central midlands audit partnership

Ashfield District Council – Audit Progress Report

Audit Committee: 26th September 2016

Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

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CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Ashfield District Council – Audit Progress Report

Introduction

Role of Internal Audit

The Internal Audit Service for Ashfield District Council is now provided by the Central Midlands Audit Partnership (CMAP). The Partnership's operates in accordance with standards of best practice applicable to Internal Audit (in particular, the Public Sector Internal Audit Standards – PSIAS). CMAP also adheres to the Internal Audit Charter.

The role of internal audit is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

Recommendation Ranking

To help management schedule their efforts to implement our recommendations or their alternative solutions, we have risk assessed each control weakness identified in our audits. For each recommendation a judgment was made on the likelihood of the risk occurring and the potential impact if the risk was to occur. From that risk assessment each recommendation has been given one of the following ratings:

- Critical risk.
- Significant risk.
- Moderate risk
- Low risk.

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within which these recommendations can be addressed. These matters are still for management to determine.

Control Assurance Definitions

Summaries of all audit reports are to be reported to Audit Committee together with the management responses as part of Internal Audit's reports to Committee on progress made against the Audit Plan. All audit reviews will contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. This will be graded as either:

- **None** - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Comprehensive** - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

This report rating will be determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. Any audits that receive a None or Limited assurance assessment will be highlighted to the Board in Audit's progress reports.

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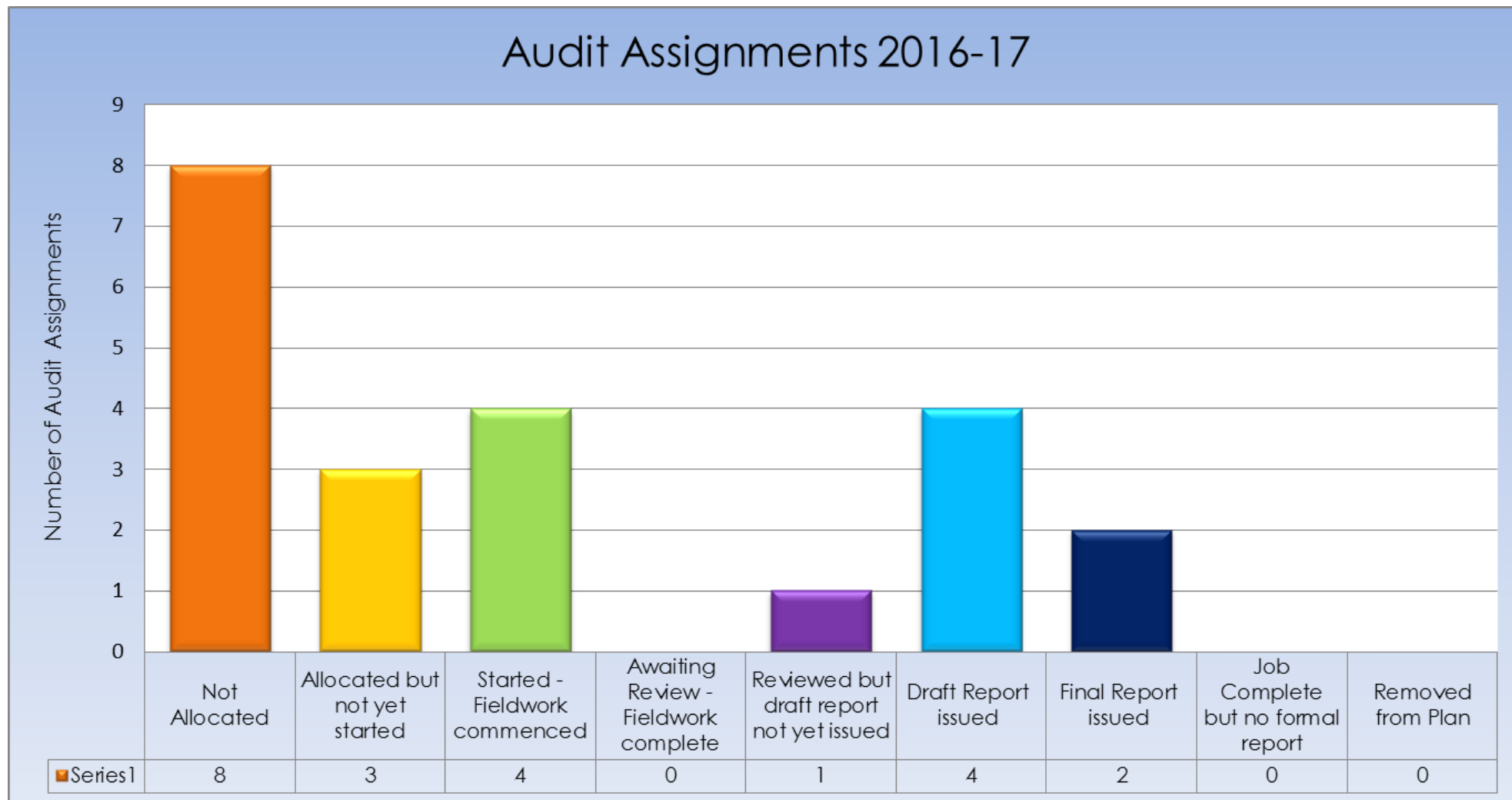
Audit Coverage

