

AUDIT COMMITTEE: 18 September 2018

INTERNAL AUDIT PROGRESS REPORT, 2018-19

REPORT OF THE HEAD OF FINANCE

AGENDA ITEM: 10.1

Appendices C, D and E of the report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972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 2018 for the current financial year.

Background

3. 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 is 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.
4. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the audit teams.
5. 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.
6. A progress report is prepared which provides a meaningful update on the work of the team and gives an opportunity to consider the changing environment and potentially refocussing on priorities. Prior to presentation to Audit Committee, the progress report is discussed with the Corporate Director Resources.

Issues

7. Over the last two years, the Internal Audit function has been without a direct Audit Manager with the Head of Finance providing the appropriate level of managerial and strategic leadership. Whilst the role had been advertised for recruitment on two previous occasions, the Council was unable to appoint. In reviewing the strategic needs of the Finance function over the medium term a decision was made to recruit for

an Audit Manager. This recruitment process was successful in getting suitable candidates to apply and interviews took place on 10 September 2018. An update will be given to the Audit Committee at the meeting of the decision of the recruitment panel.

8. The accompanying Internal Audit Progress Update (Annex 1) sets out for the period to end of August 2018 the performance of the Internal Audit section in achieving the Internal Audit Plan. The progress update summarises the work performed, revisions to the Audit Plan and provides a summary of the report findings and recommendations made across the Council functions in order to provide the Audit Committee with the assurance that appropriate internal controls are covered. The following paragraphs outline the key messages from the progress update.
9. Forty three reports have been issued for the period covered, twelve of which have been audits in respect to statements of accounts or grants. Of the 31 audit reports issued with an opinion, 72% have been rated as either effective or effective with opportunity for improvement.
10. The Audit Plan has been reviewed and there are a few changes to the plan approved by the Audit Committee in March 2018. One such area is that the approach taken to managing assets by each directorate will be subjected to an audit review in Q4. In addition, there has been an increase in the sample of schools considering catering procedures as a result of conversations with the Director of Education. The progress update also indicates that a thematic review of partnerships and collaborative governance across all directorates will be reported to the Committee in November 2018.
11. The accompanying appendices C and D detail the position in respect to the significant recommendations issued over the period being reported. A hundred and twenty nine Red and Red / Amber recommendations have been completed by the action date with a further 52 Red and Red /amber recommendations that have yet been completed by the action date (some of which have not yet become due). The summary information indicates that priority is being given to Red and Red / Amber recommendations over the Amber / Green and Green recommendations with a greater proportion of Amber / Green and Green recommendations yet to be implemented.
12. Appendix E highlights those red and red / amber recommendations that have had revised dates. Within the detail of the Appendix E, the 34 Red and Red / Amber recommendations that remain open are identified. Some revised dates have passed without action being updated with those establishments being contacted for an update. Whilst this reflects 34 recommendations, it is positive that only two red recommendations remain outstanding having had a revised action date. Work continues at pace with directorates through relationship management meetings and other informal means to encourage prompt implementation of recommendations and this will continue to be reported to audit committee.
13. The report also highlights in Appendix F and G the level of progress being achieved against the PSIAS Action plan where all actions have now been completed and a self-assessment undertaken earlier in the year by the Internal Audit management team. The Audit Committee will be kept aware of progress against the self-assessment through future reports.

14. Investing in the Internal Audit team continues to be a priority with four auditors supported in their pursuit of the IIA (Institute of Internal Auditor) qualification. This investment will provide a solid spine to the Internal Audit function going forward where currently the Internal Audit team has no one IIA qualified.

Legal Implications

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

Financial Implications

16. There are no direct financial implications arising from this report. Whilst funding for the Audit Manager post has been used temporarily to fund additional audit resources the call on that budget has now stopped. Therefore, there are no budget implications arising from the audit manager post being filled.

RECOMMENDATIONS

17. That the Committee notes the contents of the report and approves the proposed changes to the audit plan for 2018/19.

IAN ALLWOOD
HEAD OF FINANCE
18 September 2018

The following are attached:

Annex 1: Internal Audit Progress Report, 2018-19
Appendix B: Audit Plan as at August 2018
Appendix C: Red & red / amber recommendations not yet complete
Appendix D: Red & red / amber recommendations completed since last meeting
Appendix E: Red & red / amber recommendations with revised action dates
Appendix F: PSIAS action plan (updated)
Appendix G: Self-assessment (2018/19) action plan