

<b>Local Members Interest</b>
N/A

## **Audit and Standards Committee – 3rd December 2018**

### **Internal Audit Plan 2018/19 - Update**

#### **Recommendations**

1. To note progress against the 2018/19 Internal Audit Plan and the amendments to the original plan, including those audits which have been cancelled since its approval in June 2018.
2. To note progress on the implementation of high level recommendations made since the implementation of the Audit Management System including electronic recommendation tracking in May 2016.

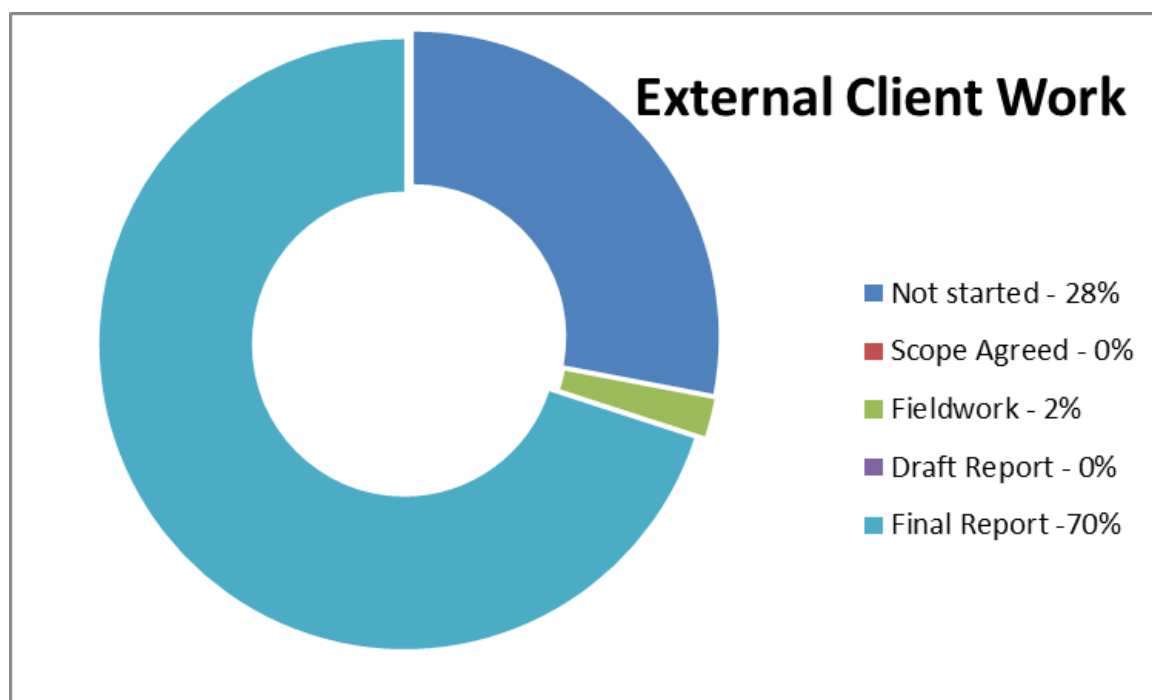
#### **Report of the Director of Finance and Resources**

3. The annual audit plan approved by the Committee in June 2018 continues to be reviewed to ensure that areas originally included remain relevant and reflect the risk profile of the organisation. Internal Audit has continued to focus its work on key corporate transformation projects providing a project assurance role for the Office 365 project and the Kingston Data Centre move as well as the Adult & Children's Financial Services Transformation Review Programme. The Internal Audit Service also continues to provide on-going audit support for the My Finance and My HR systems following the implementation of these systems in 2017/18 including work on the My Finance Upgrade. Other additional work has also been requested in year relating to a grant verification exercise and project support for the proposal of the implementation of an early payment discount arrangement with suppliers. As a direct result of the additional work, two other reviews have been cancelled, these are detailed in **Appendix A** of the report:
4. At this stage in the year the section remains on schedule to meet its key performance targets. The response rates from the Customer Satisfaction Surveys have continued to rise during the year, together with the number of positive comments. In addition, the Internal Audit Service continue to use the Internal Audit Support Contract which was operational with effect from 1<sup>st</sup> November 2017. Several audits have been allocated to providers which have commenced already with the remaining reviews planned to commence in quarter 4 of 2018/19.
5. Overall, delivery against the 2018/19 audit plan is summarised below. Previously, the Audit & Standards Committee agreed that only the reports of the high-risk reviews (Top 10), limited assurance audits and major special investigations would be considered as part of the agenda, where relevant other reports would be emailed to Members for information.