Progress on Audit Assignments

The following table provides the Board with information on how audit assignments were progressing as at 31st August 2016.

2016-17 Audit Plan Assignments	Type of Audit	Current Status	% Complete	Level of Assurance
Data Quality & Performance Management	Governance Review	Not Allocated	0%	
Main Accounting Systems 2016-17	Key Financial System	Not Allocated	0%	
Treasury Management	Key Financial System	Not Allocated	0%	
Creditors	Key Financial System	Not Allocated	0%	
Housing Benefit & Council Tax Support	Key Financial System	Not Allocated	0%	
Council Tax	Key Financial System	Not Allocated	0%	
NDR	Key Financial System	Not Allocated	0%	
Refuse Collection / Recycling / Trade Waste	Systems/Risk Audit	In Progress	70%	
Safeguarding	Governance Review	Draft Report	95%	
New Cross Initiative	Systems/Risk Audit	Draft Report	95%	
Leisure Centres	Systems/Risk Audit	Allocated	0%	
Business Continuity & Emergency Planning	Systems/Risk Audit	In Progress	50%	
PCI Compliance	Systems/Risk Audit	In Progress	70%	
IT Applications	IT Audit	Not Allocated	0%	
Email Security	IT Audit	Draft Report	95%	
Payroll	Systems/Risk Audit	In Progress	70%	
Ethical Processes & Payments (Members & Officers)	Systems/Risk Audit	Allocated	0%	
Audit Plan Assignments B/fwd from 2015-16				
Ashfield - Main Accounting (MTFP)	Key Financial System	Draft Report	95%	
Ashfield - Risk Management	Governance Review	Final Report	100%	Reasonable
Ashfield DC - Revenues Systems Overview	Key Financial System	Final Report	100%	Reasonable

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Audit Coverage

Progress on Audit Assignments Chart

Audit Assignments 2016-17

	Not Allocated	Allocated but not yet started	Started - Fieldwork commenced	Awaiting Review - Fieldwork complete	Reviewed but draft report not yet issued	Draft Report issued	Final Report issued	Job Complete but no formal report	Removed from Plan
Series1	8	3	4	0	1	4	2	0	0

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Audit Coverage

Completed Audit Assignments

Although 4 audit assignments have reached the draft report stage between 1st July 2016 and 31st August 2016, no further audit assignments reached their conclusion. Accordingly, there is nothing to bring to Committee's attention.

Audit Plan Changes

As a result of the decision to bring Ashfield Homes Ltd back into the Council, the planned audit coverage of Ashfield Homes has had to be reconsidered. From discussions between Internal Audit, the Deputy Chief Executive (Resources) and Ashfield Homes' Interim Company Accountant, it was identified that a number of the existing planned internal audits would become irrelevant once the service was taken back in-house. Two Ashfield Homes audits had commenced that would remain relevant following the transfer and as such they would continue, but the remaining audits would be postponed at least until the Management of Ashfield Homes has transferred. If any planned internal audits become irrelevant upon transfer to the Council, they will be cancelled and time already allocated by CMAP will be used on new or existing internal audits.

At the request of the Council's Assistant Chief Executive (Governance) and Monitoring Officer, Internal Audit has brought two additional audits into the Audit Plan.

