

THURSDAY, 14 FEBRUARY 2019

**REPORT OF THE HEAD OF AUDIT & GOVERNANCE**

**INTERNAL AUDIT UPDATE REPORT 2018/19 QUARTER 3**

**EXEMPT INFORMATION**

None

**PURPOSE**

To report on the outcome of Internal Audit's review of the Internal Control, Risk Management and Governance framework in the 3rd quarter of 2018/19 – to provide members with assurance of the ongoing effective operation of an Internal Audit function and enable any particularly significant issues to be brought to the Committee's attention.

**RECOMMENDATION**

It is recommended that:

1. The Committee considers the attached report and raises any issue it deems appropriate.

**EXECUTIVE SUMMARY**

The Accounts and Audit Regulations 2015 require each local authority to publish an Annual Governance Statement (AGS) with its Annual Statement of Accounts. The AGS is required to reflect the various arrangements within the Authority for providing assurance on the Internal Control, Risk Management and Governance Framework within the organisation, and their outcomes.

One of the sources of assurance featured in the AGS is the professional opinion of the Head of Audit & Governance on the outcome of service reviews. Professional good practice recommends that this opinion be given periodically throughout the year to inform the Annual Governance Statement. This opinion is given on a quarterly basis to the Audit & Governance Committee.

The Head of Audit & Governance's quarterly opinion statement for October - December 2018 is set out in the attached document, and the opinion is summarised below.

Audit Opinion.

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's Risk Management, Control and Governance processes.

Overall in my opinion, based upon the reviews performed during the third quarter of the 2018/19 financial year, the Authority has:

- Adequate and effective risk management arrangements;
- Adequate and effective governance; and
- Adequate and effective control processes.

### Specific Issues

No specific issues have been highlighted through the work undertaken by Internal Audit during the third quarter of 2018/19 that would need to be highlighted as a corporate risk.

### **RESOURCE IMPLICATIONS**

None

### **LEGAL/RISK IMPLICATIONS BACKGROUND**

Failure to report would lead to non-compliance with the requirements of the Annual Governance Statement and the Public Sector Internal Audit Standards.

### **EQUALITIES IMPLICATIONS**

None

### **SUSTAINABILITY IMPLICATIONS**

None

### **BACKGROUND INFORMATION**

None

### **REPORT AUTHOR**

Angela Struthers, Head of Audit & Governance

### **LIST OF BACKGROUND PAPERS**

### **APPENDICES**

- Appendix 1 Internal Audit Performance Report 2018/19
- Appendix 2 Percentage of Management Actions Agreed 2018/19
- Appendix 3 Implementation of Agreed Management Actions 2018/19

## **1. INTRODUCTION**

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards)

Internal Audit's role is to provide independent assurance to the Council that systems are in place and are operating effectively.

Every local authority is statutorily required to provide for an adequate and effective internal audit function. The Internal Audit service provides this function at this Authority.

This brief report aims to ensure that Committee members are kept aware of the arrangements operated by the Internal Audit service to monitor the control environment within the services and functions of the authority, and the outcome of that monitoring. This is to contribute to corporate governance and assurance arrangements and ensure compliance with statutory and professional duties, as Internal Audit is required to provide periodic reports to "those charged with governance".

## **2. PERFORMANCE AND PROGRESSION AGAINST AUDIT PLAN**

The Internal Audit service aims as one of its main Performance Indicators (PI's) to complete work on at least 90% of applicable planned audits by the end of the financial year, producing reports on these where possible/necessary. **Appendix 1** shows the progress at the end of 3rd quarter of the year of the work completed against the plan and highlights the work completed. The original audit plan identified 55 audits to be completed in the 2018/19 financial year. The plan has been revised, and a total of 53 audits are now due to be completed by the end of the financial year. At the end of the 3rd quarter of the year, internal audit have commenced/completed 41 audits. This equates to 77% of the revised annual audit plan (specific reviews). In addition to the specific reviews, a total of six implementation reviews and eight further implementation reviews have been completed for the financial year to date. One implementation review and two further implementation reviews were completed in the third quarter.

The service also reports quarterly on the percentage of draft reports issued within 15 working days of the completion of fieldwork. All (100%) of the draft reports issued in this quarter of the year were issued within this deadline.

## **3. AUDIT REVIEWS COMPLETED 2018/19**

Thirteen audits were finalised within the quarter. **Appendix 2** details the number of recommendations made. A total of 82 recommendations were made in the second quarter with 80 (98%) of the recommendations being accepted by management.

The service revisits areas it has audited around 6 months after agreeing a final report on the audit, to test and report to management on the extent to which agreed actions have been taken. One first implementation review was completed – CCTV and 43% - (3/7) of the recommendations were implemented. The Assistant Director Neighbourhoods has confirmed that the outstanding recommendations will be a key feature of the full service review being complete for CCTV. Two second implementation reviews – Freedom of Information & Land Charges were completed during the third quarter of 2018/19. 32% (10/31) of the recommendations were implemented/partially implemented at second implementation review. Ten recommendations not implemented at 2<sup>nd</sup> implementation

review were high priority. The Assistant Director – People has confirmed that with regard to the recommendations for Freedom of Information, some recommendations have now been completed and those that remain outstanding, work is progressing to complete them. The Head of Legal & Democratic Services has confirmed that the majority of recommendations relating to Land Charges have since been implemented. Internal Audit only complete two implementation reviews in accordance with the internal audit protocol, it is then management's responsibility to ensure that the risks are managed effectively. Details of the implementation reviews completed are at **Appendix 3**. Internal Audit is fairly satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues.

#### **4. INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY**

Attribute Standards 1110 to 1130 in the Public Sector Internal Audit Standards require that Internal Audit have organisational and individual independence and specifically state that the Head of Audit & Governance must confirm this to the Audit & Governance Committee at least annually. As performance is reported quarterly, this confirmation will be provided quarterly.

The Head of Audit & Governance confirms that Internal Audit is operating independently of management and is objective in the performance of internal audit work.

#### **OVERALL CURRENT INTERNAL AUDIT OPINION**

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's Risk Management, Control and Governance processes.

Overall in my opinion, based upon the reviews performed during the third quarter of the 2018/19 financial year, the Authority has:

- Adequate and effective risk management arrangements;
- Adequate and effective governance; and
- Adequate and effective control processes.

#### Specific issues:

There were no specific issues highlighted through the work of Internal Audit in the third quarter of the 2018/19 financial year that would need to be highlighted as a corporate risk.

Angela Struthers,  
Head of Audit & Governance