

## Minutes of the Audit and Standards Committee Meeting held on 12 June 2019

Present: Martyn Tittley (Chairman)

### Attendance

Derek Davis, OBE	Jill Hood
Michael Greatorex	Paul Northcott
Carolyn Trowbridge (Vice-Chairman)	Ann Edgeller
Bernard Williams	Jonathan Price
Victoria Wilson	David Williams

**Also in attendance:** Lisa Andrews, Ann-Marie Davidson, Deborah Harris, Natalie Morrissey, Rob Salmon, John Tradewell, Helen Trousdale, Stephen Clark (Ernst & Young).

**Apologies:** Colin Greatorex, Ross Ward, Susan Woodward and Alastair Little

### PART ONE

#### 78. Declarations of Interest

There were no declarations of interest.

#### 79. Minutes of the Meeting held on 11 March 2019

**RESOLVED:** That the Minutes of the meeting held on 11 March 2019 be confirmed and signed by the Chairman.

#### 80. Annual Report on Information Governance

The Information Governance Manager (IGM) introduced the report, explaining that it was designed to give Members reassurance that the Council is complying with the relevant legislation and provide assurance for the annual governance statement. The Council is currently reviewing the Information Governance Framework and policies. The policies were cross referenced against ISO standards for information security.

The IGM described how Freedom of Information and Data Protection performance were monitored, the standards and Council's achievement against those standards. The County Council was currently achieving 86 per cent of FOI requests answered within 20 days, but many FOIs were responded to within 5 days and this would raise the percentage to approximately 95 per cent. The benchmark set by the Information Commissioner for an acceptable service is 85%. The IGM stated that the volume of requests gave no indication of the amount of time spent answering each request. Some requests are complex and remained a challenge to manage in some areas with staff reductions and volumes increasing and becoming more complex.

With reference to Data Protection, these were mostly dealt with through the Information Governance Unit (IGU) except for Families First, who deal with their own requests, as detailed knowledge of individual cases was required. Compliance with the statutory timescale was low in the children's area and a post to address this had recently been advertised. The IG team also provide advice to external organisations which brought income in to the Authority.

The IGM explained that work was underway to review the current Information Asset Register (IAR) to provide a more devolved, user friendly and dynamic approach. This will put more ownership back to the service areas. Training material will be reviewed and refreshed ready for the launch in late 2019.

Information Security and Cyber continued to prove a challenge to the Council. IGU were working proactively to protect County Council data details of which were given in the report. There had been a spike in number of messages blocked by Distributed Denial of Service (DDoS) attacks in January 2019. Members asked if they could have further details of the geography and type of attack. In this instance, the spike occurred before the accreditation was achieved.

There had been an increase in malware and it was hoped that staff training, and awareness would make staff more cautious when they receive emails that may have malicious links. Staff were being trained across service areas to manage malware. The increase in the number of reported security incidents could be linked to staff becoming more aware. Work was taking place with Staffordshire Police who were asking for volunteers to be cyber champions. Staff were being trained across the service areas to act as Cyber Champions.

A graph in the report showed that there had been an increase in inbound phishing reports and the number and types of security incidents reported. Ways of using Office 365 to reduce the number of incorrect enclosures were being explored.

Participation in a recent multi-agency Cyber Security Incident had been very successful and a recent exercise in ICT had resulted in breaches being picked up in one hour. It was hoped that Cyber Champions would be confident enough to spread awareness training within the organisation.

The Council had recently been granted Public Services Network accreditation. In 2019 the Council had achieved Tier 1 Cyber Essentials. It was the first time the County Council had been accredited to this level.

It had been recognised through work with Audit that 'spot check' audits by IGU were beneficial regarding areas such as contract information security compliance.

All new starters were expected to complete the mandatory e-learning modules as part of the induction process. The Information Governance Team have been collaborating with other local authorities and a company called CC2i to develop short videos on cyber awareness and data protection. Training was being rolled out and four modules (videos) were being developed specifically for Councillors.