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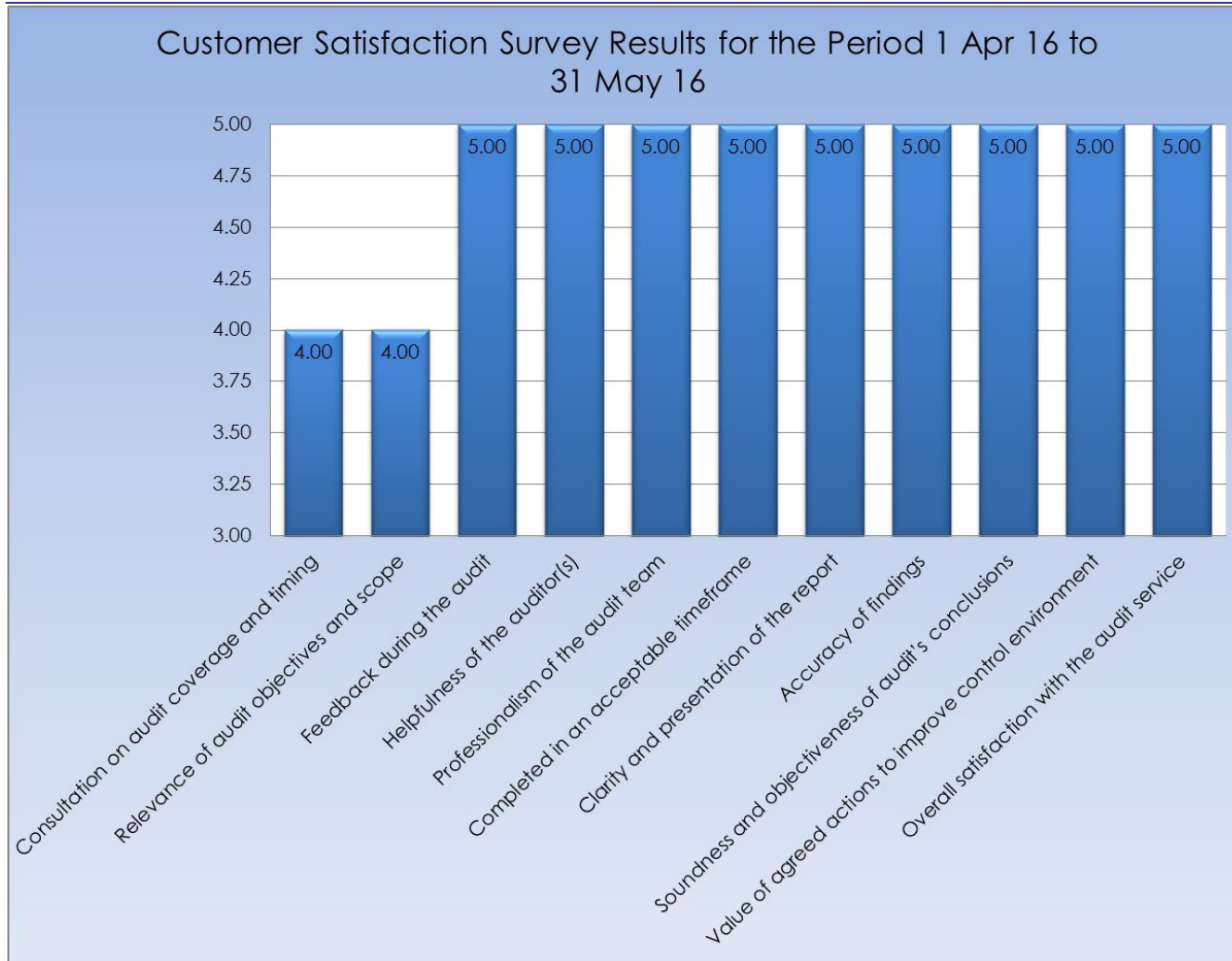
Audit Performance

Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the single response received between 1st April 2016 and 31st August 2016. The overall score from the survey was 53 out of 55.

The overall responses are graded as either:

- Excellent (scores 47 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

The single response received to date categorised the audit service they received as excellent.

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Customer Satisfaction Survey Results for the Period 1 Apr 16 to 31 May 16

