

## **INTERNAL AUDIT PROGRESS REPORT**

### **Audit Committee – 13 January 2015**

Report of Chief Finance Officer

Status: For Consideration

Key Decision: No

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

**Portfolio Holder** Cllr. Ramsay

**Contact Officer(s)** Bami Cole, ext.7236

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**Recommendation to Audit Committee:** That Members:

Note the contents of the report and the progress made by the Internal Audit Team in delivering the 2014/15 Annual Internal Audit Plan

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

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### **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 September 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 13 planned reviews are in progress. However, only two have been finalised to date. Completed reviews and work in progress make up 65% of the original plan and 72% of the amended plan (see para 4 below). In addition, the team also completed an unplanned VFM review of the Council's postal service, which was specifically requested by Members.

- 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 for the shared services audit team. One of the vacancies relates to the key role of Principal Auditor. This has consequently put some strain on delivery of the plan and overall effectiveness. However, this is being 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 September 2014, of the proposed action plan required to implement the new Internal Audit Standards, which came into effect in April 2013. A key aspect of which was the proposals for the external review of internal audit, which Members approved at the meeting in September 2014. The external review is currently ongoing, at the time of writing this report. It is expected that Members would receive an update on the progress of the review from the Chief Finance Officer at the meeting in January 2015.

### **Key Implications**

#### Financial

- 8 Not Applicable.

#### Legal Implications and Risk Assessment Statement.

- 9 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

- 10 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

## Sustainability Checklist

11 Not Applicable.

### **Conclusions**

12 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 September 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 9 September 2014](#)

Accounts and Audit Regulations 2011

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

**Adrian Rowbotham**  
**Chief Finance Officer**