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| Title | Internal Audit Quarter 3 2019/20 Progress Report |
| For further information about this report please contact | Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk |
| Wards of the District directly affected | Not applicable |
| Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006 | No |
| Date and meeting when issue was last considered and relevant minute number | Finance and Audit Scrutiny Committee – 17 December 2019 |
| Background Papers | Internal Audit Reports |

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|--------------------------------------------------------------------------------|-------------------------------------|
| Contrary to the policy framework: | No |
| Contrary to the budgetary framework: | No |
| Key Decision? | No |
| Included within the Forward Plan? (If yes include reference number) | No |
| Equality Impact Assessment Undertaken | N/A: no direct service implications |

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| Officer/Councillor Approval | | |
| With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s). | | |
| Officer Approval | Date | Name |
| Chief Executive/Deputy Chief Executive | 19 Feb 2020 | Chris Elliott |
| Head of Service | 19 Feb 2020 | Mike Snow |
| SMT | 19 Feb 2020 | SMT |
| Section 151 Officer | 19 Feb 2020 | As Head of Service |
| Monitoring Officer | 19 Feb 2020 | Andrew Jones |
| Finance | 19 Feb 2020 | As Section 151 Officer |
| Portfolio Holder | 9 March 2020 | Councillor Hales |
| Consultation and Community Engagement | | |
| None other than consultation with members and officers listed above. | | |
| Final Decision? | Yes | |
| Suggested next steps (if not final decision please set out below) | | |
| | | |

1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2019/20, summarises the audit work completed in the third quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

2 **Recommendations**

- 2.1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
- 2.1.1 That Appendix 1, containing guidance on the role and responsibilities of audit committees, be noted. (Paragraph 3.2 of this report)
- 2.1.2 That Appendix 2, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 8.1 of this report)
- 2.1.3 That Appendix 3, setting out the action plans accompanying all Internal Audit reports issued in the quarter, be reviewed. (Para. 10.2)
- 2.1.4 That Appendix 4, containing the audit reports of assignments that were awarded a lower than substantial assurance opinion, be scrutinised. (Para. 10.4)
- 2.1.4 That Appendix 5, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 11.2)

3 **Reasons for the Recommendations**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.
- 3.2 Finance and Audit Scrutiny Committee is operating, in effect, as an audit committee in the context of receiving and acting upon this report. Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.
- 3.3 Essentially, the purpose of an audit committee is:
- To provide independent assurance of the associated control environment.
 - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 3.4 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- 3.5 The following sections provide information to satisfy these requirements.

4 Policy Framework

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table, overleaf, illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

| FFF Strands | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| People | Services | Money |
| External | | |
| Health, Homes, Communities | Green, Clean, Safe | Infrastructure, Enterprise, Employment |
| <u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities. | <u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB. | <u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels. |
| Impacts of Proposal | | |
| Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies. | | |
| Internal | | |
| Effective Staff | Maintain or Improve Services | Firm Financial Footing over the Longer Term |
| <u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours. | <u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services. | <u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money. |
| Impacts of Proposal | | |
| Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies. | | |

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 **Risks**

6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.

6.2 It is impractical to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

7 **Alternative Options Considered**

7.1 This section is not applicable.

8 **Progress against Plan**

8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2019/20 is set out as Appendix 2.

9 **Assurance**

9.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.

- 9.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

Assurance Levels

| Level of Assurance | Definition |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Substantial Assurance | There is a sound system of control in place and compliance with the key controls. |
| Moderate Assurance | Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls. |
| Limited Assurance | The system of control is generally weak and there is non-compliance with the controls that do exist. |

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

10 Internal Audit Assignments Completed During Quarter

- 10.1 Twelve audits were completed in the third quarter of 2019/20. Copies of all the reports issued during the quarter are available for viewing on the online agenda for the meeting.
- 10.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 10.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 10.4 Four audits completed in the quarter were awarded a lower than substantial assurance opinion. These were in respect of the 'Cloud Applications', 'Information System Policies', Health and Safety Compliance of Council Buildings' and 'Catering Concessions'.

11 Implementation of Recommendations Issued Previously

- 11.1 Managers are required to implement recommendations within the following timescales:
- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
 - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 11.2 The state of implementation of **low and medium risk** recommendations made in the **fourth quarter of 2018/19** and **high risk recommendations** made in the **second quarter of 2019/20** is set out in Appendix 5 to this report.
- 11.3 As can be seen, responses have been received from all managers in order to

provide the state of implementation of recommendations issued in this earlier quarter.

12 **Review**

- 12.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.