

Finance and Audit Scrutiny Committee  
17 March 2021

**Title: Internal Audit Quarter 3 2020/21 Progress Report**

**Lead Officer: Richard Barr**

**Portfolio Holders: Councillor Hales**

**Public report / Confidential report: No**

**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Checked for Accessibility: Yes

Final Decision: Yes.

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	22 Feb 2021	Chris Elliott/Andrew Jones
Head of Service	22 Feb 2021	Mike Snow
CMT	22 Feb 2021	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	22 Feb 2021	Mike Snow
Monitoring Officer	22 Feb 2021	Andrew Jones
Finance	22 Feb 2021	Mike Snow
Portfolio Holder(s)	3 March 2021	Councillor Hales

### 1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2020/21, summarises the audit work completed in the third quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

### 2 **Recommendations**

- 2.1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
  - 2.1.1 That Appendix 1, containing guidance on the role and responsibilities of audit committees, be noted. (Paragraph 3.2 of this report)
  - 2.1.2 That Appendix 2, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 8.1 of this report)
  - 2.1.3 That Appendix 3, setting out the action plan accompanying the Internal Audit report issued in the quarter, be reviewed. (Para. 10.2)
  - 2.1.4 That Appendix 4, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 11.2)

### 3 **Reasons for the Recommendations**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.
- 3.2 Finance and Audit Scrutiny Committee is operating, in effect, as an audit committee in the context of receiving and acting upon this report. Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.
- 3.3 Essentially, the purpose of an audit committee is:
  - To provide independent assurance of the associated control environment.
  - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 3.4 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- 3.5 The following sections provide information to satisfy these requirements.

## 4 **Policy Framework**

### 4.1 **Fit for the Future (FFF)**

4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

### 4.2 **FFF Strands**

#### 4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities**

**Services - Green, Clean, Safe**

**Money- Infrastructure, Enterprise, Employment**

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

#### 4.2.2 **Internal impacts of the proposal(s)**

**People - Effective Staff**

**Services - Maintain or Improve Services**

**Money - Firm Financial Footing over the Longer Term**

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

### 4.3 **Supporting Strategies**

4.3.1 Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

### 4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

### 4.5 **Impact Assessments**

4.5.1 This section is not applicable.

**5 Budgetary Framework**

5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

**6 Risks**

6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.

6.2 It is impractical to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

**7 Alternative Options Considered**

7.1 This section is not applicable.

**8 Progress against Plan**

8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. This year’s Audit Plan had to be revised due to the impact of the Coronavirus Pandemic. A revised Audit Plan was approved by Members on 30 September. A detailed analysis of progress in completing the Audit Plan for 2020/21 is set out as Appendix 2.

**9 Assurance**

9.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.

9.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

**Assurance Levels**

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-

	existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

**10 Internal Audit Reviews Completed in the Quarter and Management Responses to Recommendations**

10.1 Three audits were completed in the third quarter of 2020/21. The Internal Audit reports arising from them are available for viewing on the online agenda for the meeting.

10.2 The action plans accompanying these reports are set out for separate scrutiny as Appendix 3. This details the recommendations arising together with the management responses, including target implementation dates. As can be seen in the Appendix, responses have been received from managers to all recommendations that were made.

**11 Implementation of Recommendations Issued Previously**

11.1 Managers are required to implement recommendations within the following timescales:

- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
- (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.

11.2 The state of implementation of **low and medium risk** recommendations made in the **fourth quarter of 2019/20** is set out in Appendix 4 to this report. There were no **high risk** recommendations issued in the **second quarter of 2020/21** so none is included in this appendix.

11.3 As can be seen in the Appendix, in terms of determining the state of implementation of recommendations, responses from managers have been received in all cases except one: **An update on the state of implementation of the recommendation is outstanding from Finance in respect of the VAT Accounting audit of 5 March.**

**12 Review**

12.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.