

Internal Audit Progress Report

February 2016

Pension Services



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body 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.'

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards 2013 [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations 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'.

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The County Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

2. Purpose of report

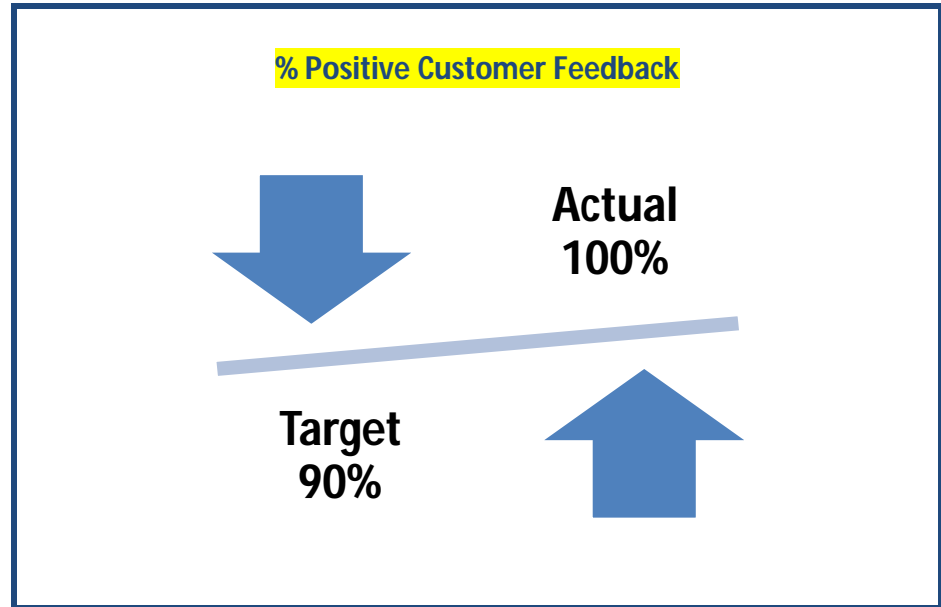
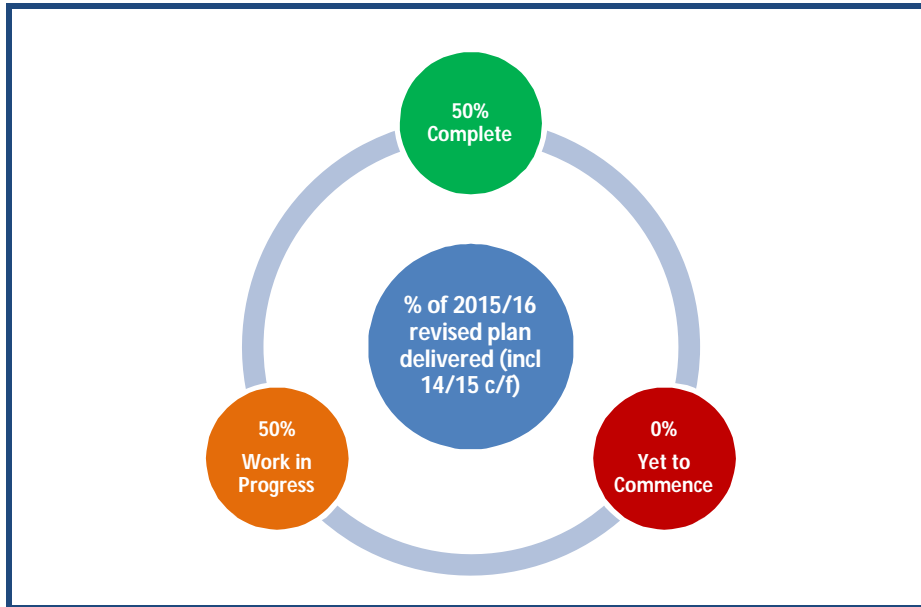
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Pension Transfers (including Notionals)	01.05.14	CR	Substantial	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Member Deaths	17.06.14	CR	Adequate	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
New system implementation	11.05.15	CR	Substantial	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Refunds	28.05.15	CR	Substantial	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Pensions payroll and benefit calculations	15.06.15	CR	Adequate	1 (1)	0 (0)	0 (0)	1 (1)	0 (0)
Accounting for assets and custodian service	15.06.15	CR	Substantial	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Governance arrangements	18.02.16	CR	Substantial	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Pension Leavers	18.02.16	CR	Adequate	6 (3)	0 (0)	5 (2)	1 (1)	0 (0)

5. Executive Summaries of new reports published concluding a 'Limited' or 'No' assurance opinion

There have been no reviews that have concluded with a 'limited' or 'no assurance' opinion since the last report.

6. Pensions Governance Arrangements

A review of the new pensions governance arrangements has been completed which has concluded a 'substantial' opinion. Given the relevance to the Pension Fund Panel and Board, the full report is included for information (Appendix 2).

7. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2014 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2014	01.04.15 – 20.02.16
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	1 day
Total number of fraud cases investigated	0 **

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse* - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'

8. Planning & Resourcing

The internal audit plan for 2015-16 was discussed and agreed with Officers and the plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

9. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Governance arrangements	CR	✓	✓	✓	✓	✓	Substantial	✓	
Pension Leavers	CR	✓	✓	✓	✓	✓	Adequate	✓	
Pension Starters	CR	✓	✓	✓				✓	
Pensions payroll and benefit calculations	CR	✓	✓	✓				✓	