Area	Plan	Not Started	Terms of Reference Agreed	Fieldwork Ongoing	Draft Report Issued	Final Report Issued	Cancelled	Total
<b>Systems Audits</b>								
Planned Audits	108	43	14	20	7	22	(2)	106
Additional Work	3	1	0	1	0	1	0	3
<b>Total</b>	<b>111</b>	<b>44</b>	<b>14</b>	<b>21</b>	<b>7</b>	<b>23</b>	<b>(2)</b>	<b>109</b>
<b>Compliance Audits</b>								
Schools inch themed	19	13	0	0	0	6	0	19
Educational Endowment Funds	5	0	0	0	0	5	0	5
Other compliance – Adults	15	0	0	0	0	15	0	15
<b>Total Compliance</b>	<b>39</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>39</b>
<b>Pro-active Counter fraud Work</b>	<b>31</b>	<b>11</b>	<b>1</b>	<b>14</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>31</b>
<b>Special Investigations/ Exercises</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5</b>	<b>3</b>	<b>15</b>	<b>n/a</b>	<b>23</b>
<b>Overall Totals</b>	<b>181</b>	<b>68</b>	<b>15</b>	<b>40</b>	<b>12</b>	<b>67</b>	<b>(2)</b>	<b>202</b>

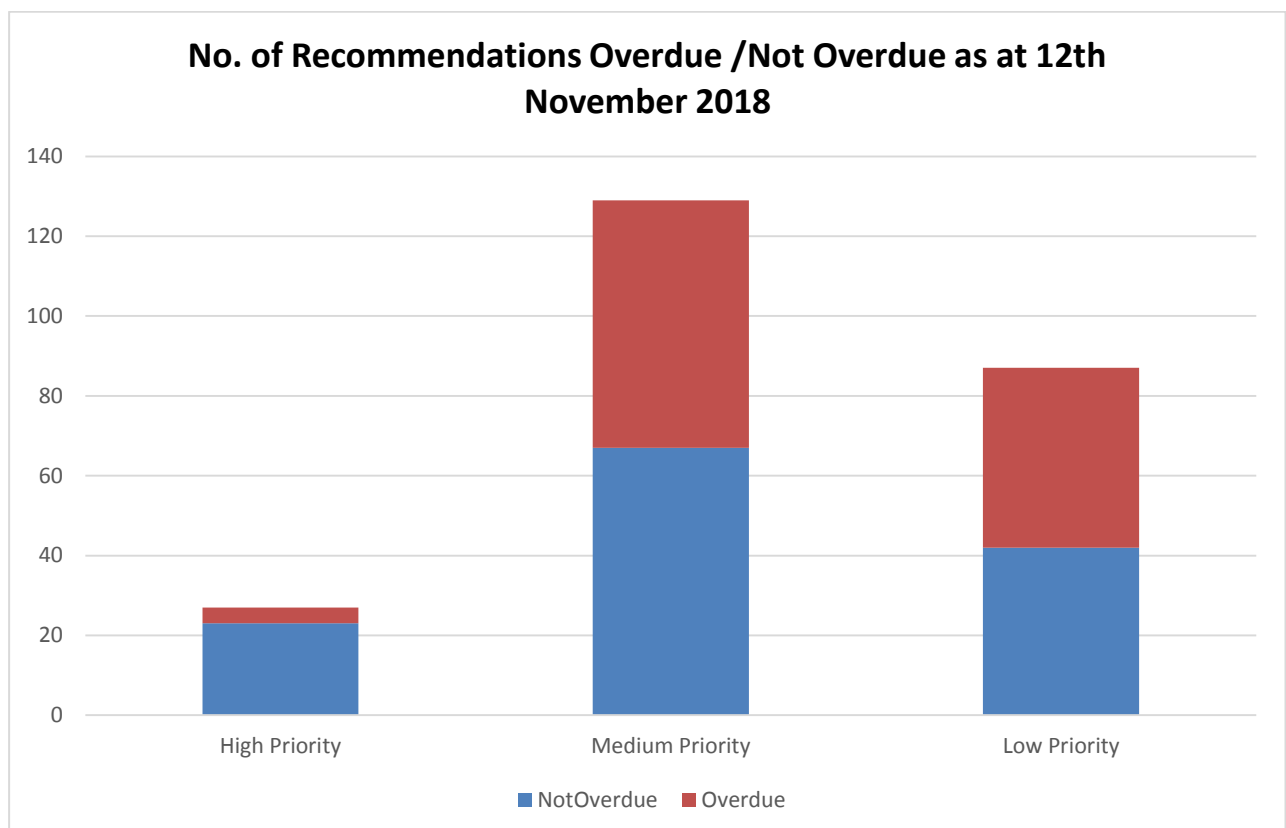
6. Since the last meeting of the Audit & Standards Committee, there has been no limited assurance opinion reports finalised requiring Members consideration.
7. Delivery of the work for the External Clients is important in ensuring that the section meets its income targets for the year. Performance to date is detailed below and each audit plan is on course to be fully delivered by the end of the audit year. The results of these exercises are reported to the individual bodies' Audit Committee, as appropriate. Figure 1 below shows the current status of our external client work.