With reference to e-learning, Members asked if the Council was collaborating with local borough/district councils adding that there was a great deal of information for elected Members, and, in particular, newly elected Members, to absorb and there was a danger of 'digital overload'. They added that not all Members were computer literate. The IGM responded that the short videos mentioned would be engaging and suitable for all Members and would be supported by the offer of 1-1 training by the IGU and the provision of equipment if necessary. IGU were always looking at new ways of delivering this training.

Members asked where the messages blocked by DDOS were originating from and asked if there was any planned stress testing assistance. The IGM responded that an external penetration test is undertaken by an external company every year (usually in the summer when the Council was under less pressure) and the results could be shared with Members. Members stated that they would like to see a more frequent stress test and a stress test when the Council was under pressure and when it was not under pressure, to reflect the fact that cyber technology is constantly changing.

Members asked if there was any correlation between the Council achieving Tier 1 Cyber Essentials and the increase in DDOS attacks in January i.e. that attackers were more inclined to target organisations with tighter security. The IGM stated that regarding cyber-attacks, there was some kudos, rather than financial gain, amongst hackers for attacking Councils with tighter security.

**RESOLVED:** a) That the IGM provide further detail on the reason(s) for the spike in inbound phishing reports in January 2019 b) The results of the stress test would be shared with Members.

## **81. Code of Corporate Governance**

The interim Head of Audit and Financial Services introduced this report, explaining that the Code of Corporate Governance was one of the key documents that feed into the Annual Governance Statement that forms part of the Annual Accounts that will be presented to the Audit and Standards Committee for approval on 30 July 2019.

The Code is based on the CIPFA Delivering Good Corporate Governance in Local Government Framework. This was refreshed and republished in April 2016. Details of how the seven core principles, sub principles and the systems, policies, procedures and action plan that had been put in place to meet these was detailed in the report. A small number of actions were outstanding and would be actively managed by the Corporate Governance Working Group and reported back to the Committee.

A local government review on governance by the National Audit Office had been completed that explained how governance is being developed in local government. The Interim Head of Audit and Financial Services agreed to circulate this report to Members.

**Note by Clerk:** <https://www.nao.org.uk/wp-content/uploads/2019/01/Local-authority-governance.pdf>

**RESOLVED:** That the Code of Corporate Governance and Action Plan 2019/20 be approved.

## **82. Internal Audit Charter 2019**

The Interim Chief Internal Auditor introduced the report explaining that there had been a few amendments since the Charter had been last approved by the Committee in June 2018.

The Internal Audit Charter set out the purpose, authority and responsibility of the internal audit activity as required by the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) Standard 1000.

The content of the Charter was set out in paragraph 1 (a-e) of the report. The Internal Audit Charter 2019 was detailed in Appendix 1 with key highlights marked in yellow.

A key development had been the merger of the Finance and Resources directorate and the Strategy, Governance and Change directorate into the Corporate Services directorate and the new role and title of the County Treasurer. In addition, reference is now made in the Charter to development of the Continuous Controls Monitoring programme and the data utilisation strategy. The Charter has also been expanded the responsibilities of the Audit and Standards Committee following revisions made to its Terms of Reference in December 2018. This also included the publication of the Committee's Annual Report of its work. Amendments reflecting the changes were highlighted throughout the report. The role of the Head of Internal Audit (Chief Internal Auditor) was detailed in paragraph 7 of the Charter; the role and responsibilities of the Audit and Standards Committee in paragraph 10; and the use and processing of data including privacy notices in paragraph 15.

Appendix 1 of the report detailed the Financial Regulation D – Audit, Control and Irregularities and Appendix 2 gave detail of the Audit Opinions and risk ratings.

**RESOLVED:** The Committee approved the revisions to the Internal Audit Charter.

## **83. Proposed Internal Audit Strategy & Plan 2019/20**

The County Treasurer set the context for the Strategy and Plan for the proposed Internal Audit Strategy and Plan 2019/20 that is presented to the Committee on an annual basis for approval.

