

AUDIT COMMITTEE: 28 November 2017

INTERNAL AUDIT PROGRESS REPORT, 2017-18

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 10.1

Appendix C of the report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972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 the audit team as at 27th October 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 team.
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 Report, set out at Appendix A, provides further detail of the performance of the audit team and with particular reference to the Audit Plan. The progress update outlines the challenges facing the audit team, 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 key points in the following paragraphs.

6. As reported at the previous Audit Committee, a significant amount of audit working days was lost during the first four months of the year due to sickness absence and a vacant Principal Auditor post. There has been one day of sickness absence since the last Committee meeting. As reported previously, a temporary Auditor is in post until 31st January 2018 and the contract for the Auditor covering maternity has been extended until 31st December 2017. In addition, the vacant Principal Auditor position has been put out for recruitment again with a more targeted campaign and a verbal update will be given at the meeting.
7. As reported to the last meeting, a review was carried out to ascertain if there were opportunities to reduce the number of days on assignments, without compromising the scope of the audit plan. This review resulted in freeing up 180 days. Following the last meeting, members agreed the change to the audit plan. The incorporated changes are included in the plan being reported to this Committee, at Appendix B. Following discussions with management in the directorate concerned, it is proposed to defer one additional audit (housing rents) due to changes being made ahead of the implementation of universal credit, and this will release an additional 10 days.
8. The main pieces of work undertaken since the last committee meeting have been the thematic reviews of payroll and commissioning & procurement, along with income (schools only). No major issues have been noted in the review of payroll, and the major finding for commissioning & procurement concerned the planning and monitoring of contracts. This had already been anticipated from other work that had been undertaken by the audit team, and supports the current review of the Council's Contract Standing Orders and Procurement Rules.
9. The review of income in schools indicated that the majority of schools in the sample selected for review (24) have processes in place for income management that would benefit from either the updating of policies and controls and/or the amendment of existing processes to address specific control weaknesses.
10. 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 50% 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.
11. The output from the performance indicators from the CIPFA Internal Audit benchmarking group was included in the report to the last meeting of this Committee and the results from the Welsh Chief Auditor Group is included in this report. Information from the Core Cities group will be reported to Audit Committee when the results are received later in the year.
12. Work has begun on the proposed audit plan for 2018/19, and a draft plan will be brought to Audit Committee in January 2018 for discussion. Members may also be aware, from the Council's on-going budget consultation for 2018/19, that it is proposed to reduce the employee budget for the Internal Audit section by £36k (the equivalent of one FTE). The saving will be achieved by the further refocusing of priorities within the section.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

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

IAN ALLWOOD
HEAD OF FINANCE
28 November 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