**Figure 1**



8. During 2014/15 the Team successfully bid for the contract to deliver the Internal Audit function, including the management of the existing in-house team, for South Staffordshire District Council. This equates to an additional 100 days per annum and is on track to be fully delivered by the end of the financial year. The total value to the section for this work is circa £36,300.
9. Through the introduction of the electronic management and working paper system, the implementation of all recommendations made is monitored. As part of the process, responsible managers are reminded via email once the implementation deadline date has past, until a positive response is received by Internal Audit. Since the introduction of the electronic recommendation tracking system in May 2016, 851 recommendations have been made and monitored. Of the 851 recommendations made, 66% (561 recommendations) have been implemented; a further 5% (47 recommendations) have either been superseded, risk accepted or deferred with the remaining 29% of recommendations not yet implemented (243 recommendations). Of the 243 recommendations not yet implemented, there are 111 recommendations which are overdue. A recommendation is considered overdue once the agreed action date has been reached and the recommendation remains outstanding. Figure 2 below shows the number of high, medium and low-level priority recommendations which have not yet been implemented (outstanding), and categorised as overdue/not overdue.

**Figure 2**



10. Previously those high recommendations which have not been implemented by the target implementation date together with an explanation of the delay by the appropriate officer have been reported to the Audit & Standards Committee. The number remaining outstanding has reduced significantly over time when compared to previous years, due in

part to the involvement of the Audit & Standards Committee. Progress in implementing those outstanding agreed recommendations has been monitored and it is pleasing to note that there are only a small number of high level recommendations (4) that have not been fully implemented by their due date. Additional information has been included within the table regarding the number of outstanding medium and low-level recommendations for those reports with an outstanding high-level recommendation. The details are attached as **Appendix B** to the report and include a commentary regarding action taken to date by the respective manager, where appropriate. Internal Audit will continue to monitor their implementation and will include the results of this exercise within the annual outturn report.

### **Equalities Implications**

11. There are no direct implications arising from this report.

### **Legal Implications**

12. Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations specifically require that a relevant body must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

### **Resource and Value for Money Implications**

13. The net budget of the Internal Audit Section is estimated at £619,310.

### **Risk Implications**

14. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Where relevant, the results of individual reviews will link into the Annual Governance Statement, providing assurance on the operation of key controls. Internal Audit will continue to align its work with the Corporate Risk Register.

### **Climate Change implications:**

15. There are no direct climate change implications arising from this report.

### **Report Author**

Name: Deborah Harris, Interim Chief Internal Auditor  
Telephone No.: 01785 276406  
E-Mail Address: [deborah.harris@staffordshire.gov.uk](mailto:deborah.harris@staffordshire.gov.uk)

### **List of Background Documents/Reference Material:**

[Appendix A - Details of Audits Contained in the Audit Plan approved in June 2018 which have been cancelled](#)

[Appendix B – High Level Audit Recommendations not implemented by the due date and are overdue](#)

2018/19 Internal Audit Strategy & Plan  
2018/19 Internal Audit Charter  
Performance Monitoring Sheets 2018/19  
Recommendation Tracking System Reports