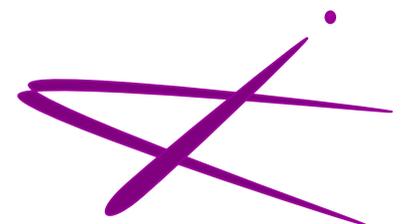




**HYNDBURN**

The place to be  
an excellent council

# **Annual Internal Audit Report & Audit Opinion 2015/16**



## EXECUTIVE SUMMARY

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The Head of Audit & Investigations is pleased to report that good levels of internal control were found to be in place and no significant areas of concern were found that could impact on the Council's Financial Statements. This is based on the work of the Internal Audit Team during 2015/16.

The key issues arising from this report are:-

- The Head of Audit & Investigations is able to issue a positive opinion on the systems of Internal Control based on the work carried out in 2015/16 as detailed below.
- Internal Audit did not identify any issues in 2015/16 during the course of their audit work that would have a material effect on the Council's Financial Statements.
- Internal Audit achieved audit plan coverage of 101.69% in 2015/16. This exceeds the annual target of 98%. A contributory factor in this was covering additional work from the reserve list in addition to that within the Audit Plan.
- Production and publication of this report is a requirement of the Public Sector Internal Audit Standards. This report satisfies the requirements for those charged with governance and forms a supplementary piece of evidence to the Annual Governance Statement.

## AUDIT OPINION 2015/16

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All of the work undertaken by Internal Audit during the financial year 2015/16 was in conformance with the Public Sector Internal Audit Standards. The average opinion score in 2015/16 was 1.52 as opposed to 1.18 in 2014/15. This is based on a scale of 1 to 4 where 1 is the highest level of assurance and 4 is the lowest level of assurance.

Therefore the Audit Opinion for 2015/16 is:-

**Substantial assurance:** The work undertaken showed there is a generally sound system of internal control designed to meet the service objectives, and controls are generally being applied consistently. However some weaknesses in the design and / or inconsistent application of controls put the achievement of particular objectives at risk.

This statement is intended to provide reasonable assurance. There is an on-going process for identifying, evaluating and managing key risks. These risks are reflected in the Internal

Audit Plan and are subject to their own reporting process during the course of the year which sits outside the Internal Audit role.

**Opinion Caveat** – Those charged with Governance must remember that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

# ANNUAL INTERNAL AUDIT REPORT & AUDIT OPINION

## PURPOSE & BOUNDARIES

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Management is responsible for the System of Internal Control and must set in place policies and procedures to ensure that the system is functioning correctly. Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls. This report is the culmination of the work during 2015/16 and seeks to:-

- Provide an opinion on the adequacy of the control environment
- Comment on the nature and extent of any significant risk
- Report the incidence of significant control failings or weaknesses

### Requirement for Internal Audit

Various statutes require a continuous internal audit of the Authority's systems and internal control. This role is complemented by initiatives aimed at promoting effective corporate governance, risk management, anti-fraud & corruption including bribery, anti-money laundering & proceeds of crime in addition to maintaining probity and value for money.

The Public Sector Internal Audit Standards (PSIAS) set out a detailed framework that Internal Audit must conform to. These cover all aspects of Internal Audit from behaviours to the actual way in which audit work should be conducted.

In addition to the PSIAS both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) produce additional guidance and publications surrounding internal audit, control, governance and Audit Committees etc. One such publication is "The Role of the Head of Internal Audit in Public Service Organisation" published in 2010. This sets out the standards that are expected not only of the Head of Internal Audit but also of the Authority as a whole. This publication compliments the PSIAS and what they aim to achieve.

The guidance accompanying the Accounts and Audit Regulations 2015 also detail the need for sound systems of internal control and set out the basis for the necessity of Internal Audit.

### Equality & Diversity

Internal Audit remains committed to the Council's objectives on Equality and Diversity. This is achieved through the way the team is managed, the way staff are trained and by the way processes are put in place to ensure members of the team behave appropriately in their work with staff and management at all levels together with elected Members,

members of the public and other external organisations. This again links into the requirements of the PSIAS.

Audit & Investigations teams have received both Equality & Diversity Training in addition to other information supplied e.g. Newsround briefings. This area is also a standing agenda item at team meetings.

### **Declaration of Interests**

Internal Audit must avoid any conflict of interest that could impede any of the audit work carried out or cast doubt over the independence or integrity of the auditor carrying out the assignment. This links in to the 'Due Professional Care & Ethics' elements of the PSIAS.

All members of the audit team are aware that they must declare any interests and sign an annual statement which also states they would inform the Head of Audit & Investigations if any issue became apparent during the year.

The Head of Audit & Investigations can report that no member of the Audit Team had any issues that could have impacted on the integrity, professionalism or quality of the work during 2015/16.

## **THANKYOU**

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The Head of Audit & Investigations and Internal Audit Team would like to express their thanks to Management and all areas of the Council where work was undertaken during 2015/16 for the help afforded to the Audit Team during the course of their work.

