

AUDIT COMMITTEE

30 SEPTEMBER 2021

REPORT OF THE INTERNAL AUDIT MANAGER

A.1 PROGRESS REPORT ON INTERNAL AUDIT – JULY 2021 - AUGUST 2021 AND APPROVAL OF THE INTERNAL AUDIT CHARTER

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period July 2021 – August 2021 and review the Internal Audit Charter for approval as required by the professional standards.

EXECUTIVE SUMMARY

- Fieldwork has been completed for Building Control and Corporate HR Pre and Post Employment Checks since the last update in July 2021, however we are yet to have the exit meeting and agree the draft report.
- A further five audits from the 2021/22 Internal Audit Plan are at fieldwork stage and six audits have been allocated.
- The Internal Audit Charter is provided to be reviewed and approved for the 2021/22 financial year. There has been no changes since the last update.

RECOMMENDATION(S)

- That the reports be considered and noted, and;
- The Internal Audit Charter be reviewed and approved.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The Internal Audit function is operating within the budget set.

Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

LEGAL

The Council has a statutory responsibility to maintain adequate and effective internal audit.

The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal

audit standards and guidance.

It is also a requirement of the Public Sector Internal Audit Standards (PSIAS) for the Audit Committee to review and approve the Internal Audit Charter on an annual basis.

OTHER IMPLICATIONS

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Public Sector Internal Audit Standards require the Internal Audit Manager to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

INTERNAL AUDIT PLAN PROGRESS (2021/22)

Fieldwork has been completed on two audits since the previous update in July 2021. However, the draft reports are still to be agreed with the service managers. Five audits are currently in the fieldwork phase and a further six audits have been allocated to commence shortly.

Due to annual leave commitments within departments and within the Internal Audit Team it has not been possible to finalise the number of audits we would like. We are not anticipating any material impact to delivering the plan as the summer period tends to be slow due to the number of employees on leave across the Council during this period.

As there are a number of audits that are continuous or consultative, it is necessary to provide a summary of progress below:

Office Transformation Programme

Internal Audit continues to attend scheduled meetings regarding the Transformation Programme. This cross departmental meeting has a set agenda to review the progress of the programme and address issues as they come up. Internal Audit is kept up to date with progress of the programme and action plans in place to mitigate key risks within the programme. Senior Management and the portfolio holder for Corporate Finance and Governance are also present at the meetings.

Digital Transformation Programme

There are no more meetings scheduled at this time for digital transformation. The Head of Service is currently reviewing phase two of the programme in line with the requirements of the capital and treasury strategy.

Project Management

The Internal Audit Manager and board members continue to attend the Project Management Board to provide input on governance and internal control as well as challenge details within Project Initiation Documents (PIDS) prior to going to Cabinet in order ensure that there is a consistency in approach and detail for members to review.

The Board also provide support Officers if there are areas where the project lead may be unsure of what the corporate approach should be e.g. Procurement.

The areas below continue to be a priority for assessment for the Project Board on all projects discussed:

Priorities – Does this activity meet the Councils priorities? Does it deliver against key objectives

Financials – What is the value of the activity overall?

Risk – Are all risks being addressed?

Sustainability – Are the outcomes achievable, what is the long term impact, are potential savings short term or long term?

Deliverability – Likelihood of delivering the project with the resources available?

Outcome – Will the project provide the expected outcome e.g. will the savings be made, the service be transformed or key priorities met?

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. No responses have been received in this period.

Resourcing

Internal Audit is currently working with an establishment of 3 fte with access to a third party provider of Internal Audit Services for specialist audit days as and when required.

We will be hoping to fill the part time Audit Technician post over the next few months to provide administrative support and undertake some audits under supervision to help deliver the audit plan.

Outcomes of Internal Audit Work

The standards require the Internal Audit Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report four audits have been completed and the final report issued. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues.

Assurance	Colour	Number this Period	Total for 2019/20 Plan	
Substantial		2	2	
Adequate		1	1	

Improvement Required		1	1	
Significant Improvement Required		0	0	
No Opinion		0	0	

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

Issues arising from audits completed in the period under review receiving an 'Improvement Required' opinion and requiring reporting to Committee are:-

There were no significant issues identified within audits completed during this period.

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	0	
Not yet due	2	

Update on previous significant issues reported

Fleet Management Policy

The Fleet Management Policy was put forward to the HR Committee in July 2021 for approval. The committee requested for some additional changes to be made to the policy and to be brought back to the next committee meeting.

The Acting Transport Manager sat his final exam earlier this month and expects the results at the end of October.

Planning Enforcement Policy

The policy has been reviewed by the Legal Team and now back with Planning Enforcement for review / further consultation before it can be considered for formal adoption.

INTERNAL AUDIT CHARTER

A requirement of the Public Sector Internal Audit Standards (PSIAS) is for the Audit Committee to review and approve the Internal Audit Charter on an annual basis. The Charter was last updated and approved in September 2019. Due to the pandemic and focus needed elsewhere the charter was not reviewed and approved in 2020. However, there had been no changes to standards or processes at this time therefore no amendments were required.

There have been no changes to the charter since the last review in September 2019 and the Audit Committee and Internal Audit Team continue to comply with the obligations and

responsibilities set out within the charter. The charter is included as Appendix B of this report.

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix A – 2021/22 Internal Audit Plan Progress Report

Appendix B – Internal Audit Charter