

**Title of meeting:** Governance & Audit & Standards Committee

**Date of meeting:** 11th March 2016

**Subject:** Audit Performance Status Report to 9th February 2016

**Report by:** Chief Internal Auditor

**Wards affected:** All

**Key decision:** No

**Full Council decision:** No

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## **1. Summary**

- 1.1 No new critical risk exceptions or no assurance audits have been completed since the last meeting dated 29<sup>th</sup> January 2016.
- 1.2 There are now 121 planned audits for 2015/16 made up of 83 new reviews and 38 follow up audits. Of these 110 (91%) have been completed or are in progress as at 9th February 2016. This represents 66 audits (55%) where the report has been finalised, 9 audits (7%) where the report is in draft and 35 audits (29%) currently in progress.
- 1.3 In addition to the planned audits there are 11 areas of on-going work and 4 continuous audits which contribute to risk assurance.
- 1.4 Areas of Assurance on audits completed since the last meeting are shown in Appendix A.

## **2. Purpose of report**

- 2.1 This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2015/16 to 9th February 2016 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

## **3. Recommendations**

- 3.1 That Members note the Audit Performance for 2015/16 to 9th February 2016
- 3.2 That Members note the highlighted areas of control weakness for the 2015/16 Audit Plan

## **4. Background**

- 4.1 The Annual Audit Plan for 2015/16 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 30th January 2015 following consultation with Heads of Services, Strategic Directors and the Chair of this Committee.

**5. Audit Plan Status 2015/16 to 9th February 2016**

**Percentage of the approved plan completed**

- 5.1 91% of the annual audit plan has been completed or is in progress as at 9th February 2016. Appendix A shows the completed audits for 2015/16. Appendix B shows the completed follow up audits for 2015/16

The overall percentage figure is made up as follows:

- 39 new reviews (32%) where the report has been issued, 7 in draft form (6%) and 31 (26%) where work is in progress
- 27 planned follow ups (22%) where the report has been issued, 2 in draft form (2%) and 4 (3%) where work is in progress

- 5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits since the last meeting is contained in Appendix A. Where specific parts of the control framework have not been tested on an area (because it has been assessed as low risk for example) it is recorded as NAT (No Areas Tested) within the Appendix.

**Changes to the 2015/16 Audit Plan**

- 5.3 Five full audits have been removed from the audit plan since the last meeting of the Committee.
- 5.3.1 King Richard School - This audit has been deferred to the 2016/17 Audit Plan at the request of the school. School audits are a traded service and as such the timing of the audits are at the discretion of the school.
- 5.3.2 Housing Hardship Fund - Testing in this area will be covered by the 2015/16 audit of Rent Income
- 5.3.3 Solent Junior School - This audit has been deferred to the 2016/17 Audit Plan at the request of the school. School audits are a traded service and as such the timing of the audits are at the discretion of the school.
- 5.3.4 Access Controls - Deferred to 2016/17 due to ongoing changes to how IS access controls are administered
- 5.3.5 Appointeeships - Deferred to 2016/17 in order for the new appointee accounts to be setup and in place

### **Reactive Work**

5.4 Reactive Work undertaken by Internal Audit in 2015/16 includes:

- 19 special investigations
- 62 items of advice

As well as the following unplanned reviews

- Channel Shift Programme
- Disposal of goods found within abandoned garages
- Community Capacity Grant
- Contract Procedure Rules update
- Cash Handling Instructions update
- External marketing and presentations
- Contract Issues Adult Social Care

### **Exceptions**

5.6 Of the full audits completed so far this year the number of exceptions within each category have been:

- 1 Critical Risk
- 59 High Risk
- 20 Medium Risk
- 4 Low Risk (Improvements)

5.7 The table below is a comparison of the audit status figures for February this financial year and the previous two years

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
<b>% of the audit plan progressed</b>	83%	79%	91%
<b>No. of Critical exceptions</b>	15	8	1
<b>No. of High risk exceptions</b>	159	107	59

### **Ongoing Areas**

5.8 The following 11 areas are on-going areas of work carried out by Internal Audit;

- Regulation of Investigatory Powers Act (RIPA)- authorisations and training
- Anti-Money Laundering review of Policy and training
- Investigations
- Financial Rules waivers

- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Audit Commission
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
- Counter Fraud Programme
- Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
- G&A&S Committee reporting and attendance and Governance,
- Audit Planning and Consultation
- Risk Management

### **Continuous Audit Areas**

- 5.9 The following 4 areas are subject to continuous audit (i.e. regular check to controls) and feed into overall assurance;
- Legionella Management
  - Asbestos Management
  - Key risks management in services
  - Performance Management

## **6. Areas of Concern**

### **Updates**

#### **6.1 Culture & City Development - Coroner's Office - Majority Resolved**

- 6.1.1 The initial audit of the Coroner's Office was given no assurance as testing resulted in 6 high risk exceptions being raised.

