

INTERNAL AUDIT 2016/17 - FIRST PROGRESS REPORT

Audit Committee - 29 September 2016

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. Searles

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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 2016/17 Annual Internal Audit Plan.

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 June 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 six reviews had commenced, three had been finalised and three were in progress.

- 3 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.
- 4 The standard definition of opinions used by the Internal Audit Section for 2015/16 audit reviews, is detailed in Appendix C. It provided two opinions, Framework and Compliance: Framework referred to the framework of controls in place to manage the risks of non-delivery of objectives, whilst Compliance referred to the degree of compliance with established controls. However, there is a new process in place for audit reviews, commencing with those reviews undertaken in 2016/17 and going forward. A single opinion will be given, which will either be Full Assurance, Substantial Assurance, Limited Assurance or No Assurance. Full details of which are provided in Appendix D.

Internal Audit Resources

- 5 Members will be pleased to note that the two new members of staff continue to settle in well. Appropriate training has been identified to enable them to become fully functional over the next few months. Hence the need to facilitate their development has impacted on the speed of delivery of the audit plan.
- 6 The Audit, Risk and Anti-Fraud Manager has been absent for a significant part of the last few months and this reduction in resources is likely to have an impact on the teams ability to complete the full Internal Audit Plan within the year. A review of available resources going forward will be carried out to determine the likely impact on the Plan and details will be presented at the next Committee.
- 7 Members may also be pleased to note that the TeamMate electronic audit management software has been purchased and the implementation process has begun. 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.

Progress of Internal Audit Improvement Plan

- 8 Significant progress has been made on the Internal Audit improvement plan but the absence of the Audit, Risk and Anti-Fraud Manager has resulted in less progress being made recently. The Chair and Vice-Chair receive regular updates at meetings with the Chief Finance Officer and the Audit, Risk and Anti-Fraud Manager.

Key Implications

Financial

9 Not Applicable.

Legal Implications and Risk Assessment Statement.

- 10 No additional legal implication beyond the Council's duty to comply with the Accounts and Audit Regulations 2015.
- 11 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 recruitment of two new staff in 2015 has brought 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 Assessment

- 12 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

- 13 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 June 2017. 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 (2015/16 Audits)

Appendix D - Audit Opinions - Definitions (2016/17 Audits)

Background Papers:

Internal Audit Annual Plan for 2016/17

<http://cds.sevenoaks.gov.uk/documents/s28487/08%20Annual%20Internal%20Audit%20Plan%202016-17.pdf>

New Public Sector Internal Audit Standards 2015

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

Audit Committee Report 30 June 2016

<http://cds.sevenoaks.gov.uk/documents/s28498/12%20Internal%20Audit%20Annual%20Report%202015-16.pdf>

Accounts and Audit Regulations 2011

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

Adrian Rowbotham
Chief Finance Officer