# REVIEW OF INTERNAL CONTROL

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## How Internal Control is Reviewed

- 1.1 During 2015/16 the Authority's risk registers have been continually updated. These form a key factor of Internal Audit's operational plan each financial year. The review process draws on key indicators of risks to the organisation with the aim of ensuring audit resources are allocated to the areas with the highest risk.
- 1.2 Internal Audit uses a 9 point risk analysis matrix for determining the levels of risk as part of the annual audit planning process. Factors considered are:-
- Audit Area covered by risk(s) in the Risk Registers
  - Have system changes taken place? E.g. to personnel or processes
  - Has the service area been subject to cuts / job losses / restructure?
  - Does External Audit require coverage?
  - Is the Audit b/fwd or deleted from the current audit plan?
  - Does the Audit Area directly affect the Council's financial position?
  - Is it a Council / Management Team / Manager priority?
  - When was the last audit carried out?
  - What is the monetary value / income of the area?
- 1.3 The audit plan includes a 10% contingency provision. Contingency days are utilised in response to unforeseen work demands that arise. In the event that there are contingency days that have not been required, these are used to enable additional audit areas to be covered within the plan as per the risk scoring matrix.
- 1.4 The risk analysis and scoring part of the audit planning process results in a comprehensive range of audit assignments being undertaken during the financial year. These audits support the overall opinion on the control environment. Examples include:-
- Systems based reviews of fundamental financial systems that could have a material impact on the Council's financial statements e.g. Asset Management, Cash Receipting & Banking, Treasury Management
  - Establishment audits e.g. Parks & Open Spaces
  - Systems based reviews of departmental systems e.g. Debt Recovery Arrangements, Insurance Arrangements, Planning Fees, Procurement Arrangements
  - External Grant Funding
  - ICT audits e.g. Network Controls, Software Maintenance Contracts
  - Contract audit
  - Fraud Strategy Work

- Responsive fraud and irregularity investigations

1.5 Audit work is risk based and the risk registers are cross referenced to the audit plan. Any risks identified within the risk registers that cannot be linked to the audit plan are added to the audit plan during the annual planning process. There were no new risk areas in the risk registers that were not already in the audit plan for 2015/16. Any significant risks are acted upon during the financial year as opposed to waiting until the annual audit planning process which takes place towards the end of each financial year.

## Accounts and Audit Regulations

1.6 The Accounts and Audit Regulations 2015 set out clear instructions that Councils must follow. Parts of the regulations detail financial management and the need for Internal Audit.

1.7 Financial management is covered within part 2 of the 2015 regulations and details what the Authority must have in place regarding:-

- Responsibility for Internal Control
- Accounting records and control systems
- Internal Audit
- Review of Internal Control System

1.8 For clarity the specific regulations relating to the above areas are detailed in TABLE 1 below. These detail the key parts of regulations 3 to 6.

Regulation	Requirement
3	A relevant authority must ensure that it has a sound system of internal control which:- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) Ensures that the financial and operational management of the authority is effective; and (c) Includes effective arrangements for the management of risk
4 (4)	The financial control systems determines in accordance with paragraph (1) (b) must include: (a) Measures – (i) to ensure the financial transactions of the authority are recorded as soon as, and as accurately as, reasonable practicable; (ii) to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost record; and (iii) to ensure that risk is appropriately managed; (b) identification of the duties of officers with financial transactions and division of responsibilities of those officers.
5 (1)	A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards

	or guidance.
5 (2)	Any officer or member of a relevant authority must, if required to do so for the purpose of the internal audit – (a) make available such documents and records; and (b) Supply such information and explanations; As are considered necessary by those conducting the internal audit.
5 (3)	In this regulation “documents and records” includes information recorded in an electronic form.
6 (1)	A relevant authority must, each financial year – (a) Conduct a review of the effectiveness of the system of internal control required by regulation 3; and (b) Prepare an annual governance statement

## Annual Governance Statement

- 1.9 CIPFA guidance states that an Annual Governance Statement (AGS) should be produced to accompany the Council’s Financial Statements.
- 1.10 The AGS is made up of numerous evidence sources from across the Council as a whole that collectively demonstrate why the Council believes it has good governance in place. The Head of Audit & Investigations supplies 4 pieces of evidence each year to show Internal Audit’s contribution to the Council’s governance processes. This report is one of those 4 pieces of evidence.
- 1.11 It must be highlighted that this Annual Internal Audit Report & Audit Opinion is not the AGS and cannot be used to substitute it.

## Risk Management

- 1.12 The Council has a well-established risk management process which is monitored and updated on a regular basis and reported to both the Council’s Corporate Management Team and the Audit Committee.
- 1.13 There are 3 risk registers; Strategic, Operational and Generic.
- 1.14 Risk owners and management are proactive in monitoring the tables and ensuring that obsolete risks are deleted and new emerging risks are added in addition to updating existing risks.
- 1.15 The risk management process is subject to auditing by Internal Audit, however this is determined by the audit planning process and specifically the risk scoring matrix.
- 1.16 The Head of Audit & Investigations can confirm that the risk management provides regularly updated risk information to both Corporate Management Team and Elected Members.

