



## AUDIT COMMITTEE – 16TH OCTOBER 2018

**SUBJECT: INTERNAL AUDIT SERVICES – ANNUAL OUTTURN REPORT 2017/18**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

---

### 1. PURPOSE OF REPORT

- 1.1 To inform Members of the work carried out by Internal Audit Services during 2017/18 and to provide a Statement of Assurance in respect of the Councils overall system of internal controls.

### 2. SUMMARY

- 2.1 It is a requirement both of the Public Sector Internal Audit Standards (PSIAS) that the Head of Internal Audit provided an Annual report to support the Annual Governance Statement. The report should
- Include an opinion of the overall systems of internal controls.
  - Present a summary of the audit work that has been undertaken on which this opinion is based.
  - Draw attention to any issues which may impact on the level of assurance provided.
  - Provide a summary of performance of the service.
  - And comment on conformance with the Public Sector Internal Audit standards (PSIAS).
- 2.2 In addition the Audit Committee Terms of Reference last reviewed in the Audit Committee in September 2014 states that the Committee has the following responsibility “to consider the Head of Internal Audit’s annual report and opinion and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Councils internal control environment (ref 3.3.7).
- 2.3 The Council’s own Financial Regulations also state that an annual audit activity plan is prepared to ensure that there is an effective and efficient use of audit resources. In addition to producing the audit plan, it is also a requirement that the Internal Audit Manager produces an outturn report which provides members of the Audit Committee with an overview of the work undertaken by Internal Audit Services during the previous financial year and provides an insight into the range of issues that the service is involved with in addition to the core audit work undertaken.

### 3. LINKS TO STRATEGY

- 3.1 The work of Internal Audit Services provides assurance on the robustness of internal controls and the corporate governance arrangements operating within the Authority and identifies areas for improvement. Strong corporate governance arrangements are an essential element of ensuring that the Council’s key priorities are effectively delivered and this in turn contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

#### **4. THE REPORT**

- 4.1 The detail of the report is included in the Appendices attached.
- 4.2 It is acknowledged that this report is overdue. However this is due in part to the continued long term sickness absence of the Internal Audit Manager which has impacted on the available resources in the section to deal with this workload. This has been addressed in part by the temporary acting up and increasing the working hours of the Principal Auditor and the recent secondment of a member of staff with previous internal audit experience from the Corporate Finance section on a part time basis (2 to 3 days per week). These arrangements are set to continue until December.
- 4.3 Further plans are also in place to address capacity within the section as a bid has been made for funding for an apprentice auditor / accountant to be shared between the Internal Audit section and the Corporate Finance section. This has been approved and it is hoped to comment recruitment and appoint before the end of the calendar year.
- 4.4 In addition steps are in place to procure an automated audit management software tool to support the audit planning and reporting process and improve the quality and information for the future reporting to the Audit Committee in this regard. Once procured resource will be needed to set the system up, but it is hoped that this will be implemented and fully operational by 31.3.19.
- 4.5 In conclusion this report has been prepared as a review of Internal Audit activity during 2017/18. It not only highlights the extent of the work completed but also the diversity.
- 4.6 No fundamental issues have come to light as a result of audits carried out on both the major financial systems and other financial and administrative systems and procedures and establishments. Where issues have been identified and brought to the attention of management an action plan and follow up process is in place to drive through the necessary improvements. Overall it is considered that the Council continues to operate within a control environment that is effective and supports the assurance statement within the Annual Governance Statement

#### **5. WELL-BEING OF FUTURE GENERATIONS**

- 5.1 This report contributes to the Well-being Goals as set out in Links to Strategy above. It is consistent with the five ways of working as defined within the sustainable development principle in the Act in that reporting of the Internal Audit performance, annual out turn and any significant findings across all service areas enables those service areas to identify areas of concern and implement controls and improvements.

#### **6. EQUALITIES IMPLICATIONS**

- 6.1 This report is for information purposes only, therefore the Council's full equalities impact assessment process has not been applied.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 Funding for the initial purchase and set up of the audit management software will come from savings identified in the Internal Audit budget. Current on-going estimates of future support and maintenance once implemented can be met from current budgets.

## **8. PERSONNEL IMPLICATIONS**

- 8.1 A temporary acting up arrangement until December 2018 and permanent increase in working hours of the Group Auditor has been put in place to address the absence of the Internal Audit Manager and increase the capacity to address the associated workloads.
- 8.2 In addition to the above, to strengthen the team further in the short term the Principal Group Accountant has been seconded into the section from Corporate Finance for 3 days a week until the end of December 2018.
- 8.3 Following on from the cabinet report 25.7.2018 in respect of funding for the Apprentice/trainees the section has had approval to recruit a trainee Accountant under this scheme.

## **9. CONSULTATION**

- 9.1 All consultation responses have been reflected in this report.

## **10. RECOMMENDATIONS**

- 10.1 The Audit Committee is asked to note the content of this annual review of the operation of the Internal Audit Service.

## **11. REASONS FOR THE RECOMMENDATIONS**

- 11.1 To ensure that
- The Audit Committee is aware of the level of Internal Audit coverage and the overall opinion derived from undertaking this work.
  - Adequate supporting information and evidence has been supplied to the Audit Committee to enable the Committee to meet its requirements under the Committee's terms of reference.
  - Adequate assurance is provided to support the Annual Governance Statement process

## **12. STATUTORY POWER**

- 12.1 Local Government Act 2000.

Author: Deborah Gronow, Acting Internal Audit Manager  
Tel: 01443 864044 E-mail: gronode@caerphilly.gov.uk

Consultees: Richard Edmunds (Ed), Director of Corporate Services and Education  
Nicole Scammell, Head of Corporate Finance & Section 151 Officer  
Stephen Harris, Head of Improvement

Appendices: -

Appendix 1 Annual Internal Audit report 2017/18  
Appendix 2 Table showing audit coverage