

# Uttlesford District Council

Chief Executive: Dawn French

## Performance and Audit

**Date:** Thursday, 19 May 2016  
**Time:** 19:30  
**Venue:** Committee Room  
**Address:** Council Offices, London Road, Saffron Walden, CB11 4ER

**Members:** Councillors G Barker, M Foley, J Freeman, J Gordon, D Jones, N Hargreaves, T Knight, B Light, J Loughlin and E Oliver (Chairman).

### Public Speaking

At the start of the meeting there will be an opportunity of up to 15 minutes for members of the public to ask questions and make statements subject to having given notice by 12 noon two working days' before the meeting.

## AGENDA PART 1

### Open to Public and Press

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| 1 | Apologies for absence and declarations of interest       |         |
| 2 | Minutes of the meeting held on 11 February 2016          | 5 - 10  |
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| 8  | Performance and Audit Committee Self-assessment 2015-16   | 57 - 72 |
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| 11 | Q4 Corporate Risk Register 2015-16 - to follow            |         |
| 12 | Any other items which the Chairman considers to be urgent |         |

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The agenda is split into two parts. Most of the business is dealt with in Part 1 which is open to the public. Part II includes items which may be discussed in the absence of the press or public, as they deal with information which is personal or sensitive for some other reason. You will be asked to leave the meeting before Part II items are discussed.

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**PERFORMANCE AND AUDIT COMMITTEE MEETING held at COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN on 11 FEBRUARY 2016 at 7.30pm**

Present: Councillor E Oliver – Chairman  
Councillors G Barker, D Jones, N Hargreaves, B Light and J Loughlin.

Also present: Councillor S Howell (Cabinet member for Finance) and Councillor H Rolfe (Leader of the Council).  
EY - Jo Wardle (Audit Manager) and Mark Hodgson (Audit Director).

Officers in attendance: R Auty (Assistant Director – Corporate Services), S Bronson (Audit Manager), M Cox (Democratic Services Officer), A Webb (Director of Finance and Corporate Services).

**PA29 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Gordon

Councillor Jones declared a non- pecuniary interest, as he was a member of the Essex Pension Fund.

**PA30 MINUTES**

The minutes of the meeting held on 19 November 2016 were received and signed by the Chairman as a correct record.

**PA31 MATTERS ARISING**

Councillor Light said that a meeting of the Community Engagement Member working group had not yet been arranged. It was understood that Councillor Ranger, Chairman of the Constitution Working Group would be convening a meeting and officers agreed to find out whether any progress had been made on this matter.

**PA32 AUDIT PLAN 2015/16**

Mark Hodgson presented the Audit Plan, which set out the approach and scope for the 2015/16 Audit. The initial assessment had identified 2 key financial risks, although these were common to all local authorities. The other financial risks were not key and no risks had been identified at this stage in relation to the Value for Money Statement.

Members discussed the issue of materiality. At this stage EY had determined the overall materiality for the financial statement of the council at £1.060m based on 2% gross operating expenditure, and they would communicate to

the council any uncorrected audit misstatements greater than £0.053m. Members commented that this figure was relatively high but it was explained that any lowering of this figure would have an impact on the Audit fees.

Councillor Hargreaves asked whether the external Auditors would look at the correct allocation of costs to internal budget heads, as this was a major element of the local plan expenditure. The External Audit Manager said that she would look at the allocation of central service costs across the authority, but the internal coding to budget heads was very detailed and beyond the scope of the external audit.

The Director of Finance and Corporate Services said he expected that members would be requesting the Local Plan spend figure at the end of the financial year. He would provide this information and ask Internal Audit to check these figures.

In answer to a question, it was explained that the audit fee had reduced over the last few years because it had been subsidised by reserves that were still held by the National Audit Office. These had been now been spend but and the fees had been frozen for 2016/17. For 2017/18 the council was required to re- tender for its external audit and the fee would negotiated at that time.

The report was noted.

PA33

#### **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2014-15**

The committee received a report, which summarised the results of the work on the council's claims and returns for 2014/15.

A qualification letter had been issued in respect of the Housing Benefit Claim but good progress had been made in this area compared to the previous year. The appropriate resources and systems were now in place, which had led to a significant reduction in the number of errors identified and the halving of the audit fee. Although this was an extremely complex area, and there was no materiality for Housing Benefit claims, it was still hoped that further improvement could be made.

The report was noted.

PA34

#### **INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager presented the report, which detailed the work undertaken by Internal Audit from 19 November 2015 to 29 January 2016.

Members noted the report and in response to a question were given information on the scope of the Electoral Registration and Elections audits.

The report was noted.

PA35

### **INTERNAL AUDIT WORK PROGRAMME 2016 -17**

The committee received details of the proposed internal Audit work areas for 2016/17. This was a rolling programme, which was approved by the senior management team and subject to regular review.

Councillor Hargreaves asked if the Local Plan was on the list for future audits, in particular to consider the allocation of internal costs. The Audit Manager said the Local Plan was included on the list, but it a date hadn't yet been allocated as it was usual for an the audit to take place at the end of the process.

The report was noted.

PA36

### **QUARTER 3 PERFORMANCE 2015/16**

The committee considered a report presenting the Q3 results for all quarterly-reported Key Performance Indicators and Performance Indicators. The committee was pleased with the good set of results this quarter.

- i) KPI14- percentage of household waste sent for reuse recycling and compost

The figure for Q3 was 50.91% slightly down on the previous quarters. The Street Services Operations Manager attended the committee for this item and answered Members' questions. She explained that this reduction was partly due to contamination, but there was a general national downward trend. Members felt there was a certain amount of recycling fatigue and the regular change in the accepted materials was confusing for residents. The Recycling Manager said there would be a targeted campaign for the poorly performing areas.

Councillor Hargreaves had asked a question regarding the number of incidents where refuse vehicles had damaged buildings, pavements, or roads and the committee was advised of the number of insurance claims that had been made against the council. In addition, there would be some unreported incidents and it appeared that ECC did not generally pursue damage to footways or roads. Members felt that there should be procedures in place to avoid these incidents. The Recycling Manager said this area was being addressed by better induction and training of drivers, particularly the agency staff. There had been no insurance claims so far this year. It was also noted that the number of incidents was very small compared with the number of miles travelled.

PI16 – No of household living in temporary accommodation

Councillor Light asked whether a specific fund had been set up for the future housing of refugees in the district. It was explained that the refugees were likely to be housed in temporary accommodation but the costs would be covered by housing benefit.

PA37

### **QUARTER 3 CORPORATE RISK REGISTER 2015/16**

The committee considered a report presenting the Corporate Risk Register as at the end of quarter 3 2015/16.

Councillor Light mentioned that most of the risks were showing either amber or red. She was advised that this was to be expected as these were the council's most serious risks and there were increasing pressures on the authority. A number of the risks came from external factors that were outside the council's control, but the most important thing was that there were appropriate mitigation measures in place. The risk register was debated regularly by the council's management team.

PA38

### **CHAIRMAN'S URGENT ITEMS**

The Chairman said that members would be contacted shortly about a date for the committee's self-assessment meeting in April.

The meeting ended at 8.35pm.



## **ACTION POINTS**

Minute PA31 Matters Arising	The Assistant Director Corporate Services to speak to Councillor Ranger about arranging a meeting of the Community Engagement Member Working Group.
Minute PA32 Audit Plan 2015/16	The Director of Finance and Corporate Services to provide Members with a figure for Local Plan expenditure at the end of the financial year.
Minute PA 38 Urgent Items	The Audit Manger to circulate dates for the Self-Assessment meeting.



**Committee: Performance & Audit Committee**

**Agenda Item**

**Date: 30 July 2015**

**4**

**Title: Annual Governance statement 2014/15**

**Author: Sheila Bronson, Audit Manager  
01799 510610**

Item for decision

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## Summary

1. The purpose of this report is to seek approval for the Annual Governance Statement published to complement the Council's Statement of Accounts 2015/16

## Recommendations

2. That Members approve the draft Annual Governance Statement 2015/16

## Financial Implications

3. None. There are no costs associated with this report.

## Background Papers

4. None

## Impact

- 5.

Communication/Consultation	The draft Annual Governance Statement 2015/16 has been approved by the Corporate Management Team
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

## Situation

6. Under the Council's constitution this committee is responsible for overseeing the Council's work around corporate governance. In 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) reviewed and revised the approach to corporate governance and in November 2012 published a new framework for good governance. The new guidance builds on the previous assurance gathering process requiring authorities to review the effectiveness of its governance arrangements against the key elements of the systems and processes that compromise an authority's governance.

The Annual Governance Statement is required to be published to complement the published statement of accounts. One of the previous good practice recommendations is that this Statement should be considered separately to the published accounts.

The Annual Governance Statement 2015/16 (appendix A) has been prepared in consultation with senior officers and using information from the 2014/15 Annual Governance Statement, which has been reviewed and updated to reflect the operation of the Council during 2015/16.

A copy of the CIPFA Guidance 2012 and the draft Annual Governance Statement 2015/16 showing changes from the 2014/15 statement is available to Members on request.

The statement has been agreed by the Corporate Management Team at its meeting on 04 May 2016.

Evidence in support of the Annual Governance Statement is being prepared in accordance with the CIPFA Guidance for examination by the External Auditors as part of their 2015/16 Audit and will be available to members on request.

## Risk Analysis

7.