## Fraud

1.17 Whilst it is not the primary role of Internal Audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal Audit carry out additional fraud related work at times, although this must not be prejudicial to the primary role of Internal Audit. Examples of the activities that may be carried out include:-

- Investigation work surrounding fraud cases
- Responding to whistle-blowers
- Considering fraud in every audit
- Making recommendations to improve processes
- Review fraud prevention controls and detection processes put in place by management

1.18 Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

## SIGNIFICANT ISSUES ARISING 2015/16

- 2.1 Each audit report issued is given an audit opinion based on the issues identified and reported by Internal Audit. Table 2 below shows the opinions and how many each was issued in 2015/16:-

TABLE 2

<b>AUDIT REPORT ASSURANCE OPINIONS</b>	Number issued in 2015/16
<p><b>Comprehensive assurance:</b> the work carried out within this audit assignment is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed a sound system of internal control which is designed to meet the service objectives, in addition the work carried out showed controls are consistently being applied</p>	14
<p><b>Substantial assurance:</b> the work carried out within this audit assignment is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed there is a generally sound system of internal control designed to meet the service objectives, and controls are generally being applied consistently. However some weaknesses in the design and / or inconsistent application of controls put the achievement of particular objectives at risk</p>	12
<p><b>Limited assurance:</b> the work carried out within this audit assignment is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed weaknesses in the design and / or inconsistent application of controls that put the achievement of the service objectives at risk</p>	2
<p><b>No assurance:</b> the work carried out within this audit assignment is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed weaknesses in controls and / or consistent non-compliance with controls that could result / has resulted in failure to achieve the service objectives</p>	0

- 2.3 This section of the report also details any audit assignments that resulted in 'Limited Assurance' or 'No Assurance' opinions being given.
- 2.4 In 2015/16 two audit areas were given opinions of 'Limited Assurance' and therefore must be reported within this section of the Annual Internal Audit Report & Opinion.

- 2.5 The two audit assignments were Business Continuity and Pest Control. Whilst both areas were given opinions of Limited Assurance, Internal Audit does not believe that this has any material effects on the Council's Financial Statements.
- 2.6 The Business Continuity audit found one Service Area that did not have a Business Continuity Plan at all. All 12 Heads of Service were asked to update their plans to ensure it was correct and up to date but the audit found only 6 had done this.
- 2.7 The level of assurance within this area remains limited as it still appears not all of these have been updated.
- 2.8 The Pest Control audit found some pest control contracts that had not been charged as per the fees on the website. A new member of staff would not be aware of the charge rates currently used and there is a risk that income may be lost due to inaccurate charges made. It was agreed to document the charging methods for pest control contracts that are not charged as per the fees advertised on the website would be clearly documented.
- 2.9 Service Level agreements were not finalised with two Councils that work is carried out for and the rates charged to a specific Council should be reviewed and documented. This will ensure that all invoices raised have the associated back up documentation to support the charges.
- 2.10 The contract for commercial services had been partially reviewed by Legal Services and this should be finalised between the Pest Control Manager and the Legal Services Team. This will ensure all terms and conditions of contract are correctly recorded prior to the issue of a contract.
- 2.11 Whilst the controls at the time of the audit meant that the opinion for Pest Control was 'Limited Assurance', the meetings and discussions that have taken place since the audit and processes put in place should improve the level of control within this area.

## AUDIT PERFORMANCE

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### Assessment of Internal Audit

- 3.1 Internal Audit works closely with the Council's External Auditors, Grant Thornton. External Audit utilise work carried out by Internal Audit, particularly surrounding the fundamental controls of key systems within the Council to give them added assurance those key systems and processes are working effectively. This then enables External Audit to gain additional reliance that the data and information produced by these systems is reliable. Such assurances contribute to the conclusions made by External Audit on the Council's financial statements.
- 3.2 Regular liaison meetings take place between Internal and External Audit which are also an opportunity to review the current position on work and issues facing the Council. External Audit has specific interest on any issue that could impact on the Council's Financial Statements.
- 3.3 The Head of Audit & Investigations is part of the Lancashire Districts' Councils Audit Group. This allows all the Lancashire Heads of Audit to discuss issues and raise matters that could have future impacts. The group meets quarterly but the network is active all year as group members will highlight any issue they become aware of with the rest of the group via email between the quarterly meetings.
- 3.4 Internal Audit must comply with the PSIAS and as part of this process the Head of Audit & Investigations has carried out a self-assessment of the Audit function against the Standards during 2015/16. The Head of Audit & Investigations has also produced a Quality Assurance & Improvement Programme (QAIP) with the self-assessment. This details how those areas partially or not currently compliant will progress to become compliant. Whilst both were reviewed for 2015/16, these are being presented to Audit Committee at their June 2016 meeting. The QAIP is subject to on-going monitoring and revision.
- 3.5 The PSIAS also state that an external assessment must be carried out of the audit function and its conformance to the Standards. This has not yet taken place and the Standards state that a review must take place within 5 years i.e. by 31<sup>st</sup> March 2018. Following discussions by the Lancashire Heads of Audit 10 Councils have agreed to work together on providing the external assessment through a Peer Review process. Significant progress has been achieved during 2015/16 and both methodology and draft timetable have been produced which will be ratified by the Heads of Audit of the Authorities taking part in May 2016. Work will then continue to prepare for the first peer reviews which will commence in the Autumn of 2016. Under this draft timetable Hyndburn would not undergo its Peer Review until 2017.

