

Committee: Governance, Audit and Performance

Agenda Item

Date: 16 November 2017

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**Title: Internal Audit Progress Report,
16 September to 03 November 2017**

**Author: Sheila Bronson, Internal Audit Manager
01799 510610**

Item for information

Summary

1. To report to the Governance, Audit & Performance Committee details of work undertaken by Internal Audit since the last report to the Committee on 28 September 2017 and to provide an update on implemented and outstanding internal audit recommendations.

Recommendations

2. That the Internal Audit Progress Report (16 September to 03 November 2017) be noted

Financial Implications

3. None. There are no costs associated with the recommendations.

Background Papers

4. None

Impact

- 5.

Communication/Consultation	The Internal Audit Work Programmes 2016/17 and 2017/18 referred to in this report have been approved by the Corporate Management Team and endorsed by the Governance, Audit & Performance Committee.
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none

Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

Situation

6. The purpose of this report is to provide management and members with:
- i) Details of the work completed by Internal Audit since the last report to the Governance, Audit & Performance Committee at its meeting 28 September 2017;
 - ii) Performance against the Internal Audit Work Programme 2016/17;
 - iii) Performance against the Internal Audit Work Programme 2017/18;
 - iv) Details of risk level 3 and 4 highest priority recommendations implemented since the last report to Members;
 - v) Details of any recommendations not implemented within the agreed timescale.

Work Undertaken by Internal Audit 16 September to 03 November 2017

7. Since the last report to the Committee:
- i) There are currently 2 audits from the 2016/17 audit programme to be concluded. Management response is currently awaited for 1 audit; the remaining audit was assigned to the Internal Audit Manager who has had to delay audit work as other corporate work has taken priority.
 - ii) Between 16 September to 03 November 2017, 2 audits from the 2017/18 audit programme were completed and final reports issued with a total of 2 recommendations made. All final audit reports issued have been copied to Governance, Audit & Performance committee Members and are available on the Council's Intranet. A summary of final reports issued is presented at Appendix A (i).
 - iii) Between 16 September to 03 November 2017 work has started 2 audits from the 2017/18 Audit Programme; progress on the 2017/18 programme is presented at Appendix A (ii).

Interim Audit Report

8. On 20 October 2017 we issued an Interim Report on our audit of Street Services - Trade Waste & all other Income Generating Services. Our Terms of Reference for an audit include the proviso that if our testing identifies that it would be more effective and efficient to stop audit field work at a given point; consider issuing an interim report with recommendations and agreed realistic

implementation time (to a max of 6 months) and return once the interim recommendations have been implemented to complete an audit.

9. The Interim Report was issued for this service because we have been unable to carry out effective testing due to the lack of correct and verifiable data provided to us, thus our audit opinion is of little assurance at this stage of the audit and represents our view that major controls have failed and errors have been identified.
10. We have made 22 recommendations, of which 6 are level 4 (fundamental) and 12 are level 3 (significant). We will return to complete the audit in 6 months once the recommendations have been implemented. In the meantime we will monitor the implementation of the recommendations as their agreed due dates are reached. We are pleased to report that 8 of the 22 recommendations have already been implemented.
11. The Interim Report and Terms of Reference for the audit have been copied to Governance, Audit & Performance Committee members.

Recommendations Implemented 16 September to 03 November 2017

12. There are 6 level 3 and 4 recommendations which have been implemented in this period; a summary is presented at Appendix A (iii).

Recommendations Not Implemented by due date at 03 November 2017

13. As of 03 November 2017, there are no recommendations reported in Covalent as not being implemented in accordance with their agreed due dates.

External Quality Assessment

14. The Public Sector Internal Audit Standards (PSIAS) require that an external review of the Internal Audit Service is conducted every five years. In the Internal Audit Annual Report and Opinion presented to this committee at its May 2017 meeting, it was reported that a self-assessment had been undertaken to review the internal audit section's conformance with the PSIAS.
15. This self-assessment has been subjected to external verification as part of an External Quality Assessment carried out during the August & September 2017 with the Assessor's final report being issued on 02 October 2017. A copy of the report has been circulated to Governance, Audit & Performance Committee members.
16. The External Assessor's overall assessment conclusion is that:
 - The internal audit provision within Uttlesford District Council generally conforms with the expectations of the Public Sector Internal Audit Standards.

- The service has responded to the introduction of the standards in 2013 and has developed a robust methodology which is consistently applied to a high standard.
- There are a number of areas in which the service can be further improved in relation to the use of risk based auditing which will provide increased levels of assurance to the Council and assist in improving the profile of internal audit and the subsequent feedback that is received from clients.
- The further development of risk management systems to reflect an Assurance Framework within the Council would enable greater recognition of key mitigating controls and the other sources of assurance with which internal audit effort should be co-ordinated in order to support the Governance Statement process.
- Some revisions to the internal audit process may be beneficial in terms of improving efficiency and transparency of the assurance being provided.

17. Following the External Quality Assessment a Quality Assurance & Improvement Programme (QAIP) has been drawn up to address the 16 recommendations made in the report. However current resource levels within the service will delay progress towards their implementation in the immediate future. Progress against the QAIP will be reported to the Committee in the 2017/18 Internal Audit Annual Report and Opinion.

Risk Analysis

18.

Risk	Likelihood	Impact	Mitigating actions
The issues highlighted in the internal audit reports are not acted upon	1 Action is already being taken towards the implementation of the recommendations contained in the reports.	2 There would be varying levels of impact from non-implementation of recommendations given the significance of the control risks identified.	Internal audit reports are followed up to ensure compliance. There are escalation procedures in the event of non compliance

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.