There were three key features of the plan which were **risk**, and the County Treasurer stated that it was his intention to ensure that the Council could evidence risk more obviously throughout Council. Secondly, the use of **data and automation**. The development of continuous controls monitoring (CCM) presented an exciting dilemma in allowing greater accessibility. However, cyber security presented a threat and a balanced risk must be ensured. Finally, **communication** of the Plan. Audit is an aid to management and the development of the Plan is based upon consultation with a number of senior officers. The proposed plan had been agreed by all the Senior Leadership Team before being presented to the Committee. The aim was to make the Plan more user friendly and add value to the operations of the Council.

The interim Chief Internal Auditor explained that the Accounts and Audit (England) Regulations required authorities to have an “effective internal audit” and this was demonstrated through the establishment of a risk-based Internal Audit Plan. The Plan was attached as Appendix A to the report. The interim Chief Internal Auditor gave a presentation that set out how the plan had been prepared and the key highlights for the year ahead.

The aim of the presentation was to demonstrate to the Committee that a robust methodology (detailed in Appendix A of the Plan) had been adopted in formulating the Plan for 2019/20 and to reassure Members that the Plan focussed on the key risks facing the Council and achieved a balance between setting out the planned work for the year, but also retaining flexibility to respond to changing risks and priorities during the year. The aim was also to provide assurance that there were sufficient resources within Internal Audit to deliver the Plan for 2019/20.

The Internal Audit Strategy is a key governance document that comes to the Committee every year for endorsement. Summary details of the internal audit strategy; consultation arrangements in formulating the plan; the risk assessment process; the key principles applied, and audit resource requirements to deliver the Plan in 2019/20 were described. Fundamental to the Plan was consultation and the Audit Team consulted with Council managers in developing the Plan. The Plan is owned by the whole Council. Between January and March 2019 the Audit Managers consulted with over 60 officers within the Council on the contents of the Plan, including SLT, the Director of Corporate Services and the County Treasurer. All high risk rated audit reviews are generally included in the Plan. However, occasionally there were other high-risk audits that are not included in the Plan. In such cases, reliance is placed on alternative sources of assurance e.g. Peer Reviews, internal scrutiny or an inspectorate visit. The aim was not to duplicate assurance. As part of the Plan, the top risk audits were identified, and the aim was to give assurance over these along with financial management of the Council. A school’s audit programme was also included based on a formal risk assessment process. Some time was also set aside for special investigations, counter fraud work and time for general contingency work, so that managers can approach the audit team at any time for help with project work or advice and guidance. For the County, 2100 days for the County Council and 331 external client days had been allocated for the year. There had been a slight reduction on last year’s external client allocation of 30 days. This was because schools who became academies had the freedom to go out to other audit providers for audit work. The Internal Audit Team can access specialist support from larger internal audit firms if required to assist with resourcing the Audit Plan.

Attention was drawn to the Top Ten risk reviews detailed in the Plan and detailed on pages 71-86 of the agenda pack. New Audit areas added to the Plan this year were the People Strategy, and how this is being embedded in the Council, and the Care Commissioning Programme. The key financial audits 2019/20 were detailed in Appendix B to the Plan and the governance audits were details on pages 76-82 of the report. The team would also continue to monitor recommendations made in previous years. Of particular note was the item on Culture and Ethics. This piece of work will involve a review of Council policies to consider how the ‘Nolan Principles – 7 Principles of Public Life’ had been communicated; a review of the Code of Corporate Governance; the revised Scheme of Delegation; as previously mentioned the People Strategy and

from last year, Assurance mapping. With reference to Assurance Mapping, this work is a continuation from last year. The Internal Audit Team had used the Three Lines of Defence Model in developing the assurance mapping process. The aim was to develop this for the Council to improve the Council's understanding of processes/controls and risk management. This would be a lengthy and detailed piece of work that would begin this year focussing on the Council's top ten risks and would be ongoing, liaising with the Interim Head of Audit and Financial Services to link in risk management.