- 3.6 Whilst the PSIAS are the primary standards by which Internal Audit must both conform and be measured by, there are other publications that contain guidance which link into the PSIAS. The 2011 CIPFA publication “The Role of the Head of Internal Audit in Public Service Organisations” is one such example. The results of a self-assessment on the position for Hyndburn have previously been communicated to Audit Committee. The Head of Audit & Investigations also keeps this under review. As at the end of 2015/16, the Head of Audit & Investigations can confirm that the Council fully complies with 87 (92.55%) of the 94 criteria and partially complies with 6 (6.38%). The remaining item is not applicable to Hyndburn.

### **Review of the System of Internal Control and Effectiveness of Internal Audit**

- 3.7 The Accounts and Audit Regulations 2015, regulation 5 (1) states that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal audit standards or guidance. Regulation 6 (1) (a) states “A relevant authority must, each financial year, conduct a review of the effectiveness of the system of internal control required by regulation 3.
- 3.8 The Internal Audit process is a key part of the annual review of the effectiveness of the system of Internal Control and the Annual Audit Opinion on page 2 of this report reflects that the majority of controls reviewed in 2015/16 were operating effectively.
- 3.9 As already mentioned in paragraph 3.4, a self-assessment of the PSIAS was conducted in 2015/16. The PSIAS checklist considers 332 individual tasks and areas that Internal Audit must comply with. The self-assessment produced the same results as 2014/15. It highlighted that 19 of these were not applicable to Internal Audit at Hyndburn and of the remaining 313, the Internal Audit Team is 96.49% (302) compliant with a further 1.91% (6) being partially compliant and 1.60% (5) being non-compliant. With the areas deemed not applicable included overall the team is 90.96% compliant. Compliance will continue to be monitored as part of the QAIP and through an external assessment which is due to take place at a future date to be confirmed.

### **Quality Assurance & Improvement Programme**

- 3.10 As part of the on-going monitoring and assessment of conformance with the PSIAS the Head of Audit & Investigations has a QAIP in place. The QAIP details the steps that are being taken to move the areas of partial or non-compliance to full compliance. The QAIP will be subject to on-going review and will be periodically reported back to Audit Committee so that they can monitor the progress being made.
- 3.11 In the event that any area within the PSIAS changed from full compliance to partial or non-compliance this would then be included in the QAIP detailing what steps will

be taken to ultimately make that area fully compliant again. Therefore the QAIP is an evolving document that is subject to change and updates to reflect the actual position with the Council's conformance against the PSIAS.

### Satisfaction & Quality Questionnaire (S&QQ)

- 3.12 Assessment of the ongoing performance, standards and seeking improvement is referred to within the PSIAS and is an area that the Head of Audit & Investigations has had processes in place for many years.
- 3.13 The S&QQ asks for the auditee's opinion on 11 questions with each one ranging from strongly agree to strongly disagree. The 12<sup>th</sup> question is a free-form text box allowing comments to be made on whether there is anything that could improve the service and the impact on their service area.
- 3.14 TABLE 3 below details the S&QQ results for 2015/16 and includes the comparative results for 2014/15 and 2013/14.

**TABLE 3**

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1) The objectives of the audit were clearly communicated to me	72.73%	27.27%	0	0	0
<b>2014/15 Comparison</b>	56.3%	31.3%	6.2%	6.2%	0
<b>2013/14 Comparison</b>	45%	50%	5%	0	0
2) The auditor kept you fully informed at all stages of the audit	77.27%	18.18%	4.55%	0	0
<b>2014/15 Comparison</b>	50%	37.6%	0	6.2%	0
<b>2013/14 Comparison</b>	35%	65%	0	0	0
3) Your concerns and / or issues were adequately considered during the process	86.36%	13.64%	0	0	0
<b>2014/15 Comparison</b>	56.2%	43.8%	0	0	0
<b>2013/14 Comparison</b>	40%	55%	5%	0	0
4) The audit report covered the agreed objectives and was clear and provided adequate information regarding the audit review	83.36%	9.09%	4.55%	0	0
<b>2014/15 Comparison</b>	50%	43.8%	0	6.2%	0
<b>2013/14 Comparison</b>	40%	50%	5%	0	0
5) The Auditors were courteous and professional in their dealings with you and your colleagues	90.91%	9.09%	0	0	0
<b>2014/15 Comparison</b>	75%	25%	0	0	0
<b>2013/14 Comparison</b>	65%	35%	0	0	0
6) The auditors attended arranged appointments and meetings punctually	90.91%	9.09%	0	0	0
<b>2014/15 Comparison</b>	68.8%	25%	6.2%	0	0
<b>2013/14 Comparison</b>	65%	35%	0	0	0
7) The auditors did not significantly	86.36%	13.64%	0	0	0