Risk	Likelihood	Impact	Mitigating actions
No Annual Governance Statement is produced for inclusion in the Financial Accounts	1 = Little or no likelihood  Timetable and Framework to be established for the review, monitoring and preparation of the Annual Governance Statement	3 = Significant impact – action required  Statutory requirement, adverse External Auditor Report	The Annual governance Statement is reviewed by the External Auditor and by the Performance & Audit Committee

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

## **1 SCOPE OF RESPONSIBILITY**

- 1.1 Uttlesford District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Uttlesford District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Uttlesford District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Uttlesford District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website at [www.uttlesford.gov.uk](http://www.uttlesford.gov.uk) or can be obtained from the Council Offices, London Road, Saffron Walden, Essex, CB11 4ER. This statement explains how Uttlesford District Council has complied with the code and also meets the requirements of Accounts and Audit Regulations 2015, regulation 6(1)(a) and (b), which requires all relevant bodies to prepare an annual governance statement.

## **2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Uttlesford District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Uttlesford District Council for the year ended 31 March 2016 and up to the date of approval of the annual statement of accounts.

### **3 THE GOVERNANCE FRAMEWORK**

- 3.1 Some of the key features of the governance framework are set out in the following paragraphs.
- 3.2 The Uttlesford District Council Corporate Plan 2015-2020 outlined the vision, aims and four priority areas and it is complemented by the Medium Term Financial Strategy and together these represent the key planning documents for the Council. The Corporate Plan is reviewed annually and takes account of feedback from public consultation carried out via a Citizens Panel. The Corporate Plan 2016-2021 was approved by members at the Council Meeting held in February 2016
- 3.3 Delivery of the Council's Corporate Plan is supported by directorate and service plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the council's U-Perform system. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and formally reviewed quarterly by the Corporate Management Team (CMT) and the Council's Performance & Audit Committee. Satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction.
- 3.4 Uttlesford District Council has adopted a Constitution which establishes the roles and responsibilities for members of the executive (the Cabinet), Performance & Audit, Scrutiny, and Standards Committees, together with officer functions. It includes details of delegation arrangements, the Members' Codes of Conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a new regime pursuant to the Localism Act 2011 and appointed a new Standards Committee from 01 July 2012. Conduct of officers is directed by Human Resource Policies ("HRP") and through the values and behaviours which are part of the Council's individual performance review system known as 'U-Perform'.
- 3.5 The Constitution contains procedure rules, standing orders and financial regulations that clearly define how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of the Corporate Management Team. The Constitution also contains a Statutory Officers Protocol.
- 3.6 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer in local government, setting out core principles and standards relating to the role of CFO and how it fits into the organisation's governance arrangements. The Council complied with the CIPFA statement in 2015/16.
- 3.7 In 2010 CIPFA published a CIPFA Statement on the Role of the Head of Internal Audit, setting out core principles and standards relating to the role of the Head of Internal Audit and how it fits into the organisation's governance arrangements. The Council complied with the CIPFA statement in 2015/16

- 3.8 The primary counterbalances to our Cabinet are the Scrutiny and the Performance & Audit Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.9 The Performance & Audit Committee monitors the performance of the Council, fulfilling the Council's Audit Committee core functions in respect of External Audit, Internal Audit and Risk Management and Performance Management. The Committee can, and does, request assurance from the relevant Cabinet member and/or senior manager when there is consistent underperformance in a particular service area/indicator.
- 3.10 The Council has a formal complaints procedures which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against members.

For the period 01/04/15 to 31/03/16, there were 13 allegations received of a breach of the Code of Conduct concerning 13 councillors, of which  
5 were against parish councillors;  
7 against district councillors and  
1 complaint was made against a member who is both a district and parish councillor, it being alleged that he had breached the Codes of both councils.

1 complaint against a parish councillor and 7 complaints against district councillors were made by members of the public;  
5 complaints against parish councillors were made by parish councillors

5 complaints against parish councillors and 1 complaint against a district councillor were passed for investigation.

In 3 cases involving parish councillors there was a finding of a breach of the Code of Conduct. In all of those cases the subject member was recommended to apologise and to undergo training.

In the other decided cases the Standards Committee considered that there was no breach of the Code of Conduct.

In the one complaint against a district councillor which was passed for investigation there was a finding that the Code of Conduct had not been breached.

- 3.11 The Council has policies to safeguard both itself and its staff when making decisions. A Counter Fraud and Corruption Strategy and Policies, including the Council's Fraud Response Plan, Whistleblowing and Bribery Act 2010 Policies have been developed and communicated to all staff via the internet and as part of the Induction process. This Strategy and Policies provide clear reporting channels and were reviewed during 2014/15 and published in April 2015.

- 3.12 The Council has embedded Risk Management throughout its activities with the Corporate Risk Register directly linking to the aims set out in the Council's Corporate Plan. Each member of CMT and the Street Services Operations managers provide updates to CMT, via a report collating service area developments, performance data and risk register updates, thus the links between performance, risk and actions are clearly set out and closely monitored. The Corporate Risk Register is rewritten annually, revised throughout the year and reviewed quarterly by CMT and the Performance & Audit Committee.
- 3.13 Performance Management is monitored through quarterly reporting to CMT and the Performance & Audit Committee on 16 Key Performance Indicators along with more than 30 other Performance Indicators. In 2015/16 the Performance & Audit Committee discussed issues including recycling rates and NNDR collection.
- 3.14 All Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications are in place for all posts to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the U-Perform appraisal system.
- 3.15 The individual performance review system known as 'U-Perform' has been operated in the council for four years. Staff are measured against operational objectives that are linked through to the Corporate Plan via service and directorate objectives. U-Perform also identifies developmental and training needs to ensure that appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council's needs.
- 3.16 In May 2015 UDC elected a new Council. The Council put in place a Member induction programme, with training sessions around the internal operation of the council and information about the council's services. All Members also received Code of Conduct and IT training. The Planning, Licencing and Scrutiny Committees held induction training for their members. The Planning Committee holds regular workshops and Full Council workshops have been arranged for all Members, when required. The Members' bulletin continues to provide information on relevant corporate and strategic matters.
- 3.17 The Council continues to ensure it is open and accessible to the community. In 2015/16 it has:
- Continued to regularly survey the view of residents through its Citizens Panel
  - Published further information on the transparency section of the website to meet new guidelines
  - Continued audio streaming and recording of meetings of the Planning Committee, Full Council and Cabinet and the sign-off of the Statement of Accounts at Performance and Audit Committee



- Enhanced its consultation activity around the LCTS scheme and budget setting

All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council. When identifying the priorities and objectives for the Corporate Plan the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Corporate Plan is made available to all via the Council's website.

- 3.18 During 2015/16 the Council's Scrutiny Committee has looked at various areas of council decision making and service delivery, including a review of the Local Plan, the 2016/17 draft budget and LCTS consultation A summary of the year's work can be found at Item 13 of the 15 March 2016 Scrutiny Committee
- 3.19 There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision making process. Uttlesford Futures has a comprehensive Governance Handbook and the terms of reference for all of the working groups are constantly reviewed to ensure they comply with the overarching document. Key partnerships include the Local Strategic Partnership - Uttlesford Futures; the Public Law Partnership and the North Essex Parking Partnership. We also work closely with Braintree, Harlow and Epping Forest for shared provision of insurance, energy efficiency, and elements of Building Control.
- 3.20 The Council has a dedicated team responsible for change and transformation. The team use Prince2 methodology on all major projects. In addition, as necessary, specialist project teams are established for the big system changes we undertake.

#### **4 REVIEW OF EFFECTIVENESS**

- 4.1 Uttlesford District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Council's Monitoring Officer (the Assistant Chief Executive – Legal) has responsibility for overseeing the implementation and monitoring the operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, considering any changes that may be necessary to maintain it and ensure its effectiveness in practice. All reports to Cabinet, Committees and Council are seen by the Assistant Chief Executive – Legal to ensure compliance with legal requirements.

- 4.3 The Council's Section 151 Officer has responsibility for the proper administration of the Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the Council. All reports to Cabinet, Committees and Council are seen by the Section 151 Officer to ensure compliance with financial requirements.
- 4.4 The Council's Internal Audit Service, via a specific responsibility assigned to the Internal Audit Manager, is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. The Internal Audit Manager's Annual Report and Opinion for 2015/16 concluded on balance that the audit opinion on the control environment for 2015/16 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit were, on balance, adequately managed and controlled.
- 4.5 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included the collation of assurances from all CMT members on the effectiveness of the internal control environment. A review of the returns concluded that based on this self-assessment, effective controls were in place.
- 4.6 With effect from 1 April 2013, the work of the Council's Internal Audit has been governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF. The PSIAS are mandatory for all internal auditors working in the UK public sector. An internal assessment of the performance of Internal Audit and its conformance with the PSIAS has been undertaken and the findings of this review have been reported to Members for their consideration as part of the Internal Audit Manager's Annual Report and Opinion. An essential element of this assessment is to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance.
- 4.7 In April 2016, the Performance and Audit Committee carried out the annual review of its effectiveness as an audit committee during 2015/16 using the CIPFA self-assessment checklist and was considered to be substantially compliant in all material respects.
- 4.8 The Council has a Performance Management Framework through which the quality of service can be measured by performance indicators. Most indicators are monitored on a quarterly basis; some are bi-annual or annual. All are discussed by the Corporate Management Team and the top two of three layers of indicators are reported to Committee.

