



Internal Audit Annual Report 2015-16

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1 Introduction

- 1.1 From 1 April 2013, the Public Sector Internal Audit Standards (PSIAS) and accompanying Local Government Application Note became the standards by which all Local Government Internal Audit Sections must comply.
- 1.2 As set out in the PSIAS, the Council's Corporate Manager Governance and Audit must provide an annual report to the Audit and Governance Committee - timed to support the annual governance statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies), and
 - a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).
- 1.3 It should also include:
- disclosure of any qualifications to that opinion, together with the reasons for the qualification;
 - disclosure of any impairments ('in fact or appearance') or restriction in scope

- a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and target;
- any issues judged particularly relevant to the annual governance statement; and
- progress against any improvement plans resulting from QAIP external assessment.

- 1.4 This report has been prepared by the Council's Principal Auditors due to the long term absence of the Corporate Manager Governance and Audit and the death of the Audit Manager. Support and sign off has been provided by the Director of Legal Services who has line management responsibility for Internal Audit and the approach has been validated with the Council's External Auditors.

2 Background and Context

- 2.1 In common with all other public bodies, the Council continues to face increasing financial and service delivery challenges, the scale of which are illustrated within the medium term financial strategy.
- 2.2 Expected gross expenditure in 2015/16 by the Council was £611m, with a capital programme of £146.3m. This annual expenditure supports service delivery to over 370,000 residents, in line with our 5 stated outcomes for residents.

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- 2.3 During 2015/16 the Council continued to develop innovative solutions for service delivery including setting up 2 further Alternative Service Delivery Vehicles (ASDVs) as part of the remodelling of services to provide the best possible outcomes for the residents of Cheshire East at a competitive price.
- 2.4 The Council's 2015/16 audit plan reflected this context through the areas selected for review and the changes made during the year to ensure resources were focussed in the right areas.
- 2.5 In preparing, reviewing and updating the plan during the year, the following were taken into account:
- Adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
 - Internal Audit's own risk assessment.
 - Cheshire East Council's Three Year Plan 2014/2017.
 - Consultation with key stakeholders e.g. Corporate Leadership Board (CLB)/Management Group Board (MGB), Senior Management including Strategic Risk Owners/Managers, External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit.
- 2.6 Staffing resource for Internal Audit has been particularly limited over the second half of 2015/16. This was initially due to the diversion of resource into the high profile review of procurement, which has now been paused due to an ongoing Police investigation. The

resource issue was then compounded by the death of the Audit Manager in January 2016.

3 Opinion on the Control Environment

- 3.1 Internal Audit is required to form an annual opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance issues and control failures that have been identified.
- 3.2 In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that internal audit have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.
- 3.3 Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a point in time. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been highlighted, and improvement plans agreed with a timetable for implementation.
- 3.4 The Council continues to make changes to its organisational structures and ways of working in a number of services as the scale of the Council's transformation and improvement programme is implemented. This has increased the challenges to the

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internal control environment with changes to staffing structures and delivery models.

- 3.5 Our work has confirmed that adequate management arrangements are in place to ensure that services are being delivered and agreed savings proposals are being realised. Findings are delivered through formal audit reports and action plans and this is complimented by regular meetings with departmental management teams to provide updates on audit, internal control, risk and governance issues as well as a programme of recommendation follow ups.

Internal Audit Opinion on the Council's control environment

The Council's framework of risk management, control and governance is assessed as Adequate for 2015/16.

The Internal Audit work carried out this year provides reasonable assurance that the Council has in place a satisfactory framework of governance and internal control designed to meet the Council's objectives and that key controls are generally being applied consistently.

Where weaknesses in the design and inconsistent application of controls have been identified it is pleasing to note the positive engagement with Management in agreeing recommendations. Action plans are in place to address all weaknesses identified during the year.