disrupt your service area / function during the audit review					
<b>2014/15 Comparison</b>	62.4%	37.6%	0	0	0
<b>2013/14 Comparison</b>	55%	40%	0	0	0
<b>8) The time span from the start of the audit to the issue of the final audit report was reasonable</b>	86.36%	9.09%	0	4.55%	0
<b>2014/15 Comparison</b>	43.8%	50%	0	0	6.2%
<b>2013/14 Comparison</b>	35%	65%	0	0	0
<b>9) The auditor's conclusions and audit opinion were logical and well documented in the final report</b>	81.81%	9.09%	4.55%	4.55%	0
<b>2014/15 Comparison</b>	50%	43.8%	0	6.2%	0
<b>2013/14 Comparison</b>	35%	60%	5%	0	0
<b>10) The audit review has benefited your area in some way (even if no recommendations / actions agreed, it should still provide management with the necessary assurances)</b>	59.09%	27.27%	4.55%	9.09%	0
<b>2014/15 Comparison</b>	43.8%	43.8%	0	6.2%	6.2%
<b>2013/14 Comparison</b>	25%	70%	5%	0	0
<b>11) The recommendations made were constructive and reasonable</b>	72.73%	13.64%	0	4.55%	0
<b>2014/15 Comparison</b>	37.6%	43.8%	0	0	0
<b>2013/14 Comparison</b>	20%	65%	0	0	0

- 3.15 There were 22 completed questionnaires and this equates to 242 potential responses as there are 11 questions on the form. A total of 240 responses were given as 2 people did not feel able to answer question 11.
- 3.16 Of the 240 responses given, 196 (81.67%) were 'strongly agree' and 35 (14.58%) were 'agree'. A further 4 responses (1.67%) were given as 'unsure' and 5 responses (2.08%) were given as 'disagree'. The Head of Audit & Investigations is able to state that there is an overall strong positive perception of the Team and its work based on these responses. The combined strongly agree / agree total has 96.25% of views given overall.

### Internal Audit Performance

- 3.17 It is good practice to monitor key performance measures. These can support the PSIAS but are not required for any form of national or mandatory collation. It does also enable the Head of Audit & Investigations together with Management and those charged with Governance to compare year on year performance.
- 3.18 The performance parameters recorded are similar to those maintained by the majority of Audit Teams in Lancashire and the parameters themselves were originally agreed with External Audit.

3.19 TABLE 4 below details performance for 2015/16 together with the 2 most recent financial years as a comparison, although older data is held by the Head of Audit & Investigations.

**TABLE 4**

<b>Performance Measure</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
No. of Audit Assignments completed compared to those planned in the audit plan	24	22	<b>29</b>
Number of Audit Reports Issued	24	22	<b>29</b>
Percentage of Audits completed within budget time allocation	87.50%	87.50%	<b>96.55%</b>
Number of Audit Recommendations made	20	14	<b>32</b>
Percentage of Audit Recommendations agreed for implementation by Management	100%	100%	<b>100%</b>
Number of Satisfaction & Quality Questionnaires Issued	21	16	<b>26</b>
Number of Satisfaction & Quality Questionnaires Received	20	16	<b>22</b>
Percentage of clients satisfied with the service provided based on the questionnaires returned	100%	100%	<b>100%</b>

3.20 The number of completed audit assignments increased from 22 to 29, a 31.82% increase on 2014/15. The number of recommendations significantly increased in 2015/16 and 100% were agreed by Management. The percentage of audit assignments completed within the budgeted time allocated increased and only 1 audit assignment over-ran. However, the number of satisfaction & quality questionnaires returned fell to 84.62%.

3.21 Accountability for the response to Internal Audit's advice and recommendations lies with Management who either accept and implement the advice or recommendations or accept the risks associated with not taking action.

### **Follow up Work**

3.22 Once recommendations become actions agreed with Management in the relevant audit area this does not signify the end of audit involvement until the next time the area is audited.

3.23 Internal Audit will revisit the actions agreed at a defined future date, usually around 6 months, to re-examine whether the actions agreed have been implemented as agreed. Internal Audit refer to this action as a 'Follow Up'.

3.24 Progress on follow ups is reported to Audit Committee on quarterly basis. The Audit Committee can request full explanation from Management on areas that are not implemented.

3.25 During 2015/16 Internal Audit carried out follow up work on 10 audit areas with a total of 16 actions agreed. Follow up work revealed that 12 had been fully implemented, 2 had been partially implemented and work was continuing, the remaining 2 had not been implemented. Of the 2 that had not been implemented one was due to a lack to new regulations coming in to force and the other was pending the development of a new system which could, if implemented, supersede the action agreed.