4.9 EY were appointed as the Council's External Auditor from 01 September 2012 and are responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2014/15 Statement of Accounts, EY issued a formal opinion on the Council's arrangements for securing Value for Money concluding that the council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **5 SIGNIFICANT GOVERNANCE ISSUES**

### **5.1 Significant Issue from 2014/15**

In the 2012/13 Annual Governance Statement we identified as a Significant Governance Issue that there was no formal mechanism currently in place for an annual appraisal to review the performance of the Chief Executive against the Corporate Plan objectives. In the 2014/15 Annual Governance Statement it was identified that there remained no formal mechanism in place.

Following the appointment of the new Chief Executive, this has now been addressed.

### **5.2 Significant Control and Governance identified 2015/16**

No significant issues have been identified. The Council considers its Corporate Governance and Internal Control arrangements to be fundamentally sound.

Signed: \_\_\_\_\_

Dawn French  
Chief Executive

Signed: \_\_\_\_\_

Howard Rolfe  
Leader of the Council



**Committee: PERFORMANCE & AUDIT COMMITTEE**

**Agenda Item**

**Date: 19 May 2016**

**5**

**Title: Internal Audit Annual Report and Opinion  
2015/16**

**Author: Sheila Bronson, Internal Audit Manager  
01799 510610**

Item for Information

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## Summary

1. The purpose of this report is to advise on the work carried out by Internal Audit during 2015/16 and provide an overall opinion on the Council's control environment for 2015/16. The report also shows the state of compliance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 01 April 2013.

## Recommendations

2. That Internal Audit coverage, the Internal Audit opinion and compliance with the Public Sector Internal Audit Standards are noted.

## Financial Implications

3. None. There are no costs associated with the recommendations.

## Background Papers

4. None.

## Impact

- 5.

Communication/Consultation	The Internal Audit Reports referred to in this report have been circulated to Members  This report has been discussed with the Corporate Management Team at its meeting 04 May 2016
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	This report partly informs the Annual Governance Statement. The Statement is published to complement the Council's Statement of Accounts. This is a

	requirement set out in the Accounts and Audit Regulations 2015, regulation 6(1)(a) and (b) that all relevant bodies prepare an annual governance statement.
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

## Situation

6. Internal Audit is statutory service that forms part of the Council's corporate governance framework. The service is an assurance function that primarily provides an independent and objective opinion on the management of operational risk, control and governance.
7. The Internal Audit coverage for 2015/16 was delivered by the Council's in-house Internal Audit Team, which comprised of the following resource:
  - 1 x Internal Audit Manager (full-time)
  - 1 x Internal Auditor (full-time)
  - 1 x Internal Auditor (part-time 0.7 FTE)

The part-time post has had a change of personnel during the year with a new trainee Internal Auditor appointed to the post from 01 June 2015.

8. Internal Audit work partly informs the Annual Governance Statement which is published with the Council's Statement of Accounts.
9. Throughout 2015/16 the Internal Audit Manager reported to Members of the Performance & Audit Committee on details of work undertaken by Internal Audit and on implemented and outstanding Internal Audit recommendations.
10. The Internal Audit Work Programme 2015/16 was a rolling programme of planned audit work subjected to regular reviews and updating at strategic points throughout the year to take into consideration changes in priority, auditor resource and additional unplanned time requirement.
  - The first review was undertaken in April 2015 to determine the audit work for quarters 1 & 2 of the new financial year;
  - The second review was undertaken in June 2015 to re-assess potential days for specific audits, to determine audit work for quarters 2 and 3 of the financial year and to take into consideration the resource changes;
  - The third review was undertaken in October 2015 to re-assess potential days for key financial and other 2015/16 audit work to be undertaken by the audit resource available in quarters and 4 of the financial year.

- A further review was undertaken in January 2016 to determine which audits from the 2015/16 rolling programme would be carried forward to 2016/17 or later.

11. The initial Internal Work Programme for 2015/16 was drawn up in January 2015 and implemented from 01 April 2015 on the basis of a resource of 1 full-time audit manager, 1 full-time auditor and 1 part-time (0.7 FTE) auditor. The allocation of audit days are calculated as follows:

	Apr 15 days	revision June 15 days	revision Oct 15 days	revision Jan 16 days	actual days taken	diff between April 15 actual
<b>total days available</b>	699	699	699	699	699	0
<b>less leave provisions and non-audit time</b>	(250)	(260)	(260)	(260)	(262)	12
<b>total audit days available</b>	449	439	439	439	437	
<i>programmed 2015/16 audit work</i>	305	305	305	305	297	8
<i>productive Non-specific audit work</i>	145	145	145	145	140	-5
<b>total audit days allocated</b>	450				437	

### 2015/16 Leave Provisions & Non-Audit Time

12. At 31 March 2016, Leave Provisions (bank holidays; annual, statutory, study & sick leave) accounted for 106 days against the allocated 121 days (-15).

13. At 31 March 2016, Non-Audit Time (training; CPD; planning & management; administration; appraisals; team meetings etc.) accounted for 156 days against the allocated 129 days (+27).

### 2015/16 Productive Non-Specific Audit Work

14. At 31 March 2016, Productive Non-Specific Audit Work accounted for 140 days against the allocated 145 days (-5).

	allocated days	actual days taken	diff
contribution to corporate management	24	41	17
consultancy & general advice	30	45	15
committee & member related work	20	11	-9
fraud related work	25	8	-17
irregularity provision	20	18	-2
follow-up work	10	5	-5
residual 2014/15 audit work	10	9	-1
Other- e.g. External Auditor liaison	6	3	3
	<b>145</b>	<b>140</b>	<b>-5</b>

### 2015/16 Planned Audit Work – Revised Internal Audit Programme

15. There were a total of 34 audits on the initial Internal Audit Programme 2015/16 which were reviewed and revised:

- April 2015 – overall total of audits remained at 34
- June 2015 – overall total of audits was revised to 35
- October 2015 – overall total of audits was revised to 30
- January 2015 – overall total of audits was revised to 30

16. There were 3 audits identified for potential audit work in the 2015/16 Internal Audit Strategy that were audited (Car Parking Partnership; Licensing; Risk Management)

17. There are 7 audits initially planned for 2015/16 that have been carried forward (Business Continuity; Elections; Electoral Registration; Fraud –non corporate; Members & Allowances & Expenses; Partnerships; Recovery)

18. Of the revised 30 audits undertaken in 2015/16:

- 12 were Key Financial Audits;
- 18 were Other audits.

19. The final revised 305 days were allocated to these audits as:

- Key Financial Audits - 81 days (27%)
- Other Audits - 224 days (73%)



20. At 31 March 2016, planned audit work accounted for 297 days against the revised allocated 305 days.
21. The Internal Audit target was for 90% of planned audits to be completed to at least draft stage by 31 March 2016. Of the revised 30 planned audits, 27 (90%) were completed to at least draft report stage by 31 March 2016.
22. Final Reports are expected to be issued for the remaining 6 audits by 31 May 2016.

## Annual Audit Opinion

23. Our audit opinions are formed on the basis of the number of recommendations made and level of risks associated with them.
24. The table reproduced at appendix A shows the audit work undertaken; the planned audit days from the 2015/16 Revised Internal Audit programme; the actual audit days taken during 2015/16; the audit opinions formed and the number of recommendations made as a result of our audit work.
25. There is no opinion given for the Corporate Governance Audit 2015/16 as all audit work was specifically on production of the Council's Annual Governance Statement.
26. For the 23 completed audits in the 2015/16 audit programme on which an opinion has been given, 44 recommendations have been made to improve the Council's control environment. This is in comparison with the 54 recommendations made in the 30 completed audits in the 2014/15 and the 56 recommendations made in the 25 audits completed in the 2013/14 audit programme.
27. The 44 recommendations arising from our 2015/16 audit work were assessed as follows:
- 2 recommendations were assessed as level 4  
*(fundamental and requiring immediate attention and priority action)*
  - 12 recommendations were assessed as level 3  
*(significant that should be addressed within six months)*
  - 29 recommendations were assessed as level 2  
*(important that should be addressed within twelve months);*
  - 1 recommendation was assessed as level 1  
*(merit attention and would improve overall control).*
28. For the 23 audits on which an opinion on the level of assurance that risks material to the achievement of the objectives for the audited areas were managed and controlled has been given:
- the opinions for 3 audits were 'limited assurance';
  - the opinions for 5 audits were 'adequate assurance' and
  - the opinions for 15 audits were 'substantial assurance'.

29. For the 10 Key Financial Audits on which an opinion has been given on the level of assurance that risks material to the achievement of the objectives for the audited areas were managed and controlled:

- the opinion for 2 audits was 'limited assurance' and
- the opinions for 8 audits were 'substantial assurance';

However for 6 of the 'substantial assurance' key financial audits, the scope of the audit was limited to revision and updating of systems flowcharts and for testing to be carried out on a limited number of routine risk areas.

30. In addition to the audit opinion of 'limited' assurance for 3 audits, there is a fourth audit currently at draft stage expected to have either 'limited' or 'little' assurance. The 3 completed 'limited' assurance audits are:

- Cash & Bank 2015/16 in which we made two level 4 and one level 3 recommendations; the two level 4 recommendations have been partly implemented and expected to be fully implanted along with the level 3 recommendation in accordance with an agreed timetable.
- Payroll 2015/16 in which we made three level 3 and two level 2 recommendations; one level 3 and one level 2 recommendation have been implemented and the remaining recommendations are being implemented in accordance with an agreed timetable.
- Car Parking (NEPP) 2015/16 in which we made three level 3 recommendations; all recommendations have been being implemented.