This opinion is based upon:

- the programme of internal audit reviews - including opinion

based work undertaken during the year;

- Management's response to advice and recommendations
- the process of producing the Council's annual governance statement; and
- the Council's Annual Report on its Risk Management Arrangements

4 Summary of Audit Work 2015/16

- 4.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly.
- 4.2 The provision of assurance is, therefore, the primary role for internal audit. This role requires the Corporate Manager Governance and Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.3 A risk based Internal Audit plan is produced each year to ensure that:
- the scale and breadth of audit activity is sufficient to allow the Corporate Manager Governance and Audit to provide an independent and objective opinion to the Council on the control environment; and

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- audit activity focuses on areas where assurance is most needed i.e. risk based coverage.
- 4.4 In preparing the risk based plan for 2015/16 Internal Audit consult with the MGB and the Audit and Governance Committee. They also consider:
- the adequacy and outcomes of the Council's risk management, performance management and other assurance processes;
 - their own risk assessment;
 - the Council's Three Year Plan 2014/2017; and
 - discussion with key stakeholders including external audit, the internal audit team and also the Cheshire West and Chester internal audit team in relation to shared services.
- 4.5 The plan is broadly split into two main areas:
- those audits that deliver an opinion report on the risks and controls of the area under review and will inform the Annual Internal Audit Opinion; and
 - work that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion.
- 4.6 The plan is reviewed and adjusted, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant changes are communicated to both MGB and the Audit and Governance Committee.
- 4.7 Interim reports on progress against the Internal Audit Plan and work carried out by the team were presented to Audit and Governance Committee in December 2015 and March 2016.
- 4.8 A summary comparison of the 2015/16 Audit Plan with actuals for the year is shown on page 5.
- 4.9 A summary of the audit work carried out during the year, from which the Annual Internal Audit Opinion is derived, and the relative outputs from that work is shown on page 7.

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Summary comparison of Audit Plan against actual 2015/16

Area of Plan		Plan		Actuals		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1366		1268		Reflects loss of Audit Manager and increased time spent on non-chargeable activity by other staff as a consequence
Less: Corporate Work		350		302		Includes operational risk management duties
Available Audit Days:		1016	100	966	100	
Corporate Governance and Risk		56	6	100	10	Reflects higher than anticipated involvement in cross-cutting activity and producing Committee reports
Anti-Fraud and Corruption	Proactive Reviews	75	7	76	8	Broadly as planned
	Reactive Investigations	30	3	16	2	Not possible to accurately predict the level of reactive work
Chief Operating Officer (COO)	Key Financial Systems	227	22	202	21	Broadly as planned
	Corporate Core & Cross Service	135	13	140	14	Broadly as planned
Strategic Commissioning	Children's Social Care & Education	78	8	110	10	Broadly as planned
	Adult's Social Care	115	11	48	5	Work anticipated to be undertaken in 2015/16 has been moved into 2016/17 in agreement with Service.
	Public Health	30	3	8	1	Additional work planned for 2016/17
	Communities	15	2	18	2	Broadly as planned
Economic Growth & Prosperity		55	6	74	8	Broadly as planned; additional work planned for 2016/17
Providing Assurance to External Organisations		75	7	63	7	Broadly as planned
Advice & Guidance		30	3	48	5	Reactive work based upon demand from services
Other Chargeable Work		95	9	63	7	Includes grant certification work; Bus Service Operators Grant, Transport Development Excellence for the LEP, various Highways grants and Family Focus Programme. Some grants require annual certification, some quarterly.

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Summary of Audit Work to support the overall opinion

Area	Description of Audit Work	Output
Assurance Work	Audits with formal assurance level.	Audit Reports
Project Health Checks	Assessment of whether the required elements to deliver projects successfully are in place and operating effectively.	Audit Reports
Schools	Assessment against Schools Financial Value Standard and completion of thematic reviews.	Audit Reports
Supporting Corporate Governance	Support and contribution to production of the Annual Governance Statement, including assurance statements from Heads of Service.	Annual Governance Statement, and supporting evidence
	Support and contribution to update reports from the Corporate Governance Group.	Reports to Management Group Board
	Support and contribution to AGS Action Plan, Compliance with Contract Procedure Rules reports etc.	Report to Audit & Governance Committee
Risk Management	Development of Strategy, Policy and Framework	Reports to Audit & Governance Committee
	Support and Contribution to the Corporate Assurance Group including update reports.	
Counter Fraud	Review of Anti-Fraud and Corruption arrangements.	Report to Audit & Governance Committee
	National Fraud Initiative – co-ordination of matches and investigation work.	Results published on Cabinet Office website/update reports to Corporate Assurance Group/Investigation Reports.
	Investigations	Investigation Reports
Technical Enabler Group (TEG)	Support and contribution to TEG, which supports the Executive Monitoring Board (EMB).	Gateway Progress Report detailing TEG Outcome for use by EMB.
Consultancy & Advice	Ad-hoc consultancy and advice provided to services.	Various – reports etc.
Statutory Returns/ Grant Claims	Audit/assurance work on programme/project and subsequent report to statutory/funding body.	Return/Claim sign off
Implementation of Recommendations	Targeted follow up of audit recommendations based on audit opinion/recommendation.	Follow up reports/action plans/Key Corporate Indicator