### Internal Audit Team – Staff Turnover

3.26 The level of staffing within the Audit Team remained constant throughout 2015/16 at 3.0 FTE being available.

3.27 The Audit Team did not experience any sickness and therefore did not lose any time to this.

### Use of Audit Time

3.29 TABLE 5 below shows an analysis of Internal Audit time during 2015/16 with the comparative figures for the previous 2 financial years. This is based on actual time spent excluding both statutory and annual leave together with any other absences such as sickness.

TABLE 5

<b>Analysis of Audit Time</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Audit Days	77.3%	78.5%	<b>85.0%</b>
Training	5.0%	3.4%	<b>3.5%</b>
Management	13.2%	14.2%	<b>7.6%</b>
Other Non-Audit Time	4.5%	3.9%	<b>3.9%</b>

3.30 The 2015/16 figures show a marked increase in the amount of time devoted to audit with a very slight increase in the amount of time spent on training and other non-audit time remaining static. However, the greatest decrease is in Management time which almost halved during 2015/16. This reflects the stability within the team during the year.

## ANALYSIS OF AUDIT ACTIVITY DURING 2015/16

- 4.1 TABLE 6 below details the work carried out by Internal Audit during 2015/16 and is based on actual time recorded against the original approved time allocated within the Audit Plan for 2015/16.
- 4.2 A total of 568.45 days were delivered against 559 planned audit days. There were 73.78 days recorded in non-audit work as opposed to 69 days allocated in the audit plan. Non-audit work includes management meetings, personal development reviews, regional audit groups, team meetings, timesheets etc. There were 138.5 days recorded in absences as opposed to the 158 days allocated in the audit plan. Absences cover statutory leave, annual leave, sickness etc. All absence in 2015/16 was either annual leave or statutory leave for bank holidays.
- 4.3 TABLE 6 does not include the areas within the audit plan where no time was recorded and therefore the table does not reflect the whole audit plan, only the areas where time was recorded during 2015/16.

**TABLE 6**

Core Systems	Plan Days	Actual Days	Comments
<b>Systems Based Reviews</b>			
Asset Management	15	13.60	Audit Completed
Cash Receipting	20	19.17	Audit Completed
Payroll		13.12	Audit Completed – 2014/15 W.I.P
Treasury Management	12	11.09	Audit Completed
<b>Systems Queries / Work</b>			
Creditor Payments		0.10	Audit Query
General Ledger		0.14	Audit Query
Payroll		0.06	Audit Query
<b>TOTAL for Core Systems</b>	<b>47</b>	<b>57.28</b>	<b>Utilised 121.87% of Allocated Audit Days</b>

Non-Core Systems	Plan Days	Actual Days	Comments
Building Control Fees		0.14	Audit Query
Car Leasing / Loans		1.46	Audit Queries
Charities		5.30	Audit Work Completed
Debt Recovery Arrangements	15	18.27	Audit Completed
Drivers Policy Handbook		0.30	Audit Query
Electoral Registration / Elections		0.44	Audit Query
Fees & Charges		0.14	Audit Query
Freedom of Information		4.31	Audit Completed
Health & Safety		5.25	Audit Commenced – W.I.P.
Insurance Arrangements	13	10.65	Audit Completed
Land Charges & Registry VDD		8.74	Audit Completed.
Licences - Taxi		0.07	Audit Query
Members Allowances		8.87	Audit Completed.

Officers Imprests & Subsistence		3.01	Audit Work Completed
Planning Fees	15	12.63	Audit Completed
Procurement Arrangements	15	13.71	Audit Completed.
<b>TOTAL for Non-Core Systems</b>	<b>58</b>	<b>93.29</b>	<b>Utilised 160.84% of Allocated Audit Days</b>

Establishments	Plan Days	Actual Days	Comments
Cemeteries & Crematorium	15	10.82	Audit Completed
Howarth Art Gallery		0.88	Audit Query
Markets		1.05	Audit Query
Parks & Open Spaces	20	18.99	Audit Completed
<b>TOTAL for Establishments</b>	<b>35</b>	<b>31.74</b>	<b>Utilised 90.69% of Allocated Audit Days</b>

Computer Audit	Plan Days	Actual Days	Comments
Data Protection		0.71	Audit Query
Data Security & Storage		0.17	Audit Query
Internet / Email		0.24	Audit Queries
Mobile Telephony		0.07	Audit Query
Network Controls	14	2.74	Audit Completed – 2014/15 W.I.P.
PCI & DSS Security	7	1.03	Audit Commenced – W.I.P.
Software Maintenance Contracts	10	9.61	Audit Completed
System Development		0.57	Audit Advice
<b>TOTAL for Computer Audit</b>	<b>31</b>	<b>15.14</b>	<b>Utilised 48.84% of Allocated Audit Days</b>

Contract Audit	Plan Days	Actual Days	Comments
Contract Standing Orders		0.07	Audit Query
Other Contract Issues	15	13.93	Audit Completed
Over £250 Expenditure Monitoring		3.89	Audit Compliance Work
<b>TOTAL for Contract Audit</b>	<b>15</b>	<b>17.89</b>	<b>Utilised 119.27% of Allocated Audit Days</b>