Copies of the Final Reports for these audits were circulated to members of the Performance & Audit Committee at the times of issue. On completion of the fourth audit, a copy of the Final Report will be circulated to members of the Performance & Audit Committee.

31. In determining the overall audit opinion for the year, the factors in paragraphs 27 to 30 have been taken into consideration and weighted accordingly.

32. Therefore, our audit opinion on the control environment for 2015/16 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit are, on balance, **adequately** managed and controlled. This is in comparison with our audit opinion of Substantial for 2014/15, (there were no 'limited' or 'little' assurance audits during 2014/15).

### **Implementation of Internal Audit Recommendations**

33. To stimulate improvement and reduce the likelihood of error or loss, management have a responsibility for ensuring the recommendations contained within Internal Audit reports are implemented. To encourage the timely implantation of agreed

recommendations all management action and timetable for implementation is agreed prior to the issue of the final report.

34. All recommendations, agreed management action and timetable for implementation are input into Covalent for Internal Audit management purposes.
35. Internal Audit manages the follow-up of implementation of recommendations through a combination of updates from responsible officers following automatic trigger notifications sent out by Covalent; regular reporting to meetings of this Committee and a rolling follow up programme at six months after the latest implantation date of the agreed management action or as part of the next audit of an area.
36. All audit reports are addressed to the member of CMT responsible for the audited area and copied to the Chief Executive, Section 151 Officer, the Monitoring Officer and the Director of Public Services.
37. Members of the Performance & Audit Committee received copies of all audit reports and Terms of Reference.
38. Of the 44 recommendations made in Audits from the 2015/16 audit programme to date:
  - 26 have been implemented
  - 18 have a due date after 31 March 2016 and will continue to be monitored through Covalent with progress reported to this Committee during 2016/17

## **External Auditors**

39. Liaison meetings and informal ad hoc meetings were held between the Audit Managers of Internal Audit and the External Auditor to discuss current work being undertaken and future work plans.

## **Conformance with the Public Sector Internal Audit Standards (PSIAS) and Other Quality Assurance Results**

40. The PSIAS require that an internal or external review of the Internal Audit Service is conducted annually. During 2015/16 a self-assessment was undertaken to review conformance with the PSIAS.
41. This review confirmed conformance with:
  - the four elements of the PSIAS Code of Ethics
    - 1 Integrity
    - 2 Objectivity
    - 3 Confidentiality
    - 4 Competency
  - the Attribute Standards
    - 1000 Purpose, Authority and Responsibility
    - 1100 Independence and Objectivity
    - 1200 Proficiency and Due Professional Care

- 1300 Quality Assurance and Improvement Programme

the Performance Standards

- 2000 Managing the Internal Audit Activity
- 2100 Nature of Work
- 2200 Engagement Planning
- 2300 Performing the Engagement
- 2400 Communicating Results
- 2500 Monitoring Progress
- 2600 Communicating the Acceptance of Risks

42. This review confirmed that there were no new significant areas of non-conformance but one minor issue previously identified relating to standard 2050 coordination of internal activities with other internal and external assurance providers has not yet been addressed.

43. A Quality Assurance & Improvement Programme (QAIP) is in place to address any minor issues identified in the self-assessment and has been reviewed and updated to show the progress on minor issues identified in the previous self-assessment and addition of any new minor issues arising. A copy of the revised QAIP will be made available to Members on request.

44. Of the 3 minor issues identified in the 2014/15 self-assessment:

- 1 has been addressed and there is now full conformance with the standard
- 1 has been partially addressed and full conformance with the standard is expected to be attained during 2016/17
- 1 relating to the External Assessment of Internal Audit was not addressed during 2015/16 as the first External Assessment is expected to be scheduled for completion by 31 March 2017

45. Progress against the revised April 2016 QAIP will be reported to the Performance & Audit in the 2016/17 Internal Audit Annual Report and Opinion.

46. It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Assistant Chief Executive – Legal but has a direct and unrestricted access to all senior management and the Performance & Audit Committee.

47. Quality control procedures have been established within the Internal Audit Services as follows:

- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews invariably identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.

- Customer Satisfaction – A Post Audit Questionnaire form is issued to the main auditees on completion of an audit. This form seeks the views of the recipient on how the audit was conducted, the report, recommendations made and overall opinion of the audit. Based on the Post Audit Questionnaire forms returned, the average score was 89% for customer satisfaction during 2015/16.
- All Internal Audit staff are provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards.

48. The above quality control procedures have ensured conformance with the PSIAS and that all Internal Audits have been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

### **Review of Performance of the Internal Audit Service Against the Current Internal Audit charter**

49. The Audit Charter was reported to and approved by the Performance & Audit Committee on 12 February 2015.

50. Based on the information provided in this report on the completion of the 2015/16 Internal Audit Programme, it is considered that the requirements of the Charter were met during the year.

## Risk Analysis

51.

Risk	Likelihood	Impact	Mitigating actions
No internal audit assurance is provided to those charged with governance.	1 Internal Audit work programme for 2015/16	3 Failure to provide internal audit assurance could lead to inability to meet corporate and operational objectives and Adverse External Auditor report and damage to the Authority's reputation	The External Auditor review the outcome of Internal Audit work.  The performance of the Internal Audit Section is monitored by senior management and Members.
Those charged with governance do not respond to Internal Audit recommendations.	2 Reports can contain re-iterations of recommendations made during previous audit that have not been implemented.	3 There would be varying levels of impact from any non-implementation of the recommendations given the high significance of the majority of control risks identified.	There is an escalation procedure.  Internal audit reports are followed up to ensure compliance.  The outcome of Internal Audit work is reviewed by the External Auditor and by the Performance & Audit Committee.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

ref	Audit	Revised potential days	Actual Days Taken	Audit Opinion	Status at 09 May 2016	No of Recs	4	3	2	1
01 KF	Budgets	5	4	substantial	final	0	0	0	0	0
02 KF	Cash & Bank	10	10	limited	final	3	2	1	0	0
03 KF	Contracts & Procurement	15	15	substantial	final	1	0	0	1	0
04 KF	Council Tax	3	3	substantial	final	0	0	0	0	0
05 KF	Creditors	5	5		draft					
06 KF	Fraud (non-corporate)	0	0	carried forward to 2016/17						
07 KF	Housing Benefits and LCTS	10	10	substantial	final	1	0	0	1	0
08 KF	Housing Rents	10	6		draft					
09 KF	Income, Fees & Charges	5	6	substantial	final	1	0	0	1	0
10 KF	Main Accounting Systems	3	3	substantial	final	0	0	0	0	0
11 KF	NNDR	3	2	substantial	final	1	0	0	1	0
12 KF	Payroll	10	12	limited	final	5	0	3	2	0
13 KF	Recovery	0	0	carried forward to 2016/17						
14 KF	Taxation	2	2	substantial	final	1	0	0	1	0
15 KF	Asset Management	p	0							
16 KF	Treasury Management	p	0							
17 O	Business Continuity	0	0	carried forward to 2016/17						
18 O	Communication	15	17	substantial	final	2	0	0	2	0
19 O	Community Health & Fitness	10	8	substantial	final	1	0	0	1	0
20 O	Corporate Governance & AGS	10	4	n/a	final	0	0	0	0	0
21 O	Elections	0	0	carried forward to 2016/17						
22 O	Electoral Registration	0	0	carried forward to 2016/17						
23 O	Environmental Health - Imported Food Controls	12	14	adequate	final	2	0	1	1	0
24 O	Homelessness	10	4		testing					
25 O	Housing Allocations	10	9		draft					
26 O	Housing Repairs Service	15	15	adequate	final	3	0	1	2	0
27 O	Housing Right to Buy	10	11	adequate	final	5	0	1	4	0
28 O	Housing Stock & Voids	12	11	substantial	final	2	0	0	2	0
29 O	Housing Stores	15	15	adequate	final	5	0	0	5	0
30 O	ICT	10	9	substantial	final	1	0	0	1	0

Internal Audit Annual Report & Opinion 2015/16 – Appendix A

ref	Audit	Revised potential days	Actual Days Taken	Audit Opinion	Status at 09 May 2016	No of Recs	4	3	2	1
<b>31 O</b>	<b>Information Management &amp; Security</b>	<b>15</b>	<b>18</b>	<b>adequate</b>	<b>final</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>
32 O	Members' Allowances & Expenses	0	0	carried forward to 2016/17						
33 O	Partnerships	0	0	carried forward to 2016/17						
<b>34 O</b>	<b>Section 106 Obligations</b>	<b>10</b>	<b>9</b>	<b>substantial</b>	<b>final</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>
<b>35 O</b>	<b>Street Services - Fleet &amp; Fuel Management and Transport Maintenance</b>	<b>30</b>	<b>29</b>		<b>draft</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>36 O</b>	<b>Street Services - Trade Waste</b>	<b>10</b>	<b>13</b>		<b>draft</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>37 O</b>	<b>Risk Management</b>	<b>10</b>	<b>10</b>	<b>substantial</b>	<b>final</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
38 O	Performance Management	p	0							
39 O	Equality & Diversity	p	0							
<b>40 O</b>	<b>Car Parking Partnership (NEPP)</b>	<b>10</b>	<b>11</b>	<b>limited</b>	<b>final</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>
41 O	Enforcement	p	0							
42 O	Facilities Management	p	0							
43 O	Grants & External Funding received	p	0							
44 O	HR	p	0							
45 O	Insurance	p	0							
<b>46 O</b>	<b>Licensing</b>	<b>10</b>	<b>12</b>	<b>substantial</b>	<b>final</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
47 O	Museum	p	0							
		<b>305</b>	<b>297</b>	<b>TOTAL RECOMMENDATIONS</b>		<b>44</b>	<b>2</b>	<b>12</b>	<b>29</b>	<b>1</b>



**Committee: Performance & Audit Committee**

**Agenda Item**

**Date: 30 July 2015**

**6**

**Title: Internal Audit Strategy and Work Programme 2016/17**

**Author: Sheila Bronson, Internal Audit Manager  
01799 510610**

Item for approval

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## Summary

1. The Council has arrangements in place to ensure risks to the Council achieving its objectives are identified and managed. This report informs Members of the review and updating of the Internal Audit Strategy and Work Programme 2016/17.