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Summary of Assurance Reports October 15 – March 16¹

Audit Report	Driver/ Background	Assurance Level	Management Response
Payroll	Key Financial System	Good	Draft report issued
NNDR Billing Reconciliation 2016/17	Key Financial System	Good	Final Report Issued
Accounts Receivable	Key Financial System	Good	Draft report issued
Council Tax 2015/16 - Award of Discounts and Exemptions	Review of counter fraud controls Key Financial System	Good	Final Report Issued
Council Tax 2016/17 Billing Reconciliation	Key Financial System	Good	Final Report Issued
Business Rates 2015/16 – Award of Discounts and Exemptions	Review of counter fraud controls Key Financial System	Good	Final Report Issued
Key Financial Systems – Accounts Payable	Key Financial System	Satisfactory	Draft report issued
Schools Consolidated report	Assurance to s151 Officer	Satisfactory	Final Report Issued
Better Care Fund Clinical Commissioning Groups	Assurance to Cheshire East Health and Wellbeing Board	Satisfactory	Final Report Issued
Foster Care Payments	Risk area identified by management	Satisfactory	Final Report Issued
Parking Enforcement	Risk area identified by management	Satisfactory	Final Report Issued
Management of Mobile Devices	Risk area identified by management	Limited	Final Report Issued
Foster Care Capacity Scheme	Risk area identified by management	Limited	Final Report Issued
HMRC Action Plan	Risk area identified by management	Limited	Final Report Issued

¹ Summary of Assurance Reports issued between April and October 2016 was reported in the Internal Audit Interim Report in December 2015

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Assurance Work

- 4.10 In accordance with best practice Internal Audit’s focus is on higher risk areas and areas where issues were known or expected to exist, for example through manager self-assessment. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.
- 4.11 The exception to this approach is with regards to the cyclical review of the Council’s key financial systems which, despite being deemed to be low risk, are subject to review due to the volume of transactions processed. It is pleasing to note that the key systems reviewed were provided with either Good or Satisfactory Assurance.

Summary of reports by assurance level

Assurance Level	Audit Reports 2015/16	Audit Reports 2014/15
Good	6	2
Satisfactory	5	7
Limited	8	11
No	1	0
Total	20	20

- 4.12 These assurance levels reported include a combination of opinions at a broad level for the Council as a whole and opinions on individual business processes or activities within

a single department or location. An explanation of the various assurance levels is given in Appendix B.

- 4.13 Management has responsibility for ensuring that the agreed actions for improvement are implemented. All actions from these audits have been, or are currently being, agreed with management and progress on implementation will be monitored through agreed processes.
- 4.14 The issues arising from audit activity and the implementation of associated recommended actions have been considered as part of the 2015-16 Annual Governance Statement process.

Limited Assurance Reports

- 4.15 A brief summary of the audit reports that relate to work undertaken during quarters 3 and 4 of 2015/16 is shown on page 7. With further detail of the ‘limited assurance’ reports included later in this section
- 4.16 The summaries of other ‘limited and no assurance’ reviews were included in the interim report to this Committee in December 2015.
- 4.17 **Management of Mobile Devices** – this audit reviewed the controls in place to ensure the effective management of mobile devices. It concluded that there was no single comprehensive guidance covering the management of mobile devices from initial allocation, procurement, monitoring of use through to disposal. This lack of clarity

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around responsibilities and expectations resulted in inconsistent practices and breakdown in expected controls.