The Counter Fraud Plan 2019/20 was detailed in Appendix C of the strategy and Plan paper. 455 days had been assigned to this area during the year. This covered five main areas: Strategic Development; Creating an anti-fraud culture; prevent and deter; detection and investigations. Continuous Controls Monitoring (CCM) involved regular monitoring of the Council's data for 'red flags' that may indicate fraud. Data analytical and file interrogation software had been procured to assist the Internal Audit Team as detailed in the report to the Committee in March 2019. It was anticipated that this would add value to the organisation by identifying 'red flags'. Typical areas to review included expenses claims; purchasing cards; creditor payments, and mileage claims e.g. duplicate payments. Increased time had been assigned to CCM in 2019/20 following its successful implementation in 2018/19. This would help the Council achieve its objectives of improved efficiency; enhanced assurance; strengthening monitoring and providing valuable insight into trends. It was anticipated that once tests had been completed successfully tools would be given to the second line of defence, management, so that they could do their own monitoring. Clear messages from the CCM programme will be communicated as this will act as a deterrent to people from putting in fraudulent claims.

Cyber-attack, procurement fraud, bank mandate fraud, creditor payments fraud, direct payments fraud and payroll fraud were the top fraud risks currently faced by the Council.

The Plan will be delivered by the in-house team with the facility to buy in additional time from private audit companies if required through the framework contract. There was a commitment to 'grow our own' with use of the Apprenticeship Levy. This would involve two auditors being trained in 2019/20.

During 2019/20 the team would continue to focus on key corporate/transformation projects; key financial systems and procurement and contract management audits such as Amey. The emphasis would continue to be on flexibility to respond to emerging requests. Several audits would touch upon the Council's culture and ethical framework. There would also be greater visibility and prominence over the assurance that was given relating to how the Council uses and manages its data. A GDPR checklist would be completed as part of all relevant audit reviews commencing in 2019/20.

Other key highlights during 2019/20 were the counter fraud work; continued development of the CCM programme; and schools compliance work focused on high risk schools. Our work is conducted in accordance with the Audit Charter and Public Sector Internal Audit Standards (PSIAS). Throughout the year, there will be regular discussions with WLT on the audit programme, and the team will continue to embrace the 'agile auditing' approach, streamlining reporting in some cases, real-time

recommendation tracking, identification of emerging risks and contingency time, as appropriate.

In summing up the Interim Chief Internal Auditor asked if Members were satisfied that a robust methodology had been adopted in formulating the Plan for 2019/20 and that they had been given comfort and assurance that the Plan was balanced and focussed on the key risks facing the Council, that the Plan achieves a balance between setting out the planned work for the year but also retaining flexibility to changing risks and priorities during the year and finally, that there were sufficient resources within Internal Audit to deliver the Plan for 2019/20.

Members asked for further detail on the apprenticeships within Internal Audit. The interim Chief Internal Auditor responded that they were attempting to access the Levy for two current members of staff; one junior member of staff and one member of staff who is part-qualified. The application process had commenced, and it was hoped that staff would commence training at Birmingham University in September 2019.

Members asked for further details on the risk and possibility of bribery. The interim Head of Internal Audit responded that the Bribery Act 2010 placed responsibility on organisations to prevent bribery. Work had taken place on awareness raising and communication. The Council's Fraud E learning packages would be rolled out in a few weeks' time and they emphasised the importance of the risk of bribery and, if bribery is suspected, who it should be reported to. All services should undertake a mini risk assessment for their staff that detailed the processes to prevent the risk of bribery.

Members asked if bribery happened frequently in the Council. This is a theoretical risk and is not a frequent occurrence but there were areas where it could happen e.g. during procurement, and it was important that staff worked within a framework that evidenced what they should do if offered a bribe.