## Recommendations

2. That Members approve the revised Internal Audit Strategy and Work Programme 2016/17.

## Financial Implications

3. None. There are no costs associated with the recommendations in this report.

## Background Papers

4. None.

## Impact

- 5.

Communication/Consultation	The Internal Audit Strategy 2016/17 has been discussed with the Corporate Management Team at its meeting 04 May 2016
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none

Workforce/Workplace	none
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## Situation

6. With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards. The PSIAS comprise a revised definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves.
7. The PSIAS are mandatory for all internal auditors working in the UK public sector
8. The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion and assurance framework. It must be incorporated in or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities
9. The Internal Audit Strategy and Work Work Programme 2016/17 at Appendix A details the production of the Internal Audit Strategic and Work Programmes for current year.

## Risk Analysis

10.

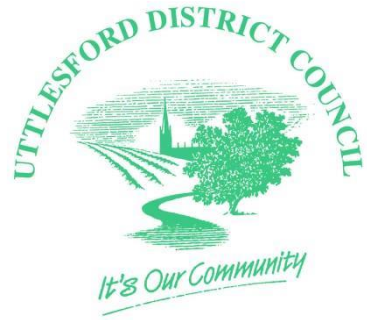
Risk	Likelihood	Impact	Mitigating actions
Adverse External comment if the Internal Audit Charter and Strategy do not comply with the PSIAS.	1 Internal Audit function is an integral part of the Council	2 Statutory requirement, adverse External Auditor Report	Annual review of Charter and Strategy

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



# **Internal Audit STRATEGY and WORK PROGRAMME 2016/17**

**April 2016**

# **INTERNAL AUDIT STRATEGY 2016/17**

## **CONTENTS**

- 1. Introduction**
- 2. Internal Audit Strategic Programme 2016/17**
- 3. Internal Audit Work Programme 2016/17**
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- 5. Types of Audits**
- 6. Audit Reports & Recommendations**
- 7. Reporting to CMT and Members**

**Appendix**  
**Assurance Opinion Criteria and Risk Level Definitions**

# 1 Introduction

## Background

- 1.1 With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS comprise a revised definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves. The PSIAS are mandatory for all internal auditors working in the UK public sector.
- 1.2 Internal Audit is defined in the PSIAS as follows:

“Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”
- 1.3 The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion and assurance framework. It must incorporate in or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.
- 1.4 The annual Internal Audit Strategy provides details on the production of the Internal Audit Strategic and Work Programmes for current year.

## 2. Internal Audit Strategic Programme 2016/17

- 2.1 The Internal Audit Strategic Programme details all potential audit areas at both corporate and service area levels within UDC and forms the starting point for the annual audit planning process.
- 2.2 In January 2016, the Internal Audit Strategic Programme was reviewed in conjunction with CMT to ensure that it remained up to date and continues to take account of emerging risks and service developments ensuring the focus of Internal Audit work remains relevant to the Council's vision and current priorities. The Internal Audit Strategic Programme was presented to the Performance & Audit Committee at its February 2016 meeting.

### Risk Assessment

- 2.3 Each potential audit area identified in the Internal Audit Strategic Programme is subject to an audit needs risk assessment taking into consideration:
  - The Council's Corporate Plan objectives;

- Significant risk identified on a risk register above the Corporate Risk Appetite of 6;
- Interest to Internal Audit – e.g. the level of past audit opinions; recommendations made; recommendations implemented; fraud risks etc.;
- Interest to management/members and External Auditors – e.g. as a business priority; as part of the risk register; because of potential political sensitivity; as a Key Performance Indicator; a Project etc.;
- Volume, value and complexities of transactions;
- Span of control or level of devolvement;
- The date of the last audit;
- New systems or business activities.

2.4 Risk levels are determined according to the Council's corporate method of risk scoring, assessing the potential risks to the Council if audit is not carried out:

- Risk Level **4** - Matters that are considered **fundamental** that require immediate attention and priority action;
- Risk Level **3** - Matters that are considered **significant** that should be addressed within six months;
- Risk Level **2** - Matters that are considered **important** that should be addressed within twelve months;
- Risk Level **1** - Matters that merit attention and would improve overall control.

2.5 The audit needs risk assessment will influence the frequency of audit review and the estimated resource requirements to meet the expectation that all potential audit areas will be audited at least once over a five year period.

### 3. Internal Audit Work Programme 2016/17

#### Planning

3.1 The Internal Audit Work Programme for 2016/17 sets out the audit work programme for the financial year. It is a rolling programme of planned audit work expected to be undertaken during 2016/17 and is subject to regular review and updating at strategic points throughout the year:

- March/April 2016 to determine the proposed audit work for quarters 1 and 2 of the new financial year;
  - June 2016 to determine proposed audit work for quarters 2 and 3 of the financial year;
  - September 2016 to determine proposed audit work for quarters 3 and 4 of the financial year and
  - at any other relevant point during the year
- 3.2 In order to preserve the independence of Internal Audit the final risk assessment and selection of areas for inclusion in the Internal Audit Work Programme rests with the Internal Audit Manager.
- 3.3 Agreement was given by CMT and Members of the Performance & Audit Committee in February 2016 to the initial Internal Audit Work Programme for 2016/17. The Internal Audit Work Programme defines the area and approximate duration of each audit based on risk assessment, time spent in previous audits, previous problems encountered and the level and skill of staff involved.
- 3.4 Audit resources are matched to the areas to be audited and any audits that will not be covered will be brought to the attention of the Assistant Chief Executive, the Section 151 Officer, CMT and Members.
- 3.5 The 2016/17 Internal Audit Work Programme is risk based as far as is possible, our auditing priorities for 2016/17 are:
1. Corporate & Divisional Plans / Risk Registers – highest risks.
  2. Key Financials Audits to meet the Accounts and Audit (England) Regulations 2015.
  3. Other areas considered high risk by the Internal Audit Manager.
  4. Specifically requested Directorate & Divisional High risk areas or services following consultation with the Corporate Management Team and Members.
  5. Audits carried forward from the 2015/16 plan and any overdue audits from the 2016/17 Strategic Programme.
- 3.6 Internal Audit provides independent assurance on the council's control framework for inclusion in the Annual Governance Statement. Therefore the priority for the Audit Service must be to carry out and achieve the planned work as contained in the Audit Programme.

### **Key Financial Audits**

- 3.7 The Key Financial Audits are afforded highest priority in terms of time and resources.
- 3.8 Following the March/April 2016 review of the Internal Audit Work Programme for 2016/17, there are 10 Key Financial Audits scheduled for audit work in 2016/17:

- Asset Management
- Budgets
- Cash & Bank
- Fraud (non-corporate)
- Income, Fees & Charges
- NNDR
- Payroll
- Recovery
- Treasury Management
- Value for Money

- 3.9 A further 3 Key Financial Audits areas have been identified for potential audit work in 2016/17:

- Creditors
- Housing Benefits and LCTS
- Housing Rents

- 3.10 The Section 151 Officer and Assistant Director of Finance will be consulted on Terms of Reference for all Key Financial Audits.

- 3.11 The 2016/17 Audit Programme has 85 audit days provisionally set aside for Key Financial Audits.