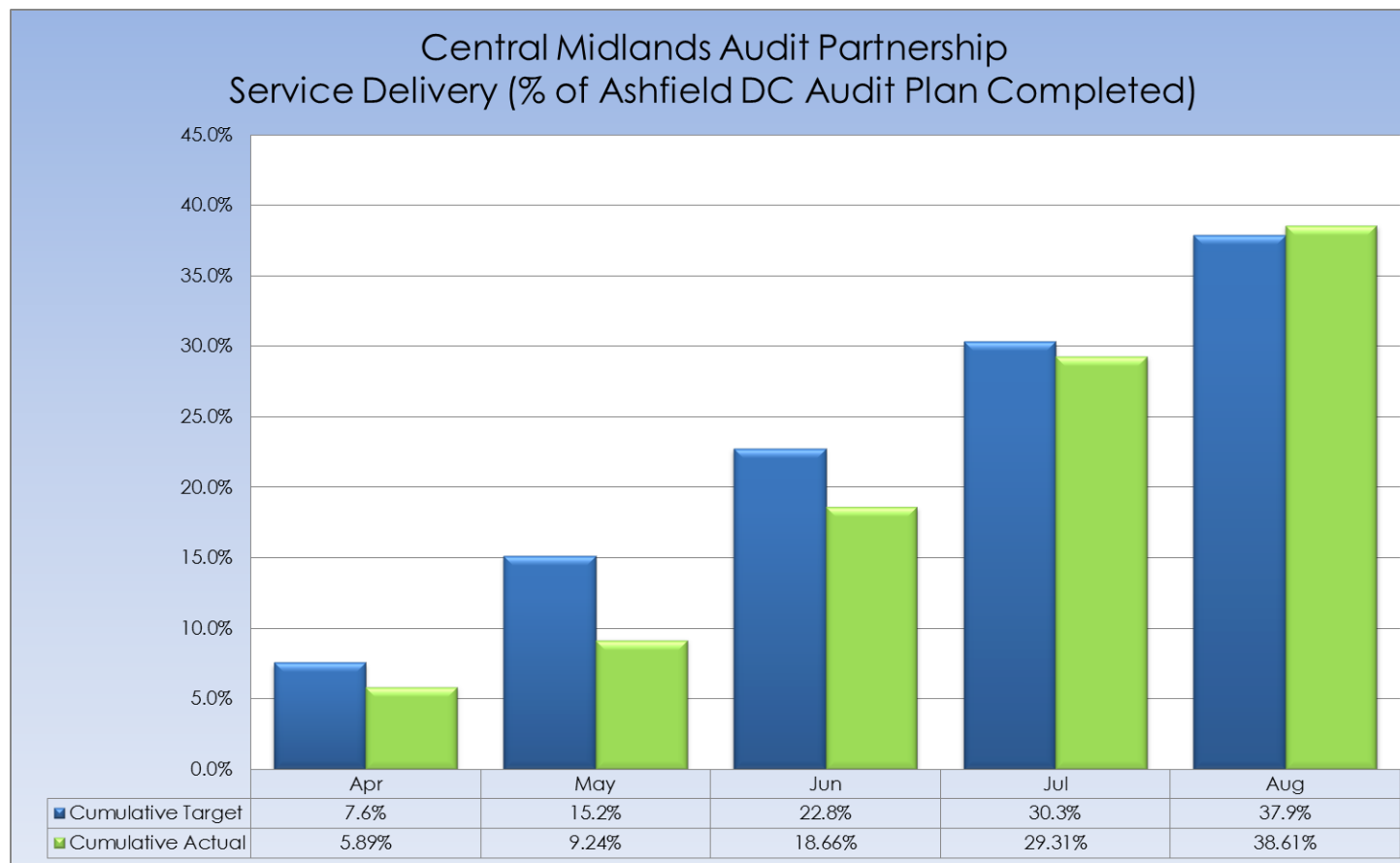# Ashfield District Council – Audit Progress Report

Audit Performance

Service Delivery (% of Audit Plan Completed)

At the end of each month, Audit staff provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each Partner organisation's Audit Plans have been completed to date and how much of the Partnership's overall Audit Plan has been completed.

Shown across is the estimated percentage complete for Ashfield DC 2016-17 Audit Plan (including incomplete jobs brought forward) after approximately 5 months of the Audit Plan year.

The monthly target percentages are derived from equal monthly divisions of an annual target of 91% and do not take into account any variances in the productive days available each month.

Central Midlands Audit Partnership
Service Delivery (% of Ashfield DC Audit Plan Completed)

	Apr	May	Jun	Jul	Aug
Cumulative Target	7.6%	15.2%	22.8%	30.3%	37.9%
Cumulative Actual	5.89%	9.24%	18.66%	29.31%	38.61%

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Recommendation Tracking

Follow-up Process

The Council has operated its own procedure for monitoring the implementation of agreed Audit recommendations. This process will now be undertaken by Internal Audit.

Internal Audit has developed a bespoke system whereby emails, automatically generated by our recommendations database, can be sent to officers responsible for action where their recommendations' action dates have been exceeded. The emails request an update on each recommendation's implementation status, which will be fed back into the database, along with any revised implementation dates.