- 4.18 **Foster Care Capacity Scheme** – this audit reviewed the controls in place to ensure that Fostering Capacity loans and grants are administered appropriately thus preventing inappropriate or inaccurate awards being made.
- 4.19 The audit concluded that controls and processes were in place to administer the scheme but that there was a lack of consistency in their application.
- 4.20 **HMRC Action Plan** – the review was carried out to gain assurance that an action plan put in place by HMRC in relation to the salary sacrifice car scheme had been implemented and that improved controls in place/progress prior to the HMRC follow up review in mid-February 2016.
- 4.21 The review concluded that a great deal of work had been undertaken in reviewing and improving processes and applying controls but that further work was required prior to the follow up review. It confirmed that key controls were being applied but that it was only possible to evidence this for the second half of 2015/16.
- 4.22 In all cases a number of recommendations have been made and agreed with management. When implemented these will address the identified weaknesses and improve the control environment.

Schools

- 4.23 The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:
- the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
 - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 4.24 The 2015/16 Schools Audit Programme completed the 3-year cycle to carry out a full 'Keeping Your Balance' audit at all of our secondary schools.
- 4.25 In addition, thematic reviews also took place at a number of primary schools to obtain assurance around the application of the recently introduced performance related pay for teachers.
- 4.26 A total of 22 schools were visited during 2015/16, with individual reports issued to schools detailing any areas of weakness identified and any actions required to address these weaknesses and improve the control environment.
- 4.27 The schools subject to audit were selected using a risk assessment which took into account the following:
- Ofsted rating;
 - Size of school (number of pupils);

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- Budget management;
- Recent audit reports;
- School buildings projects; and
- Internal knowledge provided by the School Finance Team.

4.28 Individual audit reports were issued to the Headteacher and Chair of Governors of each school along with a detailed action plan to enable the school to improve its control environment.

4.29 The work undertaken by Internal Audit provided assurance that the majority of controls relating to high risk areas are operating effectively. While some inconsistencies in the application of controls were highlighted, these are not considered to be significant issues. They have been reported to the relevant schools and also shared with all schools using our established network.

Supporting Corporate Governance

4.30 In accordance with Regulation 4 of the Accounts and Audit Regulations the Council is required to conduct a review at least once a year of the effectiveness of its governance arrangements and publish an Annual Governance Statement (AGS).

4.31 Internal Audit has assisted Management in the production of the Council's AGS for 2015/16 by:

- collecting evidence for and production of the draft AGS;

- contribution to and production of Audit & Governance Committee reports on Corporate Governance;
- representation on and contribution to the Corporate Assurance Group (CAG) to advise on risk management, control, and governance issues identified through audit work; and
- Audit work in contribution to and production of CAG reports to MGB.

Risk Management

4.32 Internal Audit assisted in the Management of Risk through:

- Delivery of a risk based audit plan; and
- Representation on and contribution to the CAG Risk Sub Group - to advise on risk management, control, and governance issues identified through audit work.

4.33 Formal reports with regard to the risk management process are made throughout the year to MGB, CAG, Cabinet and the Audit and Governance Committee.

4.34 During the year the following developments in the approach to Risk Management have been progressed:

- Risk Management Policy Statement and Strategy 2015-2017 were formally approved by Cabinet in February 2016, following recommendation from the Audit and Governance Committee
- Risk Sub Group established to support CAG
- Draft Framework developed to underpin the policy and strategy

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- Risk is now a standing agenda item on the quarterly challenge sessions with Directors which include finance, risk and performance

Counter Fraud

- 4.35 Internal Audit has provided advice and guidance to both Human Resources colleagues and Service Managers to support them in the completion of a small number of investigations. Where required, action has been taken in accordance with the appropriate policies. There are no significant issues arising from this work to bring to the attention of the Committee.
- 4.36 Work continued throughout the year to ensure that the matches received as part of the National Fraud Initiative data matching exercise are being investigated by the appropriate services. Work has also begun in preparation for the 2016/17 exercise.
- 4.37 A detailed fraud and bribery risk assessment was produced by Internal Audit in conjunction with appropriate managers. This raised awareness of fraud across the Council and provided managers with the opportunity to consider whether they have appropriate controls in place to mitigate the identified risks. The outcome of the risk assessment fed into the audit planning process and a number of pieces of assurance work were completed during the year to test the effectiveness of controls detailed in the assessment.