### **Other Audits**

- 3.12 Following the March/April 2016 review of the Internal Audit Work Programme for 2016/17, there are 24 Other Audits scheduled for audit work in 2016/17:

- Business Continuity
- Conservation & Trees
- Corporate Governance & AGS
- Customer Service Centre
- Elections
- Electoral Registration
- Enforcement
- Facilities Management
- Grants & Awards (made)
- Grants & External Funding received
- Housing & Health - Community Health



Housing & Health - Environmental Health Food Safety & Infectious Disease Control  
 Housing & Health - Equality & Diversity incl Access to Services  
 Housing & Health - Stock & Voids  
 Insurance  
 Local Land Charges  
 Mailroom & Reprographics  
 Members' Allowances & Expenses  
 Museum  
 Partnerships  
 Performance Management  
 Planning - Housing Strategy  
 Street Services - Fleet & Fuel Management and Transport Maintenance  
 Street Services - Income Generating Services & Asset Management

3.13 The 2016/17 Audit Programme has 225 audit days provisionally set aside for these Other Audits.

3.14 A further 11 Other Operational Audit areas have been identified for potential audit work in 2016/17:

Car Parking Partnership (NEPP)  
 Economic Development Service  
 Housing & Health - Allocations  
 Housing & Health - Health & Safety  
 Housing & Health - Homelessness  
 Housing & Health - Services for Older People  
 HR  
 Legal Services  
 Leisure - Day Centres  
 Leisure - PFI  
 Planning - Local Plan

**Productive Non-Audit Days**

3.15 Productive audit time is also taken up by various non-specific audit work which includes:

- **Residual Audit Work** – to ensure timely completion of any residual 2015/16 audits;
- **Follow-up Work** – to ensure that critical and important recommendations have been implemented;
- **Irregularity Provision** – to include the provision of an independent investigation service on internal matters that require investigative and evidence

gathering skills. Also to review controls post investigation as part of the core audit function;

- **Consultancy and General Advice** - to allow for changes in priorities and issues that arise during the year; extensions to reviews where further testing may be required because of control weaknesses, advice on general control issues and Financial Regulation requests etc.;
- **Committee and Member related work** – to include Committee Report preparation, liaison meetings with Performance & Audit Committee Chair and other Members and dealing with Members' queries;
- **Contribution to Corporate Management** – to include the Internal Auditor time spent on corporate projects and working groups;
- **Fraud Related work** – to include the Internal Audit Manager's National Fraud Initiative Key Contact responsibilities, fraud risk assessments and anti-fraud and corruption awareness work, internal data matching exercises.

### **Unplanned Work**

3.16 Unplanned work will be assessed and if considered high priority, carried out in preference to items in the Internal Audit Work Programme in accordance with the following criteria:

- The risks if the work is not carried out and
- The impact on the Internal Audit Work Programme.

3.17 If considered medium to low priority it will be included in the next Internal Audit Work Programme review.

## **4. Resources 2016/17**

4.1 Internal Audit is provided at UDC by its in-house Internal Audit team, comprising of:

- Internal Audit Manager – full-time
- 1 Internal Auditor - full-time
- 1 trainee Internal Auditor – part-time, 0.7 FTE

4.2 The biggest impact on Audit resources are special investigations and unplanned work. Priority will be given to Risk Level 4 and 3 work over any other work on the Internal Audit Work Programme if the potential audit or productive non-audit days are exceeded.

- 4.3 Giving one-off advice to departments on a range of control issues and allowing further time on audits where further testing is required also adds to the pressure on resources. If extended unplanned work is deemed to be necessary, then resource levels and the impact on the Audit Programme and the Strategic Programme will be taken into consideration.

## 5. Types of Audits

### Lean Auditing

- 5.1. We will continue using the lean internal auditing methods we introduced in 2011/12 to provide a high quality of assurance to Directors and Members in an effective, efficient and economical way with the resources available to us.
- 5.2 The audit needs risk assessment gives an indication of the level of risk. The Internal Audit Manager uses her judgement to assess the approximate amount of time to allocate to each area on the audit plan based on previous time spent, resources available etc. Although potential days have been given against audits, lean auditing methodology helps us to reduce the actual time taken on an audit by focussing where possible on the highest risk areas and controls.
- 5.3. At the start of each audit assignment, we will undertake a planning, evaluation and assessment process to decide the level or type of audit fieldwork that needs to be undertaken. Prior to Terms of Reference being issued for the audit, we will evaluate all of the information gathered through the planning stage and at that point we will decide on the type of audit to be undertaken:
- **Standard Audit** - concentrating on the potential risk areas identified at the audit planning stage;
  - **Audit Review** - to be the first option where it's known no major changes have occurred. This can be tailored to specific areas of concern or offered if limited ad hoc audit work is requested. May incorporate some method of self-assessment and include a level of direct Auditee involvement;
  - **High Level Review** - to be offered initially at any request for ad hoc audit work to determine what level audit is necessary, may include desk review of risk registers / Performance Indicators / Directorate and service plans and a level of direct Auditee involvement.
- 5.4 Terms of Reference are copied to Members of the Performance & Audit Committee
- 5.5 Regular review and assessment is an integral part of lean auditing methodology; where field work identifies further testing is required an audit type can be amended. If additional work leads to the time allocated being exceeded and the Internal Audit

Manager considers that this work is required, extended time may be taken out of consultancy and general advice unplanned time.

## **6. Audit Reports & Recommendations**

6.1. Reporting protocols will be as described in the Internal Audit Charter

### **Recommendations**

6.2 All Internal Audit recommendations have a risk level given to them. This is determined according to the Council's corporate method of risk scoring, assessing the potential risks to the service and/or the Council if the recommendation is not implemented within the agreed timescale. Risk levels definitions are presented in Appendix A.

6.3 It is Internal Audit's expectation to reach agreement at the draft report stage with auditees on recommendations, management actions and implementation dates. However, it is for management to determine whether or not to accept the Internal Audit recommendations and to recognise and accept the implications of not taking action. Management must formally respond giving reasons for their decisions which will be recorded on the Final Report.

6.4 Final Reports will record the Internal Audit opinion and overall comment on the effectiveness of the service area audited. The Internal Audit opinion criteria are presented in Appendix A.

6.5 All Final Reports are copied to Members of the Performance & Audit Committee and posted on the intranet.

6.6 Implementation of all recommendations is monitored by Internal Audit through Covalent which automatically generates a reminder e-mail to managers as a recommendation approaches its agreed implementation date.

6.7 Follow-up action will be as described in the Audit Charter

## **7. Reporting to CMT and Members**

### **Internal Audit Progress Reports to Members**

7.1 During 2016/17 the Internal Audit Manager will present regular Progress Reports to CMT and the Performance & Audit Committee which will include:

- Details of the work completed by Internal Audit since the last report to the Performance and Audit Committee;
- Performance against the Internal Audit Work Programme 2016/17;

- Details of any recommendations not implemented within the agreed timescale.

### **The Internal Audit Annual Report and Opinion**

- 7.2 The Internal Audit Manager will report in May 2016 to CMT and the Performance & Audit Committee on the audit opinions of all audits completed during 2015/16 and an give an overall audit opinion on the Council's control environment for the year in the Internal Audit Annual Report and Opinion.
- 7.3 The Internal Audit Annual Report and Opinion will be used by the Council to inform its Annual Governance Statement 2015/16 which will accompany the 2015/16 Annual Statement of Accounts.

## INTERNAL AUDIT ASSURANCE OPINION CRITERIA

Opinion	Definition	Maximum recommendations overall	Maximum number of level 4 PLUS level 3 recommendations	Maximum number of level 2 recommendations
<b>Substantial</b>	Good effective management of risk; no significant recommendations arising.	4	0	2
<b>Satisfactory</b>	Sound satisfactory management of risk; identification of some elements of the control framework that merit attention; Marginal identification of deficiencies in the control framework that result in some risks not being managed effectively and must be addressed.	8	2	6
<b>Limited</b>	Unsatisfactory identification of deficiencies in the control framework compromising the overall management of risks demanding immediate attention.	12	4	8
<b>Little</b>	Major controls have failed and/or major errors have been detected	Over 12	Over 4	Over 8

## INTERNAL AUDIT RISK LEVEL DEFINITIONS

Risk Level	Action timescale	Description
<b>4</b>	<b>Immediate</b>	Matters that are considered <b>fundamental</b> that require immediate attention and priority action
<b>3</b>	Within <b>6 months</b>	Matters that are considered <b>significant</b> that should be addressed within six months.
<b>2</b>	Within <b>12 months</b>	Matters that are considered <b>important</b> that should be addressed within twelve months.
<b>1</b>	None defined	Matters that merit attention and would improve overall control

**Committee: PERFORMANCE & AUDIT COMMITTEE**

**Agenda Item**

**Date: 19 May 2016**

**7**

**Title: Internal Audit Progress Report,  
30 January to 06 May 2016**

**Author: Sheila Bronson, Internal Audit Manager  
01799 510610**

Item for Information

## Summary

1. To report to the Performance & Audit Committee details of work undertaken by Internal Audit since the last report to the Performance & Audit Committee on 11 February 2016 and to provide an update on implemented and outstanding internal audit recommendations.

## Recommendations

2. That the Internal Audit Progress Report (30 January to 06 May 2016) be noted

## Financial Implications

3. None. There are no costs associated with the recommendations.

## Background Papers

4. None

## Impact

- 5.

Communication/Consultation	The Internal Audit Work Programmes 2015/16 and 2016/17 referred to in this report have been approved by the Corporate Management Team and endorsed by the Performance & Audit Committee.
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none

Ward-specific impacts	none
Workforce/Workplace	none

### **Situation**

6. The purpose of this report is to provide management and members with:
- i) Details of the work completed by Internal Audit since the last report to the Performance and Audit Committee at its meeting 11 February 2016;
  - ii) Performance against the Internal Audit Work Programme 2015/16;
  - iii) Performance against the Internal Audit Work Programme 2016/17;
  - iv) Details of risk level 3 and 4 highest priority recommendations implemented since the last report to Members;
  - v) Details of any recommendations not implemented within the agreed timescale.

