

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – 9 September 2014

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

This report supports the Key Aim of Effective Delivery of the Corporate Plan

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Bami Cole, Ext.7236

Recommendation to Audit Committee: That Members note the contents of the report and the progress made by the audit team in delivering the 2014/15 Annual Internal Audit Plan

Reason for recommendation: The Audit Committee is required to review the progress of the Internal Audit Plan in compliance with its terms of reference.

Introduction

- 1 This report provides details of the progress of the Internal Audit Team in delivering the Annual Internal Audit Plan 2014/15 and outcomes of final internal audit reports issued since the meeting of the committee in June 2014.
- 2 The internal audit function is a key process of the Council's overall governance arrangements. Its key purpose is to conduct independent reviews of the Council's system of internal controls and to provide an assurance to both senior Management and Members regarding the effectiveness of such systems. In fulfilling his duty and responsibilities, the Audit Manager, is required to report to the Audit Committee on the progress made in delivering the internal audit plan in meeting the Council's assurance requirements, in accordance with regulatory requirements and relevant professional standards.

Summary of Issues Raised Within the Report:

- 3 A summary of progress made towards delivering the assurance requirements for 2014/15 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in March 2014. Members may note that Nine planned reviews are in progress. This is equivalent to 45% of the original plan.

- 4 Members are advised that two reviews have been requested by Senior Management to be deferred, due to operational reasons. They are set out in Appendix A of this report.
- 5 Appendix B sets out details of the final reports which were issued since the last meeting of this committee and provides a brief summary of the findings and recommendations agreed with service management, to address any areas for further improvements, which are required to strengthen internal controls. Further details on any of the issues raised on the report summaries would be provided to members of this committee on request.

Internal Audit Resources

- 6 Internal audit resources have been under capacity during the period, due to two staffing vacancies, equivalent to 42% of auditor resources. One of which impacts on the key role of Principal Auditor. This has consequently put some strain on delivery of the plan and overall effectiveness. However, this would be mitigated to some extent, by the use of agency staff in the short term.

New Public Sector Internal Audit Standards

- 7 Members were previously advised at their last meeting in June 2014, of the proposed action plan required to implement the new Internal Audit Standards, which came into effect in April 2013. One of the requirements of the standards is to undertake an external review of Internal Audit. In view of the above, senior management has requested a delay in recruitment of the current vacancies, pending the outcome of the external review, details of which are currently being discussed with our shared services partner. It is hoped that the outcome of the review would provide a clear focus on how the service could be strengthened going forward.

Key Implications

Financial

7. Not Applicable.

Legal Implications and Risk Assessment Statement.

8. No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2011.

The Council is required to comply with the requirements of the Accounts and Audit Regulations 2011, regarding its "arrangements to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". Staffing vacancies place a strain on internal audit capacity and its ability to deliver an effective service. The use of temporary agency staff provides a short term, but less effective solution.

Equality Impacts

9.

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

Sustainability Checklist

10. Not Applicable.

Conclusions

11. This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2014/15 and provides a summary of final reports issued since the meeting of the Audit Committee in June 2014. The team is currently under capacity as a result of two staffing vacancies. The temporary arrangement of using agency staff provides some relief in the short term, but is a less effective solution.

Appendices

Appendix A – Progress Against 2014/15 Plan

Appendix B - Summary of Final Reports Issued

Appendix C - Audit Opinions - Definitions

Background Papers:

[Internal Audit Annual Plan for 2014/15](#)

New Public Sector Internal Audit Standards 2013

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

[Audit Committee Report 10 June 2014](#)

Accounts and Audit Regulations 2011

<http://www.legislation.gov.uk/uksi/2011/817/contents/made>

Adrian Rowbotham
Chief Finance Officer