

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	13 December 2017
<b>Subject:</b>	Internal Audit Plan Monitoring Report
<b>Report of:</b>	Graeme Simpson, Head of Corporate Services
<b>Corporate Lead:</b>	Mike Dawson, Chief Executive
<b>Lead Member:</b>	Councillor D J Waters, Leader of the Council
<b>Number of Appendices:</b>	4

## **Executive Summary:**

The monitoring report is the second update report of 2017/18. The report details the findings of internal audit assignments completed since the last report to Audit Committee on 21 September 2017. The report also provides an overview of other related audit activity undertaken in the period.

## **Recommendation:**

**To CONSIDER the audit work undertaken and the assurance given on the adequacy of internal controls operating in the systems audited.**

## **Reasons for Recommendation:**

The work of internal audit complies with the Public Sector Internal Audit Standards (PSIAS). These standards state that the Chief Audit Executive (CAE) must report functionally to the board. This includes reporting on internal audit's activity relative to its plan.

## **Resource Implications:**

None arising directly from this report.

## **Legal Implications:**

None

## **Risk Management Implications:**

If the CAE does not report functionally to the board then this does not comply with PSIAS.

If there are delays in response to the acceptance/implementation of internal audit recommendations then this potentially increases the risk of fraud, error, inefficiency or areas of non-compliance remaining within the systems audited.

## **Performance Management Follow-up:**

All recommendations made by internal audit are followed up within appropriate timescales to

give assurance they have been implemented. Recommendations made by internal audit are reported to the Audit Committee and those followed up during the period can be found in Appendix 4.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

**1.1** The 2017/18 internal Audit Plan was approved at Audit Committee on 22 March 2017. This monitoring report is the second monitoring report of 2017/18 and summarises the internal audit work undertaken since the last report to Audit Committee on 21 September 2017. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that the Chief Audit Executive (Head of Corporate Services) reports formally to the 'board' (Audit Committee) on the work of internal audit.

**2.0 COMPLETED AUDIT ASSIGNMENTS FOR THE PERIOD**

**2.1** The work undertaken in the period is detailed in Appendix 1. This provides commentary on the activity audited, the control objectives for each activity and the audit opinion for each control objective. An overview of any consultancy type work undertaken is also detailed in Appendix 1. The status of all audits within the audit plan can be found in Appendix 2.

**2.2** When reporting, a 'split' opinion can be given. This means an individual opinion can be given for different parts of the system being audited. This approach enables internal audit to identify to management specific areas of control that are operating or not. Assurance opinions are categorised as 'good', 'satisfactory', 'limited' and 'unsatisfactory'. With regards to the opinions issued, all have a positive audit opinion except for the audit undertaken on licensing which has concluded a limited opinion in relation to certain aspects of the control environment. To give assurance to Audit Committee that the internal audit findings have been recognised by management, all recommendations have been accepted and dates for implementation agreed – see Appendix 3.

**3.0 FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS**

**3.1** All audit recommendations that were due to be followed up in the period have been followed-up. This provides the Committee with an overview of the breadth of work undertaken and allows the Committee to monitor the implementation of the audit recommendations. The list of these recommendations and their status can be found in Appendix 4. Of the 19 recommendations followed-up during the period, 12 have been implemented, 4 partially implemented and 3 yet to be implemented.

**4.0 PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) – INDEPENDENT FIVE YEAR ASSESSMENT**

**4.1** PSIAS requires that, at least every five years, an external assessment must be conducted by a qualified, independent assessor. The Chief Audit Executive's (CAE) 2016/17 annual report that was presented at Audit Committee on 19 July 2017 confirmed Elizabeth Humphrey of Tilia Solutions had been appointed to undertake this assessment. Elizabeth is accredited by the Chartered Institute of Public Finance and Accountancy (CIPFA), has a vast CV in relation to audit practice and came highly recommended from other CAE. The purpose of the assessment is to conclude internal audit's conformance with the standards.

**4.2** The assessment took place during the week commencing 13 November and included interviews with the CAE, Chief Executive, Borough Solicitor, Head of Finance and Asset Management, the internal audit team, a number of operational managers, Chair of Audit Committee and the Lead Member for Corporate Governance. In addition, a plethora of internal audit documentation and processes were reviewed.

**4.3** A draft report has recently been received and is in the process of being finalised. It is the intention that a workshop will be held with the Audit Committee in the New Year to consider the findings of the final report and also to share ideas on the effectiveness of the Audit Committee. The latter is an action within the Council's 2016/17 Annual Governance Statement. New CIPFA guidance on Audit Committee's is expected to be published in 2017.

**4.4** Without going into too much detail, no areas of non-compliance with the standards were identified that would affect the overall scope or operation of the internal audit activity. The assessment commended the team for their structured and focussed approach and the speed with which assignments are performed. The assessment did identify areas of partial compliance and recommendations made accordingly. These can be categorised as follows:

- Textual amendment to the charter to define more clearly parts of the IA activity.
- Formal safeguards to maintain the independence of the CAE.
- Undertake audit planning by using a more strategic focus.
- Revision of audit documentation to improve the audit planning process.

## **5.0 FRAUD/CORRUPTION/THEFT/WHISTLEBLOWING**

**5.1** No incidents have been reported during the period.

## **6.0 OTHER OPTIONS CONSIDERED**

**6.1** None.

## **7.0 CONSULTATION**

**7.1** All managers are consulted prior to the commencement of the audit to agree the scope and each manager has the opportunity to comment on the draft report and complete a client survey at the end of the audit.

## **8.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

**8.1** Internal Audit Charter and Internal Audit Annual Plan.

## **9.0 RELEVANT GOVERNMENT POLICIES**

- 9.1 None.
- 10.0 **RESOURCE IMPLICATIONS (Human/Property)**
- 10.1 None.
- 11.0 **SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**
- 11.1 None.
- 12.0 **IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**
- 12.1 Internal Audit contributes to value for money through its improvement work.
- 13.0 **RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**
- 13 .1 None.

---

**Background Papers:** None

**Contact Officer:** Graeme Simpson, Head of Corporate Services  
01684 272002 [Graeme.simpson@teWKesbury.gov.uk](mailto:Graeme.simpson@teWKesbury.gov.uk)

**Appendices:** Appendix 1 – 2017/18 Audit work undertaken in the period  
Appendix 2 – Status of 2017/18 audit plan  
Appendix 3 – Licensing audit recommendations  
Appendix 4 – Summary of recommendations reviewed in 2017/18 quarter 3