

Audit Committee

24th March 2017



Report of:	Head of Internal Audit
Title:	Update on Council's Control Framework (based on the work of Internal Audit)
Ward:	City-Wide
Officer Presenting Report:	Melanie Henchy-McCarthy – Head of Internal Audit (J/S)
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Recommendation

The Audit Committee note and discuss the current status of the control framework within the Council, and challenge where appropriate.

Summary

The attached provides the Committee with a dashboard view of the control framework within the Council, based on the work of Internal Audit (IA) during the period of 1st April 2016 – 28th February 2017. Additionally, the dashboard provides Members with an indication of the potential savings, either recoverable or in terms of cost avoidance, the IA service has identified in the period of 1st April – 31st December 2016.

The significant issues in the report are:

The level of control risk in the organisation is increasing, with 43% of IA reviews resulting in a red or amber level of residual of risk.

The level of assurance, on which the Head of internal Audit (HoIA) bases their opinion, is reducing and is likely to reduce further to year end.



Policy

1. Per the Audit Committee's Terms of Reference

Consultation

2. Internal

S151, Extended Leadership Team and Cabinet Member for Governance, Resources and Finance.

3. External

Not Applicable

4. Context

Internal Audit has introduced a control and governance dashboard which will be provided to management and the Audit Committee on a quarterly basis going forward. The Dashboard is provided to:

- Provide an overview of the status of the organisation's Risk, Control and Governance framework, based on the work of Internal Audit to date, and the level of assurance that can be derived from that work
- Provide a summary of the outcomes from our fraud and Value for Money (VfM) work to the nearest quarter.
- Present the assurance work completed by the Internal Audit team during the year to date, together with the conclusions we have drawn from that work.
- Highlight any significant issues to management or the Audit Committee for their consideration and necessary action.

The first of the Dashboards can be found at Appendix (1), with the key points to note provided below:

- The level of control risk in the organisation is increasing, with 43% of IA reviews resulting in a red or amber level of residual of risk. This means that there are either missing or failing controls within the area reviewed or the control environment whilst acceptable, needs to be further improved in order to be considered risk neutral. *(Please see figures 1 and 2).*
- The level of assurance, on which the Head of internal Audit (HoIA) bases their opinion, is reducing, as per figure (3), and the downward trend is likely to continue due to the draft outcomes from a number of audit reviews which remain in progress.
- A summary view of the potentially recoverable and cost avoidance savings resulting from the work of the Investigations Team can be seen at figure (4), demonstrating the value this

work can bring to the Council as a whole.

- It is envisaged that the Dashboard will expand to include, key themes from quarterly Governance statements, Internal Audit recommendations implementation statistics and general compliance issues.

Proposal

5. The Audit Committee note the changes in the Control, Risk and Governance environment within the Council, discuss the impact of those changes in terms of its role within the governance framework, and challenge the findings, where appropriate.

Other Options Considered

6. **Not applicable**

Risk Assessment

7. There are no risks arising directly from this report, however, if action plans agreed, within the individual areas, are not implemented the Council will be unprotected from losses, financial and otherwise, and poor Value for Money, that strong control and governance arrangements help to guard against.

8. Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
 - i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.

8b) Not applicable

Legal and Resource Implications

Legal – Not Applicable

Financial – Not Applicable

Land – Not Applicable

Personnel – Not Applicable

Appendices:

Appendix (1) - Update on Council's Control Framework (based on the work of Internal Audit)

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None.