

## **Audit & Governance Committee**

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**Date of Meeting:** 05 December 2019

**Report Title:** Internal Audit Interim Update Report (April – September 2019)

**Senior Officer:** Jan Bakewell, Director of Governance and Compliance Services

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### **1. Report Summary**

- 1.1. The purpose of this report is to update the Audit and Governance Committee on progress against the Internal Audit Plan 2019/20, revisions to the plan, to summarise work undertaken to the end of September 2019 (see Appendix A).

### **2. Recommendations**

- 2.1. That the Committee:

- 2.1.1. Notes and considers the contents of the Internal Audit Interim Update Report.

### **3. Reasons for Recommendations**

- 3.1. The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Audit Executive (Head of Audit and Risk Management) to regularly report on emerging issues in respect of the whole range of areas to be covered in the annual report.
- 3.2. In order to meet this requirement the Committee receives regular reports on Internal Audit's performance to support the effectiveness of the internal audit process.

### **4. Other Options Considered**

- 4.1. Not applicable.

### **5. Background**

- 5.1. The Public Sector Internal Audit Standards (PSIAS) Local Government Application Note states that, "in addition to the annual report, the Chief Audit Executive should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address

emerging issues in respect of the whole range of areas to be covered in the annual report and hence support a 'no surprises' approach, as well as assist management in drafting the Annual Governance Statement".

5.2. The interim report contains the following:

- a summary of the audit work carried out in 2019/20 to date (Section 2)
- any issues judged particularly relevant to the preparation of the Annual Governance Statement (AGS) (Section 3)
- comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets (Table 2, Table 4 and Section 4)
- comments on compliance with these standards and communication of the results of the internal audit quality assurance programme (Section 4 and Section 5)
- other developments, including the Internal Audit Charter (Section 6)

5.3. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the Annual Governance Statement. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council's objectives.

5.4. It should be noted that Internal Audit's risk based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels.

5.5. A report summarising the work undertaken, the issues identified and the actions required is produced for each review undertaken. The process of reviewing the report from draft to final ensures that the findings are confirmed to be factually accurate, and that the management actions will result in improvements to the control environment. Draft reports are agreed with the appropriate managers, and the Final reports are shared with the relevant Executive Director. The implementation of agreed actions is monitored through the follow up process, and performance in this area is reported regularly to the Corporate Leadership Team and the Committee.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

6.1.1. Section 151 of the Local Government Act 1972 requires Councils to make arrangements for the proper administration of their financial affairs and the Accounts and Audit Regulations 2015 establishes a specific responsibility for the Council to conduct a review at least once a year of the effectiveness of its system of internal control

### **6.2. Finance Implications**

6.2.1. The Internal Audit team must be appropriately resourced to comply with statutory and best practice requirements. Resourcing of the Internal Audit team is regularly monitored and reported upon to the CLT and the Audit and Governance Committee.

6.2.2. There are no adjustments required to the Medium Term Financial Strategy as a result of this report.

### **6.3. Policy Implications**

6.3.1. There are no policy implications identified.

### **6.4. Equality Implications**

6.4.1. There are no equality implications identified.

### **6.5. Human Resources Implications**

6.5.1. There are no human resources implications identified.

### **6.6. Risk Management Implications**

6.6.1. Failure to consider the effectiveness of the Council's system of internal audit, and the Internal Audit opinion on the Council's control environment, could result in non-compliance with the requirements of the Accounts and Audit Regulations 2015

### **6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

### **6.8. Implications for Children & Young People/Cared for Children**

6.8.1. There are no direct implications for children and young people.

### **6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

## **6.10. Climate Change Implications**

6.10.1. There are no direct implications for climate change.

## **7. Ward Members Affected**

7.1. All Ward Members as the report provides an update on progress against the Audit Plan and is used to inform the Annual Audit Opinion on the Council's control environment.

## **8. Access to Information**

8.1. The Internal Audit Interim Update Report (April – September 2019) is attached as Appendix A to this report.

## **9. Contact Information**

9.1. Any questions relating to this report should be directed to the following officer:

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