

**AUDIT COMMITTEE: 18 September 2017**

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**INTERNAL AUDIT PROGRESS REPORT, 2017-18**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 10.1**

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**Appendix C of the report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**Reason for this Report**

1. Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. This report has been prepared to provide Audit Committee Members with an update on the work of Internal Audit as at August 2017 for the current financial year.

**Background**

1. An Audit Plan is prepared each year in order to provide a measure of the work performed by Internal Audit function. It is important that the plan allows for flexibility so that professional judgement can be applied to enable work to be prioritised over the life of the Plan, in order to maximise the use of audit resources and add most value to the organisation in targeting changing risks.
2. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the audit teams.
3. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director Resources.
4. The progress report is discussed with the Corporate Director Resources to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities. The Progress Update is then presented to Audit Committee.

**Issues**

5. The Internal Audit Progress Update set out at Appendix A provides further detail of the performance of the Internal Audit section and with particular reference to the Internal Audit Plan. The progress update outlines the challenges facing the Internal Audit Section, the remedial action already taking place and the information provided to Audit Committee in order to provide it with the assurance that appropriate internal controls

are covered. The progress update provides the details the key points in the following paragraphs.

6. As reported at the previous Audit Committee, a significant amount of audit working days were lost during the first four months of the year due to sickness absence and a vacant Principal Auditor post. As of 1<sup>st</sup> August 2017, the two sickness absences have returned with no further sickness absences recorded within the team. In order to recover lost progress against the audit plan, the Council recruited an auditor through an agency on a temporary basis until 31<sup>st</sup> January 2018. In addition, the vacant post was re-advertised (with a closing date of 15<sup>th</sup> September 2017) with an intended start date of 1<sup>st</sup> November 2017. As previously reported, we have extended the temporary contract of the auditor maternity cover until 31<sup>st</sup> December 2017 in order to provide further resource to ensure completion of the audit plan. The maternity cover returned on 7<sup>th</sup> September 2017. These actions form the basis for ensuring that the Audit Plan is achievable.
7. In order to maintain the target of achieving the internal audit plan, a review of certain audits identified whether or not if there were opportunities to reduce the number of days on the assignment without compromising the scope of the internal audit plan through the better use of resources. This review resulted in 180 days freed up without compromising or limiting the coverage of the audit plan. The revised audit plan is set out in detail at Appendix B and shows the position with regard to the assignments agreed at the Audit Committee meeting in March 2017. The incorporated changes will be included in the plan for reporting to the next meeting of this Committee in November 2017.
8. The report sets out suggested changes to the audit plan for 2017/18 to accommodate availability of audit days, review of Council business (including scrutiny business) and discussions with directors at the relationship manager meetings. These meetings discussed both performance and potential new audits and those to be potentially deferred until a later date due to on-going system changes.
9. Appendix C sets out in detail the audit recommendations issued in this year and the progress to date in implementing them. Progress to date shows that 48% of the recommendations agreed have been implemented. This information has been provided by regular updates from directorates. Where directorates have not provided any information by the deadlines given, then these will be reported as part of the audit progress update. Whilst it is pleasing to note that all recommendations have been commented upon, there will be continued emphasis on the need for audit recommendations to be completed within the agreed timescales.
10. The output from the performance indicators from the CIPFA Internal Audit benchmarking group is also included in the report. The results from the Welsh Chief Auditor and Core Cities groups will be reported to Audit Committee when the results are received later in the year.

## **Legal Implications**

11. There are no legal implications arising from this report.

## **Financial Implications**

12. The actions taken in terms of resource as set out in paragraph 6 can be contained within the overall budget for Internal Audit.

## **RECOMMENDATIONS**

13. That the Committee notes the contents of the report and the proposed changes to the audit plan for 2017/18 to address the shortfall in audit days.

**IAN ALLWOOD**  
**HEAD OF FINANCE**  
18 September 2017

The following is attached: **Appendix A:** Internal Audit Progress Report, 2017-18  
**Appendix B:** Revised Internal Audit Plan  
**Appendix C:** Schedule of Audit Recommendations