

## INTERNAL AUDIT 2015/16 - SECOND PROGRESS REPORT

### Audit Committee - 12 January 2016

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. Searles

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

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**Recommendation to Audit Committee:** That Members

- a) note the contents of the report and the progress made by the Internal Audit Team in delivering the 2015/16 Annual Internal Audit Plan; and
- b) approve the amendments to the Internal Audit Plan 2015/16 as set out in Appendix A to the report.

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**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.

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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 2015/16 and outcomes of final Internal Audit reports issued since the meeting of the committee in September 2015.
- 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 2015/16 is attached as Appendix A to this report, which sets out details of the reviews agreed by the Audit Committee in March 2015. Members may note that thirteen reviews have commenced, four have been finalised, four at draft report stage and the remaining five are at various stages of completion. This is equivalent to 57% of the original plan. Comparatively, this is a significant improvement to last year's out-turn, as could be seen on Appendix A.

## **Amendments to the Audit Plan**

- 4 Members are advised that the Internal Audit plan 2015/16 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, partly due to carrying vacancies and the need to train and develop new staff into their roles. To this effect, it is necessary to carry forward five reviews. Senior management have approved the proposed amendments to the plan as set out below.
- 5 Details of the amendments are set out on Appendix A. In particular, the following items are proposed to be deferred to next year's assurance plan; Items 3, 7, 8, 9 and 18. However, prior to inclusion, they would be subjected to the annual risk assessment and a review of assurance needs and priorities, as part of the annual planning process.
- 6 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 2015/16; as the proposals take account of assessed risks and assurance needs.
- 7 A revised resource plan is attached as Appendix B and shows how Internal Audit resources will be used for the rest of the period.
- 8 Appendix C 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.

## **Internal Audit Resources**

- 9 Members will be pleased to note that since the last meeting, the recruitment to fill the two vacancies was completed successfully and the team is now at full establishment. The new team is now working cohesively towards delivering the Council's assurance requirements. With the team now at full establishment and the employment of a qualified Principal Auditor, the team is now much better placed to take forward its transformation programme. To this effect, the development day, which was agreed as part of the internal audit improvement plan, will take place on Friday 18 December 2015.

- 10 An experienced professional facilitator has been recruited to facilitate the day. The Audit, Risk and Anti-Fraud Manager has worked closely with the facilitator and the team, to develop a programme which will energise the team to deliver the following key expected outcomes:
- To obtain a thorough understanding of added value
  - To develop ways to add value to the Assurance function
  - To identify innovative ways to improve the Assurance function
  - To consider views (already obtained) from clients about their requirements from the Assurance function and to deliver on client's expectations
  - To review the recommendations from the PWC external review and the views of clients
  - To obtain an understanding of what makes a successful team and how the team matches up
  - To obtain a thorough understanding of what each team member can contribute now and in the future
  - To developed an action plan for the future success of the team, which will be shared with senior management

### **Progress of Internal Audit Improvement Plan**

- 11 The Internal Audit improvement plan is progressing well. The Chair and vice-chair receive regular updates at meetings with the Chief Finance Officer and the Audit, Risk and Anti-Fraud manager. A full report will be sent to the March Audit Committee.

### **Key Implications**

#### Financial

- 12 Not Applicable.

#### Legal Implications and Risk Assessment Statement.

- 13 No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015.
- 14 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. The recent recruitment of two new staff now brings the team up to full establishment. Hence the team is now better placed to deliver on the Council's assurance requirements and mandatory 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 Impacts

- 15 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

- 16 Not Applicable.

## **Conclusions**

- 17 This report sets out progress of the Internal Audit Team in delivering the Council's assurance requirements for 2015/16 and provides a summary of final reports issued since the meeting of the Audit Committee in September 2015. 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 2014/15 Plan

Appendix B - Revised Resource Plan

Appendix C - Summary of Final Reports Issued

Appendix D - Audit Opinions - Definitions

## **Background Papers:**

[Internal Audit Annual Plan for 2015/16](#)

New Public Sector Internal Audit Standards 2013

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

[Audit Committee Report 23 June 2015](#)

Accounts and Audit Regulations 2011

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

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