Grant Funding Initiatives	Plan Days	Actual Days	Comments
NNDR3 Claim	5	2.46	Audit Completed
Townscape Heritage Funding	15	8.90	Audit Completed
<b>TOTAL for Contract Audit</b>	<b>20</b>	<b>11.36</b>	<b>Utilised 56.80% of Allocated Audit Days</b>

Follow Ups	Plan Days	Actual Days	Comments
General Follow Up Work	8	8.38	General Follow Up Work/Admin
<b>TOTAL for Follow Ups</b>	<b>8</b>	<b>8.38</b>	<b>Utilised 104.75% of Allocated Audit Days</b>

Audit Advice	Plan Days	Actual Days	Comments

Benefit Issues		7.10	Advice & Audit Liaison
Internet		16.37	Advice & Compliance Monitoring
Coaching		0.88	Coaching Employees & Advice
Cleaner Contract / Issues		0.14	Audit Input
Urinal Problems - Broadway		0.61	Audit Advice Given
DWP & Residual Fraud Issues		5.66	Audit Input & Advice Given
Financial Procedure Rules		0.95	Audit Input
Ext Audit Governance Questions		1.55	Audit Input
Driver Policy Revised		0.45	Audit Advice Given
Election Papers / Advice		0.07	Audit Advice Given
OSC Inspection		0.14	Audit Input
Confrontation Risks Query		0.07	Audit Advice Given
Lift Room Keys Query		0.14	Audit Input
Revision of the Audit BCP		0.78	Audit Input
Leaders Briefing Info		0.17	Audit input
Code of Practice - Transparency		0.55	Audit Input & Advice Given
Sickness HR21 Pilot		0.95	Audit Input & Advice Given
ICO Web Info		0.80	Audit Awareness & Advice
Trophies Query		0.79	Audit Input
Benchmarking		1.45	Audit Input
Annual Targets		0.10	Audit Advice Given
Root Cause Analysis		0.39	Audit Advice Given
Social Media Auditing		0.32	Audit Advice Given
Scambuster – News in Loos		0.47	Audit Input & Article
Big Thank-you		0.85	Audit Input
Counter Terrorism New Act		0.20	Audit Advice Given
Mega Value Fun Parks		0.50	Audit Advice Given
Invoice – Insurance Issue		0.34	Audit Advice Given
Members IT Query from Pendle		0.07	Audit Advice Given
Document Retention Queries		0.45	Audit Advice Given
RVBC – Parishes Query		0.14	Audit Advice Given
Alcoholometer Recalibration		0.14	Audit Input
Directors on Tour – Service Input		0.20	Audit Input
Assurance Query – Preston CC		0.07	Audit Advice Given
Planning IUC Query / Training		0.74	Audit Advice & Training Given
Forged Bank Notes Alert		0.14	Audit Advice Given
Fraud Alert – Bank Cheques		0.14	Audit Advice Given
DVLA – Vehicle Reg Blocking		0.14	Audit Advice Given
Use of Photo Query		0.10	Audit Advice Given
Chaigley Manor Query		0.07	Audit Advice Given
White Ribbon Ambassador		0.07	Audit Input
Insurance Renewals		0.30	Audit Input & Advice Given
Reception – Refund Cash Issue		0.34	Audit Advice Given
Markets Surveillance Query		0.30	Audit Advice Given
Drugs & Alcohol Policy		1.05	Audit Input & Advice Given
DVSA – Press Query		0.14	Audit Advice Given
Boilers – Cold Calling Issue		0.34	Audit Advice Given
2016/17 Prep Work – Year End		2.14	Audit Input
Memb Services Timesheets Query		0.03	Audit Advice Given
Query from Burnley BC Audit		1.48	Audit Input / Checks
Police Enquiry		0.84	Audit Input / Checks
Cemetery – Card Payment		0.07	Audit Advice Given
Car Insurances Query		0.07	Audit Advice Given
Safeguarding / PREVENT Agenda		0.44	Audit Advice Given

Audit Plan Query – Blackpool BC		0.17	Audit Advice Given
Audit Advice	36		Audit Advice Given
<b>TOTAL for Audit Advice</b>	<b>36</b>	<b>52.97</b>	<b>Utilised 147.14% extra Audit Days than allocated</b>

Other Audit Areas	Plan Days	Actual Days	Comments
Anti-Fraud & Corruption Issues		11.26	Audit Input & Queries
Anti-Social Behav – Com Triggers		3.83	Audit Input / Queries / Work
Business Continuity Planning	12	6.02	Audit Completed
Children & Vulnerable Adults		1.01	Audit Commenced – W.I.P.
Civil Contingencies	13	4.40	Audit Completed
Domestic Homicide		0.21	Audit Query
FOI Requests		1.42	Audit Work Carried Out
Project Management	15	6.68	Audit Completed – 2014/15 W.I.P.
PSIAS		3.80	Audit Input & Queries
Risk Management		1.13	Audit Input & Queries
<b>TOTAL for Other Audit Areas</b>	<b>40</b>	<b>39.76</b>	<b>Utilised 99.40% of Allocated Audit Days</b>