- 4.38 Work continued in developing Cheshire East's wider counter fraud arrangements in light of the transfer of Housing Benefit Fraud team to the DWP in December 2015. As a result of this work, a new Anti-Fraud and Corruption Policy was approved by Audit and Governance Committee in March 2016.
- 4.39 The Member/Officer Fraud Sub Group continues to meet on a regular basis. This allows further detail to be provided to members on emerging fraud risks and the anti-fraud work carried out by Internal Audit. In addition, this group has agreed to commence a series of 'Cardiff Checks' on procurement transactions to provide independent challenge to the process and obtain assurance that the arrangements are operating effectively.

Technical Enabler Group (TEG)

- 4.40 Internal Audit has continued to play an active role on the Technical Enabler Group (TEG) which supports EMB and comprises senior officers representing key corporate enablers.

Consultancy and Advice

- 4.41 During the year, Internal Audit provided advice - at the specific request of management. The nature and scope of these engagements are generally aimed to improve governance, risk management and control and contribute to the overall opinion. This year advice was given on matters

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such as new arrangements including ASDVs and the application of Finance & Contract Procedure Rules.

Statutory Returns/Grant Claims

- 4.42 Internal Audit is sometimes required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.
- 4.43 During 2015/16 this has included work on the following grants which were successfully signed off and submitted to the appropriate central government department:

Family Focus	£5,600
Flood Defence Scheme	£5,000
Transport Development Excellence Grant	£42,000
Bus Service Operators Grant 2014-15	£347,865
Local Transport Plan Block Grant 2014-15	£10,956,000
Additional Highways Maintenance Grant 2014-15	£795,000
Pothole Specific Grant 2014-15	£1,862,407
Total	£14,013,872

Implementation of Audit Recommendations

- 4.44 Throughout 2015/16, Internal Audit has continued to carry out a range of follow up exercises to ensure that agreed

recommendations are implemented. This work is done in a number of different ways:

- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee;
- Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g. a follow up audit may be done at the request of management; and
- Formal assurance audits – whilst management are responsible for ensuring that their agreed actions are implemented, they are asked to confirm that this is the case for medium level actions and evidence is sought for high level ones. Follow up audits may be completed at the request of management or where the nature of the actions requires additional assurance that they have been implemented.

Implementation of Agreed Recommendations

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2014/15 ²				
31%	40%	71%	25%	4%
2015/16				
31%	40%	71%	29%	0%

² Updated to Include actions issued in 2014/15 but due for implementation in 2015/16

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- 4.45 The figures detailed above show no overall change in the percentage of agreed actions implemented between 2014/15 and 2015/16. There has also been no change in the proportion of implemented actions put in place after the agreed deadline, or in the percentage of actions implemented on time.
- 4.46 As a result of the significant pressures placed upon Internal Audit during 2015/16 it has been necessary to prioritise remaining resource onto the completion of core assurance work so that a considered and evidenced annual opinion could be arrived at. This has highlighted potential improvements to the current approach to follow up.
- 4.47 Whilst Internal Audit support the implementation of actions by undertaking a follow up process, management are ultimately responsible for implementing the actions assigned to them within the deadlines that they have agreed.
- 4.48 In some cases the scale of change now means that the original recommendation is no longer appropriate. In these circumstances Internal Audit liaises with managers to agree a more appropriate action, or agrees that the implementation of the action is no longer appropriate. This has happened with a small number of actions arising from work carried out in 2014/15 and is reflected in the reported figures.
- 4.49 The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in

securing action and the Council's commitment and capacity to improve.

- 4.50 In order to drive further improvements in the timely implementation of recommendations, a piece of work is being planned to formally follow up all outstanding actions from both 2014/15 and 2015/16. The outcome of this review will be reported to MGB and a future meeting of this Committee. Internal Audit will also agree a programme of regular reporting on agreed audit actions to Management Group Board.
- 4.51 This will be reinforced by the escalation of common themes and emerging patterns in relation to agreed audit recommendations (high and medium rated), and failure to progress actions, to the Chief Operating Officer, Corporate Assurance Group and MGB as necessary.

Ongoing Work

- 4.52 The following audits commenced during 2014/15, with work ongoing in the first quarter of 2015/16:
- Direct Payments
 - Personal Budgets
 - Contract Management
- 4.53 A number of high profile whistleblowing referrals were received during 2015/16 that raised concerns around procurement processes. In response, the scope of an

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ongoing audit of procurement arrangements was expanded to incorporate the testing of these concerns.