Members asked with reference to drone software, what the Council's policy was and how would the Team validate results. Human intelligence was still needed to investigate, interpret the results and come up with a conclusion. The Chairman noted that he was interested to hear how the management of risk had a higher profile in the Plan. The County Treasurer responded that it was not about how Internal Audit would assess risks, but it was about making discussion about risks more commonplace and that normal performance arrangements should include the identification of risk and details of management activity to mitigate risk. This represented a change in emphasis for the organisation.

**RESOLVED:** The Internal Audit Plan for 2019/20 was approved.

#### **84. Annual Audit Fees 2019-20 - Correspondence received from Ernst & Young**

Stephen Clark, Ernst & Young referred Members to the Annual Audit Fees letter that Ernst & Young were required to provide and it detailed the Annual Audit fees for 2019/20 together with comparative figures for previous years.

**RESOLVED:** The correspondence from Ernst & Young was noted.

## **85. Local Government Audit Committee Briefing Update - Quarter 1**

Stephen Clark, Ernst & Young, introduced the Local Government Audit Committee Briefing for Quarter 1 2019 and drew Members attention to the report reflecting the financial pressures that local government faced as currently reported in the media.

**RESOLVED:** The report was received.

## **86. Deprivation of Liberty Safeguards**

The Director of Corporate Services gave the background to the complaint that had been received from the Local Government and Social Care Ombudsman (LGSCO) in respect of the Council's approach to Deprivation of Liberty Safeguards (DoLS).

The Supreme Court judgement in *P v Cheshire West and Chester Council* changed the definition of what constituted a deprivation of liberty and required them to adopt a different approach. This had resulted in more cases being classified as DoLS and the Council (along with others) had not been able to deal with the increase in workload that had resulted from the need to reprioritise cases, currently categorised as High, Medium or Low priority. The LGSCO had reviewed the Council's prioritisation process and were unhappy with it. The Council had entered into dialogue with the LGSCO as the Council considered the process reasonable. No risks to individuals had been found and it was a practical approach to dealing with this whilst the legislation goes through the process of amendment. In effect the Council had agreed to disagree with the LGSCO. The LGSCO had found that the Council was not dealing with review of high priority cases quick enough. They were unhappy that medium and low cases were not being reviewed. The LGSCO did not state that the Council must change its system now but had asked the Council to review its system post legislation and produce an action with three months of the legislation coming into force.

A new Mental Capacity Act had received Royal Assent in mid-May and was expected to come into force in Spring 2020. The new regime would have a 12-month transition period. Instead of Deprivation Liberty Standards, it would be referred to as Deprivation of Liberty Protection Safeguards. No further guidance was available at this time. The Director of Corporate Services reassured Members that the Council would produce an action plan in due course. The Council had not received any complaint from an individual regarding the current regime and were not aware of anyone having an adverse reaction to the current way of working. Finally, no local authorities were able to comply with the current legislation.

Members asked if we had the staff in place to deal with any possible changes. The Director of Corporate Services responded that it would depend on whether the changes had any impact on workload. The Council would not have any option but to comply with the new legislation and would have to find the resources to do so. He hoped that if there were financial implications the Council would be given the funding to comply. He added that the regime would be less onerous, but it could be more onerous than the current system. It was the Courts that had intervened previously to make the legislation more onerous. He stressed that if we had to find the resources to comply that he would discuss this with the County Treasurer.



Members asked that they be kept updated on this matter and asked to see the action plan in due course.

**RESOLVED:** a) That the report be received b) that a further update and the action plan be provided to the Committee once the legislation had been received.

#### **87. Appointment of Independent Remuneration Panel Members**

The Head of Law and Democracy asked Members to appoint five members to sit on a special Panel of the Audit and Standards Committee for the purpose of recruiting Independent Remuneration Panel members. A date for shortlisting and appointment of Members had been agreed.

**RESOLVED:** That the Chairman identify and invite four Members to join him on the Panel.

**Note by Clerk:** Councillors Hood, B Williams, Wilson and Woodward had agreed to join the Chairman by sitting on the Independent Remuneration Panel.