Ad-hoc Work & Investigations	Plan Days	Actual Days	Comments
Bailiff Processes	12	11.14	Audit Completed
CTax / NDR Ownership	10	6.47	Audit Completed
CTax / NDR Refunds	10	6.95	Audit Completed
CTax Debt Write Off Processes	12	8.12	Audit Completed
Data Sharing Protocols	15	13.85	Audit Completed
Leisure in Hyndburn – Info Procs	7	4.88	Audit Completed
Mayoral Secretarial Functions	8	6.26	Audit Completed
Memb Svs – Funding Applications	12	4.58	Audit Completed
NDR – Retails Relief Scheme	10	9.51	Audit Completed
Pest Control	14	9.84	Audit Completed
Recovery Team Processes	15		Audit on hold per Mgt till 2016/17
Willows Lane – Combined Admin	12	0.51	Audit Completed – Added into Pest Control Audit
Land Charges & Registry VDD	12	2.75	Audit Completed – Part of time recorded in non-core section
On-line Payments Working Group		0.85	Audit Input
Mayor – Invitation Query		0.85	Checked out by Audit
Lyndon Playing Fields Sale		1.03	Audit Input
Willows Lane – D & A Testing		1.22	Audit Input
Environmental Svs Investigation		32.36	Investigation Ongoing into 16/17
Contract Compliance Issues		4.41	Audit Input & Advice
Land Charges & Registry VDD	-12		Plan Adjustment
Contingency	79		Contingency Days
<b>TOTAL for Ad-hoc Work &amp; Investigations</b>	<b>216</b>	<b>125.58</b>	<b>Utilised 58.14% of Allocated Audit Days</b>

Consultancy & Corporate Objectives	Plan Days	Actual Days	Comments
Annual Governance Statement	1	0.88	Audit Work Carried Out
Annual Audit Report	3	1.45	Audit Work Carried Out
Audit Committee	4	8.81	Committee Prep / Mtgs / Training

Audit Plan & Planning Cabinet	15	19.57	Monitor Plan & Prep of 16/17 Plan
External Audit	3	3.93	Support Audit Work / Knowledge Liaison Mtgs & Supply IA Work
LEBP Ambassador Scheme		10.21	Schools Ambassador Work
Members Info Bulletins	2		No Time Recorded in this Area
Money Launder & Proc of Crime		3.70	Queries dealt with
National Fraud Initiative	8	8.65	Support & Audit Work Carried Out
RIPA		0.75	Audit Query
Service Planning	2		No Time Recorded in this Area
Stage 3 Complaint Investigations		26.97	Work Carried Out
Whistleblowing		1.03	Audit Work & Input
<b>TOTAL for Other Audit Areas</b>	<b>38</b>	<b>88.93</b>	<b>Utilised 234.03% of Allocated Audit Days</b>

Service Improvement	Plan Days	Actual Days	Comments
LDCAG Benchmarking		3.83	Various Training – mainly in-house
<b>TOTAL for Service Improvement</b>	<b>0</b>	<b>3.83</b>	<b>No Audit Days had been Allocated</b>

Training	Plan Days	Actual Days	Comments
Staff Development & Training	15	22.30	Various Training – mainly in-house
<b>TOTAL for Training</b>	<b>15</b>	<b>22.30</b>	<b>Utilised 148.67% of Allocated Audit Days</b>

- 4.4 There were 3 audit assignments that were in progress at year end but not quite completed, these will all be reported in 2016/17. There was only 1 audit assignment that had not been completed or commenced by the end of 2015/16 and this was at the direct request of management in the service area. This audit assignment has rolled forward in to the 2016/17 Audit Plan following re-assessment and risk scoring.
- 4.5 The Audit Plan is monitored monthly by the Head of Audit & Investigations, therefore emerging risks are considered and absorbed into the work of the team as required. The Head of Audit & Investigations will seek re-approval of the Audit Plan from Audit Committee if there is major slippage or significant risks arising that result in a major deviation from planned audit work. Long term sickness of a team member can have an impact on the Audit Plan although this did not occur in 2015/16.
- 4.6 Target coverage for the 2015/16 Audit Plan was 98% and 101.69% was achieved. This is the highest out-turn performance figure that has been achieved by Internal Audit Team at Hyndburn and is as a result of the hard work and dedication shown by the team. As this is the first time the 98% target has been exceeded, the Head of Audit & Investigations has left the target as 98% for 2016/17. In the event that the target is exceeded again then it will be revised for 2017/18.

## REPORT DISTRIBUTION

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The report has been distributed to the following:-

- Corporate Management Team
- Members of Audit Committee
- External Audit
- Internal Audit

## REPORT VERSION

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Draft Report Checked & Approved: 21 April 2016

Final Report Issued: 25 April 2016