FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **THURSDAY, 24 SEPTEMBER 2015**

REPORT BY: **INTERNAL AUDIT MANAGER**

SUBJECT: **INTERNAL AUDIT PROGRESS REPORT**

1.00   **PURPOSE OF REPORT**

1.01   To present to members an update on the progress of the internal audit department.

2.00   **BACKGROUND**

2.01   Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts as listed below.

2.02   The status of all projects in the 2015/16 plan as at 1st September is shown in Appendix A. The Appendix shows the agreed timing for the individual projects where it is known, and the actual number of days spent on each project.

2.03   Changes from the original plan for 2015/16 are outlined in Appendix B.

2.04   The details of the outcomes of all reports finalised since the last Audit Committee are shown in Appendix C.

2.05   Appendix D gives a summary of all recommendations tracked since the last committee. For recommendations not completed by the due date, it also gives the view of the relevant Chief Officer on the acceptability of the reason for the delay and on the management of the risk that has arisen because of the delay.

2.06   Performance Indicators for the department and for the responses to reports are given in Appendix E.

2.07   An overview of current Investigations is given in Appendix F.

3.00   CONSIDERATIONS

3.01   Audit Plan and Resources

Appendix A shows the plan for 2015/16. A few changes are detailed in Appendix B. Two audits have been added to the scheduled work, whilst one has been deleted as unnecessary.

The transition to the new software has resulted in a number of audit reviews which have exceeded their budgeted time. This in turn is one factor behind the slow start to this year's plan. At the same time the software has taken up a large amount of management time in implementation and tailoring to our needs. The delays will become less as the team become more familiar with the system and are able to use it effectively. This will be monitored closely to ensure that the pace of completion is picked up for the remainder of the year.

At the same time there have been a number of investigations and National Fraud Initiative work has taken place. In the first five months of the year we have used 55% of the annual budgeted time for this work.

The plan is subject to change, more so this year than in others. With the development of ADMs and restructures, the focus of audit needs to be flexible. The plan will remain under review during the year.

The plan includes some lower priority audits that could be deferred or deleted during the year if necessary depending on resources and demand.

3.02   The implementation of the integrated audit software is continuing. All current audit work now uses the software, with reports being generated from April. Recommendation tracking through the system will start shortly. Satisfaction questionnaires are now being issued via the system, which will aid the response rate in the future. Management information will build up over time as the system is used more and more.

3.03   Final Reports

All reports finalised since the last committee meeting are shown in Appendix C. Details for the School Thematic Review are also given. This is an overall review of specific topics within a number of schools to improve overall procedures and controls. Results are disseminated to all schools for information.

3.04   Copies of all final reports are available for members if they wish to see them.

3.05   **Recommendation Tracking**

Appendix D shows the responses that have been received when tracking recommendations. The non-implemented recommendations will be tracked again at their new due date. They include four recommendations on Procurement which relate to the approved lists of suppliers. The continued use of the lists is being reviewed. The nine recommendations for Capital Strategy are the old recommendations discussed below.

For recommendations that have not been implemented on time the relevant Chief Officer is required to confirm that the reason and the new date are both acceptable to them and to report on how the risk is being managed before the recommendation is implemented. This ensures that they are aware of non-implementation and that they are able to take responsibility for the risk. The views of the Chief Officers are also shown in Appendix E. The original implementation dates and the new implementation dates are shown, and there is a column to show the view of Internal Audit.

After a request by the committee the old outstanding recommendations have been followed up and a breakdown is included in Appendix E. They are all still being actioned, but have required long-term solutions. Procurement recommendations will be cleared through the roll out of e-sourcing, for which training has commenced. The Capital Strategy is being developed and is planned to be presented to Cabinet in November. For Main Accounting, a protocol is being finalised and will be brought to the next meeting of the Audit Committee. The longest time period for completion relates to the Enforcement recommendations. These have been looked at over time through the finance function review, Flintshire Futures and now the finance modernisation programme. It is planned to procure a new accounts receivable system which will resolve the issues. The business case is nearing completion and it is expected that it will be in place in 2016.

3.06   **Performance Indicators**

Appendix E shows the range of performance indicators for the department following the changes to the way the department discusses audit findings and issues reports. These are generally good, although the number of audits completed within the planned time has fallen. This is reflecting the first audits finalised using the new software, which has taken some time for the auditors to become familiar with. This will be monitored to ensure that it improves. There is still a red for depts. returning satisfaction questionnaires, but the percentage has improved considerably. This will continue to improve with all questionnaires now issued and chased using the new software.

3.07   **Investigations**

Appendix F shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.

3.08   **Schools Whistleblowing Policies**

Following the Wales Audit Office report on whistleblowing arrangements, the committee expressed concern over the adoption of policies in schools. All schools have been contacted to confirm whether they hold a policy and to provide a copy for review. Sixty nine schools have responded so far, with sixty two having a policy in place. All results will be passed to the Chief Officer Education and Youth for his team to follow up as necessary.

4.00   RECOMMENDATIONS

4.01   The committee is requested to consider the report.

5.00   FINANCIAL IMPLICATIONS

5.01   None as a direct result of this report.

6.00   ANTI POVERTY IMPACT

6.01   None as a direct result of this report.

7.00   ENVIRONMENTAL IMPACT

7.01   None as a direct result of this report.

8.00   EQUALITIES IMPACT

8.01   None as a direct result of this report.

9.00   PERSONNEL IMPLICATIONS

9.01   None as a direct result of this report.

10.00   CONSULTATION REQUIRED

10.01   None as a direct result of this report.

11.00   CONSULTATION UNDERTAKEN

11.01   None as a direct result of this report.

12.00   APPENDICES

12.01   A   Operational Plan 2015/16
         B   Changes to the Operational Plan
         C   Reports Issued
         D   Recommendation Tracking
         E   Performance Indicators
         F   Investigations

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Contact Officer: David Webster
Telephone: 01352 702248
Email: david.webster@flintshire.gov.uk