Each recommendation made by Internal Audit will be assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **No Progress Information** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.

- **Future Action Date** = Action is not due yet, so Audit has not followed up.

- **Implemented** = Audit has received assurances that the agreed actions have been implemented.

- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.

- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date)

- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.

Implementation Status Details

Reports to the Board are intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations made between 1st April 2016 and 31st August 2016:

	Implemented	Being Implemented	Risk Accepted	Superseded	No progress information	Future Action Date	Total
Low Risk	0	1	0	0	0	7	**8**
Moderate Risk	0	0	0	0	0	0	**0**
Significant Risk	0	0	0	0	0	0	**0**
Critical Risk	0	0	0	0	0	0	**0**
Totals	**0**	**1**	**0**	**0**	**0**	**7**	**8**

The table below shows those recommendations not yet implemented by dept.

Recommendations Not Yet Implemented	Finance	Corporate Services	Chief Executives	Economy & Housing	Environment	Totals
Being Implemented	0	1	0	0	0	1
No progress information	0	0	0	0	0	0
	0	**1**	**0**	**0**	**0**	**1**

In future Internal Audit will provide Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We will provide full details of any moderate, significant or critical risk issues where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above).

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Recommendation Tracking

Highlighted Recommendations

We have included this section of this report to bring recommendations to your attention.

Corporate Services & Transformation

Risk Management

Control Issue 5 - Risk Management monitoring and reporting arrangements as outlined in the Risk Management Strategy and Process document were not being adhered to. The document also did not include the monitoring and reporting requirements for the Audit Committee, in respect of risk management.

Risk Rating – Low Risk

Status Update - A revised governance structure for risk has been agreed and the strategy will be updated in accordance with this.

Original Action Date   31 Jul 16   Revised Action Date   30 Sep 16

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Status of Previous Audit Recommendations

Recommendations Not Implemented

There are a number of Audit Recommendations that were issued and agreed prior to Ashfield District Council joining the Central Midlands Audit Partnership. These recommendations continue to monitored via the Covalent system and what follows is a summary of the latest position of those recommendations

The table below provides a summary of the audit recommendations made to the 14th September 2016 and agreed by management, which have reached their agreed implantation date, but which currently remain outstanding.

	Previous Years Audits	2015/16 Audits	Recommendations outstanding @ 14th September 2016
High Priority	0	1	1
Medium Priority	2	4	6
Low Priority	0	1	1
Total	2	6	8

The table below provides an analysis of those same recommendations, but split into the relevant service areas.

Service Area	High	Medium	Low	Total
Deputy Chief Executive (Resources)	0	2	1	3
Assistant Chief Executive Governance	1	1	0	2
Service Director – Corporate	0	3	0	3
Service Director – Planning & Economic Development	0	0	0	0
Service Director – Place & Communities	0	0	0	0
Service Director - Housing	0	0	0	0
Total	1	6	1	8

The table following provides an analysis of those previous audit recommendations agreed which have action dates set in the future.

Service Area	High	Medium	Low	Total
Deputy Chief Executive (Resources)	0	0	0	0
Assistant Chief Executive Governance	0	0	0	0
Service Director – Corporate	1	1	0	2
Service Director – Planning & Economic Development	2	0	0	2
Service Director – Place & Communities	0	0	0	0
Service Director - Housing	0	0	0	0
Total	3	1	0	4

The Audit Committee held in June 2011 requested details of all individual high level outstanding recommendations to be presented at all future meetings of the Audit Committee. There is currently only one high priority recommendation outstanding and this is detailed in the following section.

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High Level Outstanding Recommendations

DCE/AUD - Audit Recommendations - High Risk Outstanding

Category	Data Management

Recom. No.	Recommendation	Risk Factor (1 High, 3 Low)	Impl. Date	Status	Progress Bar
AUD/1516 - 09/03	The Assistant Chief Executive commission training for managers and other employees whose duties require informed compliance with Council policies on data management.	1	30-Jun-2016	🔴	85%
	Response				
	Agreed				
	Manager				
	Ruth Dennis;				

Comment History	14-Sep-2016	Employees requiring training have been identified and prioritised according to needs. Roll out will be progressed shortly.
	14-Jun-2016	Training module developed for roll out via the ELA training system including testing at the end of the module and a pass mark. Next stage is to identify employees who will be required to undertaking the training module and to roll it out.