### **Work Undertaken by Internal Audit 30 January to 06 May 2016**

7. Since the last report to the Committee:
- i) Between 30 January to 06 May 2016, 8 audits from the 2015/16 audit programme were completed and Final Reports issued with a total of 15 recommendations made. All final audit reports issued have been copied to Performance & Audit Committee Members and are available on the Council's Intranet. A summary of 2015/16 final reports issued is presented at Appendix A(i);
  - ii) There are currently 6 audits from the 2015/16 audit programme to be completed. It is expected all will be completed by 31 May 2016
  - iii) Between 01 April to 06 May 2016 work has started on 4 audits from the 2016/17 Audit Programme; progress on the 2016/17 programme is presented at Appendix A (ii).

### **Recommendations Implemented 30 January to 06 May 2016**

8. There are 8 risk level 3 and level 4 recommendations which have been implemented in this period; a summary is presented at Appendix A (iii).

### **Recommendations Not Implemented by due date at 06 May 2016**

9. As of 06 May 2016, there are no recommendations reported in Covalent as not being implemented in accordance with their agreed due dates.



## Risk Analysis

10.

Risk	Likelihood	Impact	Mitigating actions
The issues highlighted in the internal audit reports are not acted upon	1 Action is already being taken towards the implementation of the recommendations contained in the reports.	2 There would be varying levels of impact from non-implementation of recommendations given the significance of the control risks identified.	Internal audit reports are followed up to ensure compliance.  There are escalation procedures in the event of non compliance

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



**FINAL REPORTS ISSUED****01 February - 17 July 2015**

ref	Audit 2015/16	Risk	Revised potential days	Final Report Issued	Days Taken	Recommendations Made					Audit Opinion
						No.	Risk Level				
						total	4	3	2	1	
02 KF	Cash & Bank	3	10	17/02/16		3	2	1	0	0	limited
03 KF	Contracts & Procurement	4	15	26/02/16		1	0	0	1	0	substantial
07 KF	Housing Benefits and LCTS	3	10	19/04/16		1	0	0	1	0	substantial
12 KF	Payroll	3	10	10/03/16		5	0	3	2	0	limited
14 KF	Taxation	2	2	17/02/16		1	0	0	1	0	substantial
30 O	ICT	3	10	14/03/16		1	0	0	1	0	substantial
40 O	Car Parking Partnership (NEPP)	3	10	24/03/16		3	0	3	0	0	limited
46 O	Licensing	3	10	01/03/16		0	0	0	0	0	substantial
						15	2	7	6	0	

## PROGRESS ON THE AUDIT PROGRAMME 2016/17

Internal Audit Programme 2016/17 – April 2016										
ref	Audit	2016/17 potential days	qtr	IA Risk 2016/17	Started	Draft	Final	Days Taken	Status	Comment
01 KF	Asset Management	10	2	3				0.00		
02 KF	Budgets	5	4	1				0.00		
03 KF	Cash & Bank	5	1	4				0.03		
04 KF	Creditors	0		2				0.00		
05 KF	Fraud (non-corporate)	10	2	3				0.00		
06 KF	Housing Benefits and LCTS	0		2				0.00		
07 KF	Housing Rents	0		2				0.00		
08 KF	Income, Fees & Charges	10	2	3				0.00		
09 KF	NNDR	10	3	3				0.00		
10 KF	Payroll	10	1	4				0.03		
11 KF	Recovery	10	1	3				0.00		
12 KF	Treasury Management	5	1	3				0.00		
13 KF	Value for Money	10	4	4				0.00		
14 O	<b>Business Continuity</b>	<b>10</b>	<b>1</b>	<b>4</b>	<b>19/04/16</b>			<b>0.14</b>	<b>planning</b>	
15 O	Car Parking Partnership (NEPP)	0		3				0.00		
16 O	Conservation & Trees	10	3	2				0.00		
17 O	<b>Corporate Governance &amp; AGS</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>05/04/16</b>			<b>0.91</b>	<b>planning</b>	
18 O	Customer Service Centre	10	1	3				0.03		
19 O	Economic Development Service	0		2				0.00		
20 O	Elections	10	2	3				0.00		
21 O	Electoral Registration	10	2	3				0.00		
22 O	<b>Enforcement</b>	<b>10</b>	<b>1</b>	<b>2</b>	<b>25/04/16</b>			<b>3.21</b>	<b>planning</b>	
23 O	Facilities Management	10	3	2				0.00		
24 O	Grants & Awards (made)	10	4	4				0.00		
25 O	Grants & External Funding received	10	2	4				0.00		
26 O	H&H - Allocations	0		2				0.00		
27 O	<b>H&amp;H - Community Health</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>20/04/16</b>			<b>2.21</b>	<b>planning</b>	
28 O	H&H - Environmental Health - Food	10	3	3				0.00		

## PROGRESS ON THE AUDIT PROGRAMME 2016/17

	Safety & Infectious Disease Control								
29 O	H&H - Equality & Diversity incl Access to Services	10	4	4				0.00	
30 O	H&H - Health & Safety	0		3				0.00	
31 O	H&H - Homelessness	0		2				0.00	
32 O	H&H - Services for Older People	0		3				0.00	
33 O	H&H - Stock & Voids	5	3	3				0.00	
34 O	HR	0		2				0.00	
35 O	Insurance	10	1	4				0.03	
36 O	Legal Services	0		3				0.00	
37 O	Leisure - Day Centres	0		3				0.00	
38 O	Leisure - PFI	0		3				0.00	
39 O	Local Land Charges	10	3	3				0.00	
40 O	Mailroom & Reprographics	10	3	3				0.00	
41 O	Members' Allowances & Expenses	10	3	4				0.00	
42 O	Museum	10	2	3				0.00	
43 O	Partnerships	10	2	4				0.00	
44 O	Performance Management	10	2	3				0.00	
45 O	Planning - Housing Strategy	10	4	4				0.00	
46 O	Planning - Local Plan	0		3				0.00	
47 O	SS - Fleet & Fuel Management and Transport Maintenance	5	1	3				0.00	
48 O	SS - Income Generating Services & Asset Management	10	3	4				0.00	
<b>TOTAL AUDIT DAYS</b>		<b>310</b>							

**LEVEL 3 AND 4 RECOMMENDATIONS IMPLEMENTED 30 JANUARY to 06 MAY 2016**

Code & Title	Description	Risk Level	Managed By	Due Date	Completed
1516 12KF PAYROLL 01	<p>It is recommended that:</p> <p>a) arithmetical and factual checks of Travel and Subsistence claims by the Payroll Officer be reduced to a sample 10% check by the Payroll Officer. This excludes a check on taxable or non-taxable claims whereby 100% checks are required regarding the journey details.</p> <p>b) Where an error is identified in this check, whether it is in the council's or the officers favour the claim form should be returned to the authorising and approving Manager for correction in consultation with the officer concerned.</p> <p>c) E-mail notification of returned claim forms should be sent to both Manager and Officer including notification of the date by which the re-submitted form must be returned to prevent payment being held over until the following month.</p> <p>d) Consideration should be given to reviewing the cut off deadlines and /or the claim accounting period to ensure sufficient time for errors identified by the sample checks or other routine checks to be notified to the Managers and Officers concerned and corrected claim forms re-submitted.</p> <p>e) the full amount of any adjustment must be paid whether it is in the council's or the officers favour</p>	3	Assistant Director Corporate Services	31-Mar-16	16-Mar-16

### LEVEL 3 AND 4 RECOMMENDATIONS IMPLEMENTED 30 JANUARY to 06 MAY 2016

Code & Title	Description	Risk Level	Managed By	Due Date	Completed
1516 280 HOUSING STOCK & VOIDS 01	It is recommended that the Void Path system be updated with work-in-progress events to ensure records are reliable and complete for reporting and monitoring on void performance.	3	Assistant Director Housing & Health	29-Feb-16	17-Feb-16
1516 310 INFORMATION MANAGEMENT & SECURITY 02	<p>(a) A responsible officer within ICT should be allocated the task of managing the current K:\drive to ensure compliance with the Record retention policy and ICT procedures.</p> <p>(b) Departments/Service areas should be instructed to reduce their data held in the K:\drive this should be either be deleted or moved to their individual R:\drive.</p> <p>(c) A Corporate shared drive will still be needed e.g. for /temporary data transfer /between Services.</p> <p>(d) Procedures should be drawn up to ensure the Corporate shared drive is properly controlled and to ensure data is deleted as soon as possible.</p> <p>(e) Corporate documentation should be on the intranet rather than held on the K:\drive.</p>	3	Assistant Director ICT & Facilities	31-Mar-16	14-Apr-16
1516 310 INFORMATION MANAGEMENT & SECURITY 04	Staff should undertake U-Learning refresher training on FOI /DP/ EIR where appropriate.	3	Assistant Director ICT & Facilities	31-Mar-16	13-Apr-16
1415 OP 19 02 CAR PARKING PARTNERSHIP (NEPP)	It is recommended that the Finance Assistant checks the monthly PCN income to the reconciliation from CBC. In addition, random checks should be made on the monthly PCN income by checking to reports from Chipside	3	Assistant Director Finance	31-Mar-16	19-Apr-16

**LEVEL 3 AND 4 RECOMMENDATIONS IMPLEMENTED 30 JANUARY to 06 MAY 2016**

Code & Title	Description	Risk Level	Managed By	Due Date	Completed
1516 40 O 01 CAR PARKING PARTNERSHIP (NEPP)	It is recommended that NEPP should be informed of the following: -. Machine tickets are not received from Enfield. There is a delay in the banking of car park income by Enfield.	3	Assistant Director Planning	31-Mar-16	30-Mar-16
1516 40 O 02 CAR PARKING PARTNERSHIP (NEPP)	It is recommended that frequent or recurring machine problems are reported to NEPP.	3	Assistant Director Planning	31-Mar-16	30-Mar-16
1516 40 O 03 CAR PARKING PARTNERSHIP (NEPP)	It is recommended that a review is carried out at Corporate Management Team level to determine where the responsibilities should be assigned for the regular monitoring; reconciliations and investigation of variances/discrepancies of car parking income.	3	Assistant Director Planning	01-Jul-16	19-Apr-16



**Committee: Performance & Audit Committee**

**Agenda Item**

**Date: 19 May 2016**

**8**

**Title: Performance & Audit Committee Self-assessment 2015/16**

**Author: Sheila Bronson, Internal Audit Manager  
01799 510610**

Item for information

## Summary

1. The Performance & Audit Committee fulfils the Audit Committee functions for the Council. To ensure it is meeting its responsibilities against the provided by Chartered Institute of Public Finance and Accountancy (CIPFA), a self-assessment of its work 2015/16 has been undertaken. This self-assessment will be included as evidence in support of the Annual Governance Statement 2015/16

## Recommendations

2. The Committee note the outcome of Performance & Audit Committee Self-Assessment 2015/16

## Financial Implications

3. None. There are no costs associated with this report

## Background Papers

4. None

## Impact

- 5.

