

## **REPORT TO AUDIT & GOVERNANCE**

**Date of Meeting: 19th SEPTEMBER 2018**

**Report of: AUDIT MANAGERS**

**Title: INTERNAL AUDIT PROGRESS REPORT 1<sup>ST</sup> QUARTER 1<sup>ST</sup> APRIL TO 30<sup>TH</sup> JUNE 2018**

### **Is this a Key Decision?**

No

\* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

### **Is this an Executive or Council Function? COUNCIL**

#### **1. What is the report about?**

To report on internal audit work carried out during the period 1<sup>st</sup> April to 30<sup>th</sup> June 2018, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

#### **2. Recommendations:**

That the Internal Audit Progress Report for the first quarter of the year 2018/19 be noted.

#### **3. Reasons for the recommendation:**

One of the roles of this committee is to review quarterly internal audit reports and the main issues arising and seek assurance from management that action has been taken, where necessary.

#### **4. What are the resource implications including non financial resources.**

None.

#### **5. Section 151 Officer comments:**

Measures to improve governance arrangements arising from internal audit reports that have any financial implications will be reflected in the Council's medium term financial plans as and when they are identified and approved.

#### **6. What are the legal aspects?**

The provision of Exeter City Council's internal audit function is derived from legislation. Section 151 of the Local Government Act 1972 requires that local authorities '...shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'.

Regulation 3 of The Accounts and Audit Regulations 2015 requires that '[a] relevant authority must ensure that it has a sound system of internal control which –

- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - (b) Ensures that the financial and operational management of the authority is effective;
- and

(c) Includes effective arrangements for the management of risk.

The activities carried out by internal audit and as identified in this report seek to discharge these legislative duties.

## 7. Monitoring Officer's comments:

This report and appendices explains the issues identified by internal audit as requiring attention.

## 8. Report details:

This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management where remedial action has not been agreed or implemented within a reasonable timescale. The 2018/19 Audit Plan was approved at this Committee on 14th March 2018.

The purpose of Internal Audit is to provide an independent and objective review of the adequacy and effectiveness of the Council's arrangements for internal control, risk management and governance. The activities we audit are given an assurance rating as follows:

Excellent	★★★★★	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	★★★★	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.
Some improvement required	★★★	There is a basic control framework in place, but not all risks are well managed and a number of controls are required to be strengthened.
Significant improvement required	★★	Most of the areas reviewed were not found to be adequately controlled. Risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.
Fundamental weakness	★	Controls are seriously lacking or ineffective in their operation No assurance can be given that the system's objectives will be achieved.

### 8.1 Work Undertaken

Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and due attention is paid to corporate governance and risk management.

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review and the outcomes of the review, where completed.

The table is based on the audit plan and the systems grouped into the fifteen strategic purposes as per the Corporate Plan.

Progress against the annual audit plan is on target. There has been a considerable overspend of time against CIL/S106 and this is due to the additional work requested by Councillor Harvey, as Member Champion for S106. This will be covered by the contingency time built into the plan.

A further summary of the outcomes of audits finalised in this quarter can be found at Appendix B.

I am pleased to report that agreed actions from previous audit reports are being progressed satisfactorily and that there are no instances where remedial action was not agreed by management during this quarter.

## **8.2 Counter Fraud Update**

As agreed at the last meeting an update to the Counter Fraud report is being provided:

- A briefing paper highlighting the current biggest fraud risks and emerging risks, as identified in the Government's Fighting Fraud Locally publication, has been shared with the Senior Management Board by the Chief Finance Officer.
- The Chief Finance Officer is co-ordinating SMB responses to the Serious and Organised Crime checklist, which is being used to provide a high level assessment of the Council's exposure to the risks of this type of crime.
- We are continuing to look into options for counter fraud investigation expertise.

## **8.3 RIPA Inspection Update**

This Committee is responsible for the overview of RIPA activity and as agreed at the last meeting an update on the outcomes of the investigatory Powers Commissioner's Office (IPCO) inspection, which took place on the 25/5/2018, is being provided. The IPCO provided a positive report and found that recommendations made during previous inspections around training and amendments to policy wording had been implemented satisfactorily.

Some new further recommendations around policy wording relating to surveillance were made and also a recommendation to ensure awareness across the Council in relation to the investigative use of the internet and social media and where its use would require authorisation under RIPA.

## **8.4 Governance Issues**

The Council's annual governance statement (AGS) reported that as a result of the audit work that has been undertaken throughout the year no significant issues have been identified. However, the Council continues to make enhancements and improvements to its governance arrangements and an action plan has been compiled which will be subject to regular monitoring by the Audit and Governance Committee

An action plan of the issues identified has been included in Appendix C.

**9. How does the decision contribute to the Council's Corporate Plan?**

Good governance contributes to the Council's purpose of a "Well Run Council".

**10. What risks are there and how can they be reduced?**

N/A

**11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

N/A

**12. Are there any other options?**

N/A

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**Audit Managers**

**Local Government (Access to Information) Act 1972 (as amended)**

**Background papers used in compiling this report:-**

None

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