- 6.1.2 The 6 high risk exceptions related to:
- Three of the six members of staff (50%) had not completed the mandatory training in relation to PCC Financial Rules and Information Governance
  - There are no written Policies and Procedures for the administration and control of both active and archived records
  - Non- compliance with the Data Protection Act in relation to the storage and security of records
  - Non - compliance with the Data Protection Act in relation to sending sensitive / confidential data via insecure networks
  - Failure to ensure there is a contract in place with the private carrier who transports unsecured inquest data to Hampshire County Council for archiving.
  - Failure to comply with the Data Protection Act and Coroner's Code of Conduct in relation to best practice for managing personal data.

- 6.1.3 Follow Up Results: A follow up audit was undertaken in January 2016. Testing found that actions for four of the six exceptions had been implemented as agreed. The two remaining actions were found to be in progress and related to:

- Written policies and procedures - A draft copy of a procedure manual was sighted during testing along with separate email and clear desk policies. By 31<sup>st</sup> January 2016 all staff will should have signed to acknowledge receipt and compliance with the expected standards
- A review of storage and transport arrangements Coroner's records was undertaken and a decision was made to retain archived documents in Portsmouth. The capacity to securely store archived documents will be addressed as part of the relocation to the Civic Offices in February 2016

6.1.4 At this time there are no plans to conduct any further follow up audits in this area.

## 6.2 **Housing & Property Services - Legionella - Partially Resolved**

6.2.1 A critical risk exception was raised during the 2014/15 audit as the Legionella Risk Assessment carried out at Springfield School in 2014 highlighted 68 areas of risk and at the time of the audit discussions were still ongoing as to how to rectify the issues. Whilst the school has responsibility for the maintenance the Authority has a duty of care to ensure the work is undertaken in a timely manner.

6.2.2 Follow Up Results: Testing found that corrective maintenance work has now been undertaken to rectify areas of concern and there is now a suitable legionella testing and monitoring system in place at the school, as a result the exception level has been reduced from critical to high risk. The Springfield Legionella Project has been prepared and is to be included within the Education Capital Bid for 2016/17 funding; the funding will be subject to Member approval and a contribution from the school. Should the school decline to contribute the scheme will not progress. Completion of this project would rectify the major issues highlighted within the Legionella Risk Assessment. Failure to complete the works within the project would see the school remain a high risk area.

6.2.3 Progress of the project will be followed up as part of the 2016/17 audit of Legionella.

### **New Areas of Concern**

6.3 There are no new areas of concern to report since the last meeting dated 29<sup>th</sup> January 2016.

## 7. **Comments on the plan to date**

7.1 The plan is on target to be achieved by 31<sup>st</sup> March 2016. A total of 1 critical exception has been reported to date and the number of high risk exceptions found has decreased compared to previous years.

## 8. **Equality impact assessment (EIA)**

- 8.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

## **9. Legal Implications**

- 9.1 The City Solicitor has considered the report and is satisfied that the recommendations are in accordance with the Council's legal requirements and the Council is fully empowered to make the decisions in this matter.
- 9.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

## **10. Finance Comments**

- 10.1 There are no financial implications arising from the recommendations set out in this report.
- 10.2 The S151 Officer is content that the progress against the Annual Audit Plan and the agreed actions are sufficient to comply with his statutory obligations to ensure that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control.

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Signed by: Elizabeth Goodwin, Chief Internal Auditor

## **Appendices:**

Appendix A – Completed audits from 2015/16 Audit Plan  
Appendix B - Completed follow up audits from 2015/16 Plan

## **Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Accounts and Audit Regulations	<a href="http://www.legislation.gov.uk/uksi/2011/817/contents/made">http://www.legislation.gov.uk/uksi/2011/817/contents/made</a>
2 Audit Strategy 2015/16	<a href="http://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=148&amp;MId=3065&amp;Ver=4">http://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CId=148&amp;MId=3065&amp;Ver=4</a>
3 Previous Audit	Refer to Governance and Audit and Standard meetings –

Performance Status and other Audit Reports	reports published online <a href="http://democracy.portsmouth.gov.uk/ieListMeetings.aspx?Committeed=148">http://democracy.portsmouth.gov.uk/ieListMeetings.aspx? Committeed=148</a>
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The recommendation(s) set out above were approved/ approved as amended/ deferred/  
rejected by ..... on .....

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Signed by: