

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 6</b>
<b>20 NOVEMBER 2017</b>	<b>PUBLIC REPORT</b>

Report of:	Marion Kelly Interim Corporate Director of Resources	
Cabinet Member(s) responsible:	Councillor Seaton Resources Portfolio Holder	
Contact Officer:	Steve Crabtree Chief Internal Auditor	Tel. 384557

### **INTERNAL AUDIT: MID YEAR PROGRESS REPORT 2017 / 2018**

R E C O M M E N D A T I O N S	
<b>FROM:</b> Marion Kelly, Interim Corporate Director of Resources	<b>Deadline date:</b> N/A
<p>Audit Committee are asked that :</p> <p>1. The Internal Audit Update Report to 30 September 2017 be received and the Committee note in particular:</p> <p style="padding-left: 40px;">(a) Progress made against the plan and overall performance of the section; and</p> <p style="padding-left: 40px;">(b) Reports with an opinion of Limited or No Assurance</p>	

#### **1. ORIGIN OF REPORT**

- 1.1 This report is submitted to Audit Committee as a routine planned report within the 2017 / 2018 work programme of the Committee.

#### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following "2.2.1.1 *To consider the annual audit report and opinion of the Executive Director (Strategic Resources) and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements*".
- 2.2 The purpose of this report provides an overall opinion on the soundness of the control environment in place to minimise risk to the council. It is based on the findings of the completed internal audits from the Annual Audit Plan 2017 / 2018 as at 30 September 2017.

### 3. **TIMESCALES**

Is this a Major Policy Item / Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	N/A
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### 4. **INTERNAL AUDIT UPDATE**

#### 4.1 Progress against Plan

4.1.1 The progress of the 2017 / 2018 Annual Plan is documented within **Appendix A**. Detail shows the status of those audits included in the original plan, as well as any unplanned audits that have arisen since the plan was approved. As is normal practice, activity in the first six months has focused on jobs which have been date demand led as well as focusing on the closure of the previous year's reviews.

4.1.2 To date 6 grant certifications have been completed and 12 audit projects have been finalised. There are 21 audit projects in progress, which includes 6 at draft report stage, with a further 15 audit projects left to be undertaken in the second half of the year subject to resources. In addition, there are a further 3 audit projects to commence for Vivacity.

#### 4.2 Resources

4.2.1 The role of Chief Internal Auditor has also been provided to Cambridge City Council (from January 2011) and South Cambridgeshire District Council (from July 2013) on a shared management arrangement, delivering financial savings to each Council. With the creation of the Combined Authority in March 2017 – which Peterborough are providing the audit service for – the decision was taken by the Service Director Financial Services in conjunction with the Chief Internal Auditor to inform the other Councils in early 2017 that Peterborough would withdraw from the existing arrangements by 30 September 2017 at the latest. This provided suitable opportunity for the other Councils to appoint a replacement. Whilst an appointment has been made, the successful candidate will not commence in that role until 18 December 2017. Peterborough have agreed to provide 1 day cover per week until that date, a reduction of 2 days per week from the previous agreement.

4.2.2 The audit plan was compiled on the basis of 5.46 FTE being in post throughout the year. Since the approval of the plan, resources have reduced by 0.8 FTE due to a resignation and this post has remained vacant since April 2017. Approval is being sought to recruit to the post but in the interim days have been lost from the plan as a result. If the post is not filled future reviews will be prioritised and Audit Committee will be advised as part of our reporting processes where reviews have been assessed as not being undertaken or rolled forward to the following year.

#### 4.3 Performance

4.3.1 There has been 100% acceptance of audit recommendations to date, against a target of 90%.

4.3.2 Follow-ups carried out to date show that 91.5% of agreed recommendations have been implemented, against a target of 90%.

#### 4.4 Reports with Limited or No Assurance

- 4.4.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: **SUBSTANTIAL; REASONABLE; LIMITED; and NO ASSURANCE.** Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews are included within Appendix A, once the review has been agreed and finalised. There are no reports that fall into this category at this time.

## **5. CONSULTATION**

- 5.1 This report and the accompanying appendices have been issued to the Service Director Financial Services for consideration.

## **6. ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan and its business plan performance. In addition, that the Audit Committee is made aware of any key control issues highlighted by our work since the last progress report.

## **7. REASON FOR THE RECOMMENDATION**

- 7.1 The Council is subject to the Accounts and Audit Regulations 2015 and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. This report and associated papers demonstrate how the audit service is progressing against the audit plan how it will contribute to the Statement.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 The alternative of not providing an Internal Audit service is not an option.

## **9. IMPLICATIONS**

### **Financial Implications**

- 9.1 During the year, Internal Audit makes a number of recommendations. While implementing these may have resource implications for the various areas under review, Internal Audit discuss and agree recommendations with the Auditee prior to the issue of the final audit report. Therefore, it is assumed that their implementation can and will be undertaken either with existing resources or with additional resources that they can readily call upon.

### **Legal Implications**

- 9.2 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations. There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

### **Equalities Implications**

9.3 None

**10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

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Internal Audit Annual Plan 2017 / 2018

Internal Audit reports

**11. APPENDICES**

11.1 **Appendix A** - Progress of Audit Plan 2017 / 2018 (To 30 September 2017)