Communication/Consultation	none
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

## Situation

6. In December 2013, CIPFA published its “Audit Committees – Practical Guidance for Local Authorities and Police”. This guidance contains a Self-Assessment of Good Practice and an Evaluation of Effectiveness of audit committees.
7. Members were invited to take part in self-assessment exercise on 14 April 2016 using the checklists for the Self-Assessment of Good Practice and Evaluation of Effectiveness to consider the performance of this Committee in fulfilling its Audit Committee functions in 2015/16.

### Self-Assessment of Good Practice

8. There are 20 questions contain in the CIPFA Self-assessment of Good Practice checklist which were considered during the exercise on 14 April. The completed self-assessment with comments to evidence the responses to each question is attached at Appendix A; below is a summary of the responses.
9. Of the 20 questions, responses were assessed as follows:

Yes	Partly	No
16	1	3

In comparison with the 2014/15 responses:

Yes	Partly	No
15	2	3

10. The 3 “No” responses are:

Ref	Good Practice question	Comments / Actions
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Members should be asked to complete a self-assessment against the core skills and consider what training may be necessary to fill any gaps identified
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Neither sought nor received

19	Has the committee evaluated whether and how it is adding value to the organisation?	Chairman to report key points to Cabinet (standing item on Cabinet agenda)

11. The 1 “Partly” response is:

Ref	Good Practice question	Comments / Actions
7	Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement?	
	• Good governance	yes
	• Assurance framework	yes
	• Internal audit	yes
	• External audit	yes
	• Financial reporting	yes
	• Risk management	yes
	• <b>Value for money or best value</b>	<b>PARTLY - At present no reports are received on procurement or tendering. The Committee will ask for a Procurement Report to be presented at its next meeting with quarterly or bi-annual update on procurement at future meetings.</b>
• Counter-fraud and corruption	yes	

## Evaluation of Effectiveness

12. The CIPFA Evaluation of Effectiveness requires consideration of 9 areas where the audit committee can add value by supporting improvement, to be assessed against the following key:

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

13. At the exercise on 14 April it was assessed that the Committee scored as follows:

Key level **5** in **3** of the areas and  
Key level **4** in **6** of the areas

14. The completed evaluation with comments to evidence responses is attached at Appendix A

## Conclusion

15. The conclusion from the Self-Assessment of Good Practice and Evaluation of Effectiveness carried out on 14 April 2016 is therefore that in 2015/16 the Performance & Audit Committee has effectively fulfilled its Audit Committee functions in accordance with the CIPFA guidance for an Audit Committee.

## Risk Analysis

16.

Risk	Likelihood	Impact	Mitigating actions
The Performance & Audit Committee fails to fulfil its function as the Council's Audit Committee	1 = Little or no Likelihood Annual self-assessment to be carried out as part of the	2 = Some impact – action may be necessary	The annual self-assessment The Annual governance Statement is reviewed by the External

	evidence required for the Annual Governance Statement		Auditor and by the Performance & Audit Committee
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1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



## 2015/16 Performance & Audit Committee Self-assessment of Good Practice & Evaluation of Effectiveness 14 April 2016

### Self-assessment of Good Practice

Good Practice questions		Yes	Partly	No	Comments/action
	<b>Audit Committee Purpose and Governance</b>				
1	Does the authority have a dedicated audit committee?	Yes			
2	Does the audit committee report directly to full council?	Yes			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Yes			
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Yes			Broadly as there is no other committee that does this
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Yes			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Yes			Full Council receives an annual report from the Chairman

	<b>Functions of the Committee</b>				
<b>7</b>	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
	▪ Good governance	Yes			
	▪ Assurance framework	Yes			
	▪ Internal audit	Yes			
	▪ External audit	Yes			
	▪ Financial reporting	Yes			
	▪ Risk management	Yes			
	▪ Value for money or best value		Partly		At present no reports are received on procurement or tendering. The Committee will ask for a Procurement Report to be presented at its next meeting with quarterly or bi-annual update on procurement at future meetings.
	▪ Counter-fraud and corruption	Yes			
<b>8</b>	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes			
<b>9</b>	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Yes			Not considered appropriate for this Committee
<b>10</b>	Where coverage of core areas has found to be limited, are plans in place to address this?	Yes			See 7 above



11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes			
	<b>Membership and Support</b>				
12	Has an effective audit committee structure and composition of the committee been selected? This should include:				
	▪ Separation from the executive	Yes			
	▪ An appropriate mix of knowledge and skills among the membership	Yes			Two Chartered Accountants
	▪ A size of committee that is not unwieldy	Yes			
	▪ Where independent members are used, that they have been appointed using an appropriate process	Yes			Not applicable as there are no Independent Members for the Committee
13	Does the chair of the committee have appropriate knowledge and skills?	Yes			The Chairman is a Chartered Accountant
14	Are arrangements in place to support the committee with briefings and training?	Yes			The Committee received Audit Committee training in January 2016
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			No	Members should be asked to complete a self-assessment against the core skills and consider what training may be necessary to fill any gaps identified
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and chief finance officer?	Yes			
17	Is adequate secretariat and administrative support to the committee provided?	Yes			

	<b>Effectiveness of the committee</b>				
<b>18</b>	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			No	Neither sought nor received
<b>19</b>	Has the committee evaluated whether and how it is adding value to the organisation?			No	Chairman to report key points to Cabinet (standing item on agenda)
<b>20</b>	Does the committee have an action plan to improve any areas of weakness?	Yes			

## Evaluating the Effectiveness of the Audit Committee

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
1. Promoting the principles of good governance and their application to decision making	<ul style="list-style-type: none"> <li>• <i>Providing robust review of the AGS and the assurances underpinning it</i></li> <li>• <i>Working with key members/governors to improve their understanding of the AGS and their contribution to it</i></li> <li>• <i>Supporting reviews/audit of governance arrangements</i></li> <li>• <i>Participating in self-assessments of governance arrangements</i></li> <li>• <i>Working with partner audit committees to review governance arrangements in partnerships</i></li> </ul>		4
2. Contributing to the development of an effective control environment	<ul style="list-style-type: none"> <li>• <i>Monitoring the implementation of recommendations from auditors</i></li> <li>• <i>Encouraging ownership of the internal control framework by appropriate managers</i></li> <li>• <i>Raising significant concerns over controls with appropriate senior managers</i></li> </ul>		5

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<ul style="list-style-type: none"> <li>• <i>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking</i></li> <li>• <i>Monitoring improvements</i></li> <li>• <i>Holding risk owners to account for major/strategic risks</i></li> </ul>		5
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> <li>• <i>Specifying its assurance needs, identifying gaps or overlaps in assurance</i></li> <li>• <i>Seeking to streamline assurance gathering and reporting</i></li> <li>• <i>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit</i></li> </ul>		4

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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
5. Supporting the quality of the internal audit activity, particularly by underpinning its organizational independence	<ul style="list-style-type: none"> <li>• <i>Reviewing the audit charter and functional reporting arrangements</i></li> <li>• <i>Assessing the effectiveness of internal audit arrangements and supporting improvements</i></li> </ul>		5
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<ul style="list-style-type: none"> <li>• <i>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place</i></li> <li>• <i>Reviewing the effectiveness of performance management arrangements</i></li> </ul>	The Committee to consider major projects once tenders have been received and contract awarded to review contract management arrangements	4

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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
7. Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> <li>• <i>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee</i></li> <li>• <i>Considering how performance in value for money is evaluated as part of the AGS</i></li> </ul>		4
8. Helping the authority to implement the value of good governance, including effective arrangements for countering fraud and corruption risks	<ul style="list-style-type: none"> <li>• <i>Reviewing arrangements against the standards set out in CIPFA's Managing the Risk of Fraud (Red Book 2).</i></li> <li>• <i>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks</i></li> <li>• <i>Assessing the effectiveness of ethical governance arrangements for both staff and governors</i></li> </ul>		4

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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	<ul style="list-style-type: none"> <li>• <i>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English</i></li> <li>• <i>Reviewing whether decisions making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency</i></li> </ul>		4

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