#### **88. Forward Plan 2019/20**

The interim Head of Audit and Financial Services introduced this item drawing Members attention to items on the Forward Plan. Discussion had taken place with the Chairman and Vice Chairman regarding the size of the agenda and it had been suggested that the agenda size and length of meetings could be reduced by circulating papers 'for information' outside the agenda and then asking if there were any matters arising from them in the meeting. It was proposed that a number of items in the Forward Plan were dealt with in this way. The Chairman added that links to supporting documents would be provided where possible. Members asked that where links were provided that it took them to the document rather than to a website. He added that this approach would be kept under review.

The 9 March 2020 meeting date would be cancelled and rearranged.

Members requested that if the meeting was likely to extend beyond two hours this could be amended in their diaries.

**RESOLVED:** a) The Forward Plan was received b) Officers to note the request for items to be circulated as 'for information' where possible c) The Scrutiny and Support Manager to send an email request to Members extending the length of meetings, where appropriate.

#### **89. Internal Audit Outturn Report 2018/19**

The interim Chief Internal Auditor introduced this report that contained the annual opinion for the year, along with the Audit Plan, from an internal audit perspective. Internal Audit is required by professional standards to deliver an annual internal audit opinion and to report to the Committee. This work is timed to feed into the Annual Governance Statement that would be produced in July. The report contained the opinion; a summary of the work that supported that opinion and a statement on

conformance with PSIAS and the Local Government Application Note (LGAN), highlighting any areas of non-conformance.

The 2018/2019 Plan was approved by this Committee on 13 June 2018. From time to time, additional audits were added to the Plan and some were removed or deferred. However, a target of 90% of the Audit Plan being delivered is set by the Internal Audit Service, and 96% of the Plan had been achieved. The methodology behind the setting out of an opinion was set out in the report. For all audit work a “substantial”, “adequate” or “limited” assurance was given. Substantial and adequate opinions were positive opinions, whilst a limited assurance was a negative opinion where improvements were needed to the control environment. A high-level summary of the work undertaken was categorised into High Risk Auditable Areas; Main Financial Systems; Systems Audits; Compliance Reviews; Financial Management in Maintained Schools including payroll arrangements and Special Investigations/Fraud and Corruption Related Work is done. This all culminated to give an annual assurance opinion for the year. All Limited Assurance opinions are brought to the Audit and Standards Committee together with the Top Ten Risk Areas and Special Investigations where there was a financial loss of over £10,000.

This year the Top Ten Risks had focussed on the financial pressures faced by the Council and work around Care Director and support given on the Adult and Children’s Financial Services review programme. The audit opinions were summarised on page 159 of the agenda pack. There was one Limited Assurance review – Home and Community Care Contract Review, to be discussed later under Part II of the agenda. Further details were given on areas for improvement in the public part of the report. As part of the opinions, an Adequate Assurance may also contain one high level recommendation. Further details were given of those reports relating to high risk auditable areas with an opinion of at least Adequate and where there was a high level recommendation being made.

The main financial systems work was described. With the exception of one case, all financial systems had been given Substantial Assurance. Sales to cash was given a Limited Assurance opinion and this would be discussed further under Part II of the agenda.

For other assurance reviews, details were given of other Limited Assurance reviews. Four had been shared with the Committee and a further four reviews would be shared with Members in due course. The high-level risk areas and areas for improvement were given in paragraph 19 of the report.

Details of compliance reviews were given in regard to probity type work such as comfort funds, Educational Endowment Funds and Register Offices. Regarding the work undertaken in Register Offices Substantial Assurance had been given.

In relation to schools’ audits, previously these had been split into compliance audits and a themed audit on payroll controls. This has now been combined for efficiency purposes into one piece of work. There was one Limited Assurance opinion that came to light as part of the schools’ compliance programme. This related to poor controls over the income and banking arrangements, and payroll procedures, limited verification on the payroll expenditure and no audit of the School Fund. Further details of the control

issues raised when the auditors went out to the schools were detailed on pages 167/168 of the agenda pack, although none of these were high level issues. In all cases positive responses were received to the recommendations and it was hoped that improvements would be made in all these areas.

