

INTERNAL AUDIT 2016/17 - SECOND PROGRESS REPORT

Audit Committee - 10 January 2017

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. Scholey

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Recommendations to Audit Committee:

- a) That Members note the contents of the report and the progress made by the Internal Audit Team in delivering the 2016/17 Annual Internal Audit Plan.
- b) That Members approve the amendments to the internal Audit Plan 2016/17.

Reason for recommendation: The Audit Committee is required to review the progress of the Internal Audit Plan and approve amendments to the Annual 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 2016/17 and outcomes of final Internal Audit reports issued since the meeting of the committee in September 2016.
- 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, Risk and Anti-Fraud Manager, is required to report the progress made in delivering the assurance requirements to the Audit Committee, 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 2016/17 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in March 2016. Members may note that thirteen reviews had commenced, seven had been finalised and six were in progress.
- 4 Appendix B sets out details of the final reports which have been issued since the last meeting of this committee. It also provides a brief summary of the findings and recommendations agreed with service management, to address any areas for further improvements 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.
- 5 The definition of the standard Internal Audit opinions are detailed in Appendix C, where a single opinion will be given, which will either be: Full Assurance; Substantial Assurance; Limited Assurance or No Assurance.

Amendments to the Audit Plan

- 6 Members are advised that the Internal Audit Plan 2016/17 has been amended to take account of existing capacity and to reflect the assurance priorities for the rest of the municipal year. Some productive capacities have been lost, due to a vacancy and the long term absence of the Audit Manager. To this effect it is necessary to carry forward seven reviews. Senior Management have approved the proposed amendments to the plan as set out below.
- 7 Details of the amendments are set out in Appendix A. In particular, the following items are proposed to be deferred to next year's assurance plan; Items 1, 5, 11, 17, 21, 25, and 27. However, prior to inclusion, they would be subject to the annual risk assessment and a review of assurance needs and priorities, as part of the annual planning process.
- 8 Members are advised that the proposed changes to the plan will not have a material impact on the level of assurance that could be provided in 2016/17; as the proposals take account of assessed risks and assurance needs.

Internal Audit Resources

- 9 Members may note that Internal Audit resources are under capacity due to the long term absence of the Audit Manager and the resignation of an Internal Auditor. This has consequently put some strain on delivery of the plan. However, this is being mitigated to some extent, by the use of agency staff in the short term.
- 10 Members may also note that out of the original three hundred days planned for the 2016/17 audit plan, thirty three audit days were lost as a result of staff resignation; twenty five as a result of the Principal Auditor taking on additional responsibilities and forty six days spent on finalising audits featured in the 2015/16 audit plan.

Progress of Internal Audit Improvement Plan

- 11 Members may be pleased to note that the TeamMate electronic audit management software is progressing well and it is anticipated that it will be fully implemented in time for the 2017/18 Internal Audit Plan. This forms part of the agreed actions in the internal audit improvement plan and will facilitate the implementation of more modern ways of working, which is expected to lead to greater efficiency and improved quality of the internal audit service.

Key Implications

Financial

Not Applicable.

Legal Implications and Risk Assessment Statement.

No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015.

The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its arrangements for Internal Audit, in order to ensure fitness for purpose and taking into account the Public Sector Internal Audit Standards and professional guidance. Training and development needs have been identified, to enable all staff to be equipped with the relevant skills required to perform their roles effectively.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2016/17 and provides a summary of final reports issued since the meeting of the Audit Committee in September 2016. The team is also making steady progress in implementing the improvement action plan agreed by the Audit Committee in June 2015.

Appendices

Appendix A - Progress Against 2016/17 Plan

Appendix B - Summary of Final Reports Issued

Appendix C - Audit Opinions - Definitions (2016/17 Audits going forward)

**Background
Papers:**

[Internal Audit Annual Plan for 2016/17](#)

New Public Sector Internal Audit Standards 2015

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

[Audit Committee Report 29 September 2016](#)

Accounts and Audit Regulations 2011

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

**Adrian Rowbotham
Chief Finance Officer**