal audit work undertaken during the year has continued to identify concerns about information security in some areas. For example where sensitive documents were left on desks or in unlocked cabinets as well as the control of data, particularly in electronic form, resulting in increased risks of financial, service and reputational damage.

Consultation

- 14 Not relevant for the purpose of the report.

Options

- 15 Not relevant for the purpose of the report.

Analysis

- 16 Not relevant for the purpose of the report.

Council Plan

- 17 The work of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

- 18 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 19 The council will not comply with proper practice for internal audit if the results of audit work are not reported to senior management and the Audit and Governance Committee.

Recommendation

- 20 Members are asked to:

- (a) note the results of audit and counter fraud work undertaken in 2014/15.

Reason

To enable members to consider the implications of audit and counter fraud findings.

- (b) note the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's framework of governance, risk management and internal control .

Reason

To enable members to consider the implications of audit and counter fraud findings.

- (c) note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards.

Reason

To enable members to consider the opinion of the Head of Internal Audit.

- (d) note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.

Reason

To enable the Annual Governance Statement to be prepared.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
01904 552940

Chief Officer responsible for the report:

Ian Floyd
Director of CBSS
Telephone: 01904 551100

Report
Approved



Date 11/06/15

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- 2014/15 Internal Audit and Counter Fraud Plan
- Internal Audit, Counter Fraud, and Information Governance Monitoring Reports to Audit and Governance Committee in 2014/15 (September, December and March)

Annexes

- Annex 1 - Opinion of the Head of Internal Audit
- Annex 2 - Audits Completed and Reports Issued
- Annex 3 - Counter Fraud Work
- Annex 4 - Breaches of Financial Regulations
- Annex 5 - Veritau Internal Audit Quality Assurance and Improvement Programme.