- 4.54 This work commenced in the third quarter of 2015/16 and was ongoing in late December 2015 when, following the launch of an investigation by Cheshire Police regarding alleged misconduct in public office, the internal audit work was suspended. This piece of work remains on hold pending the outcome of the police investigations which are ongoing at this time. The internal audit work will be completed once the police investigation concludes.

Reliance placed on the work of other assurance bodies

- 4.55 Internal Audit place assurance on the work of the Council's external auditors, OFSTED and other external bodies, where appropriate.

5 Annual Governance Statement 2015/16

- 5.1 Each year the Council produces an Annual Governance Statement (AGS) that explains how it makes decisions, manages its resources and promotes its values and high standards of conduct and behaviour. This is an opportunity to reflect clearly and openly on where the Council has, and in some cases, hasn't reached the standards it sets for itself.
- 5.2 Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the AGS. There are no outstanding significant control issues identified

through the work of Internal Audit that require disclosure in the Council's 2015/16 Annual Governance Statement.

- 5.3 The Council's assessment of its governance arrangements in 2015/16 has identified no significant governance issues. It did however identify a number of less significant issues that require attention.
- 5.4 These will be monitored by the Corporate Assurance Group and escalated, as necessary, to the Management Group Board, Audit and Governance Committee and/or Cabinet.
- 5.5 Internal Audit actively supports the Corporate Assurance Group to ensure that effective improvements and mitigating actions are implemented.

6 Internal Audit Performance

- 6.1 The Internal Audit team's performance overall is summarised below and is above target and also above the levels achieved in 2015/16 with the exception of the figures relating to the implementation of agreed recommendations (detailed in table on page 12).

Performance Indicator	2015/16 Actual	2015/16 Target	2014/15 Actual	Comments on 2015/16 Actuals
Percentage of Audits completed to user's satisfaction	96%	92%	96%	Above target.

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Performance Indicator	2015/16 Actual	2015/16 Target	2014/15 Actual	Comments on 2015/16 Actuals
Percentage of significant recommendations agreed	100%	90%	99%	Above target.
Productive Time (Chargeable Days)	77%	80%	82%	Slightly under target
Draft report produced promptly (per Client Satisfaction Form)	97%	95%	94%	Above target

- 6.2 The slight change in the productive time PI reflects an increased amount of time spent on non-chargeable workloads by the Principal Auditors in Q4 2015/16. The target for the 2016/17 PI may need to be adjusted to reflect the interim structure of the team.

7 Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 7.1 Regulation 6 of the Accounts and Audit Regulations (England) 2015 requires relevant bodies to conduct an annual review of the effectiveness of its internal audit and for a committee of the body to consider the findings. This review has been carried out by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS).

- 7.2 The review has concluded that although there are areas for improvement, the internal audit service is being delivered to the required standard. This contributes to the assurances received for the AGS and will be shared with members of the Committee as part of the AGS process in September.

- 7.3 The North West Chief Audit Executives' Group has been exploring a 'peer review' process to be developed, managed and operated by the constituent authorities to address this requirement. It is anticipated that two pilot reviews will take place in the first half of 2016/17 before a wider roll out to the rest of the Group. The Audit & Governance Committee will continue to be appraised of progress in this matter.

8 Other Developments

- 8.1 For the first half of 2015/16, Internal Audit reported to the Head of Resources and Stewardship - with a continuing indirect line to the Chief Operating Officer (Section 151 Officer). Following the departure of the Head of Resources and Stewardship in September 2015, Internal Audit now reports to the Director of Legal Services.
- 8.2 Internal Audit were involved in a high profile review of procurement and the use of WARN forms during 2015/16. This diverted significant management resource from the team and remains incomplete due to an ongoing police investigation. Consideration will therefore need to be given to the resources required to conclude this work at some point in the future.

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- 8.3 During January 2016 the team suffered the tragic loss of Jon Robinson, Audit Manager who died following a heart attack. This devastated the team and it is testament to their dedication and professionalism that they were able to refocus and concentrate on delivering the audit plan during this extremely difficult period.
- 8.4 Further to these difficult situations, the Corporate Manager Governance and Audit has been absent since the beginning of April 2016 and consideration will need to be given as to how the Internal Audit team can be supported to enable the continued provision of an effective, efficient and economic audit function.