The Special Investigations Work this was contained in Part II of the agenda. This provides a summary of the work undertaken as part of our Counter Fraud Plan. This year, fraud losses of £23,085 and in addition, as part of the National Fraud Initiative, £54,000 relating to payments made to care homes where the residents were deceased. Discussions were taking place with the care homes to establish how this had occurred and to prevent reoccurrence. The quantity of concerns referred to Internal Audit were comparable to the previous year, although the actual loss relating to referrals had increased. It was not considered that the actual financial loss indicated that detected fraud was a significant problem to the Council. The overall score awarded for the fraud element of the Internal Audit Service's work was given as 90% and there was no material effect on the control environment.

The overall opinion on the control environment for 2018/19 was awarded an adequate assurance. This calculation was based on the fact that five out of the six audit categories were awarded a Pass (an opinion of at least "adequate" awarded for 90% or over of audit reviews/activity). The one category that was awarded a 'Fail' was the Other Systems Audit. A chart detailing the audit opinions over the last five years was given on page 171 of the agenda pack. In summary, in 2018/19 the Internal Audit Service had concentrated on the digital transformation programme and support to the Adult Social Care Pathway and key projects in the Adults and Children's Financial Services Transformation Programme. Where High Level issues had been raised the Internal Audit Service will continue to work with staff to support the design and implementation of a robust control environment for 2019/20. In relation to My Finance and MyHR, many of the recommendations made in 2018 had been acted upon and implemented. Substantial assurance had been given to the My Finance Control Function. My HR had continued to be a limited assurance opinion for 2018/19. However, three of the five high level recommendations had been implemented and mitigating controls had been put in place to reduce the two remaining high-level recommendations to a lower level. The County Treasurer needs to continue to liaise with the contractor to get information to obtain Assurance in respect of these two areas, or accept the risk going forward.

In relation to the payroll environment, this had been awarded an Adequate Assurance opinion (an improvement on last year). There were also fewer payroll control weaknesses in schools. In respect of the direction of travel for the financial systems reviews, there were a number of Substantial Assurance opinions, but a Limited Assurance opinion had been given in relation to Sales to Cash and Debt Recovery. This would be given greater prominence this year as it was a High-Risk Area and would be reported back to the Committee when completed later in the year. There was an increase in the number of Limited Assurance opinions given this year. Whilst there were few system weaknesses the High-Level issues related to non-compliance with policy, best practice and procedures. The other key themes related to the non-completion of key tasks, not doing these consistently or correctly along with poor record keeping and a lack of management checks. This may be due to capacity issues. Further reports tracking recommendations and key actions would be brought to the Committee during the year.

Key performance measures for the Internal Audit Service showed that the service had met its key performance target of more than 90% of reports being issued to draft report stage for both systems and compliance audits during 2018/19. A table shown on page 173 of the agenda pack gave details of performance since 2016/17.

The report had to refer to compliance with the UK PSIAS standards that came into force on 1 April 2013. The Internal Audit Team also had to have in place a quality assurance programme. This had three main strands: the checking of audit reports before they went out; an annual self-assessment against the checklist of standards and every five years there was an external quality assessment. All actions and improvements coming out of the external self-assessment had been reported to the Committee and all suggestions and recommendations have been completed. The Internal Audit Service now undertakes an annual self-assessment and for the current year this has shown that 94% of the public sector internal audit standards were deemed to be fully in place. There were four areas of non-conformance highlighted following the self-assessment that would not involve any further action being taken and details of actions taken were given in Appendix 3 of the report.

In conclusion the work undertaken by the Internal Audit Service during 2018/19 had been performed in accordance with PSIAS and there were no restrictions or impairments in scope or impairments in independence or objectivity during the year which prohibits the Chief Internal Auditor or the Service from delivering the annual audit opinion for 2018/19.

Members thanked the Chief Internal Auditor for her comprehensive report.

**RESOLVED:** The report was received.

**Chairman**