

**COMMITTEE REPORT**

**CORPORATE AFFAIRS AND AUDIT**

**07 December 2017**

**Internal Audit – Progress Report**

**Helen Fowler – Audit and Assurance Manager**

**PURPOSE OF REPORT**

1. To update Members on the main findings arising from internal audit work carried out since the annual report was submitted to Members. In addition, the report will brief Members on the performance of the Council's internal audit service, Tees Valley Audit and Assurance Services (TVAAS).

**BACKGROUND**

2. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
3. The Council's internal audit service is provided by Tees Valley Audit & Assurance Services (TVAAS), a shared service arrangement between Redcar & Cleveland and Middlesbrough Councils. Members approved the 2017/18 Audit Plan at their meeting on 29 June 2017. The total number of planned audit days for 2017/18 is 855. At the time of this report, 14% of the Plan has been completed with a number of other audit assignments ongoing and close to the draft stage. The level of completion of the audit plan is continuously monitored and resources reallocated as appropriate.
4. A service level agreement for the provision of internal audit services is in place between Redcar and Cleveland Council and Middlesbrough Council and includes a number of performance measures. Additional performance measures have since been introduced by the Audit and Assurance Manager and were selected based on the perceived development and improvement needs of the Service. The current performance against each of these measures is detailed in **Appendix 2**.
5. A brief summary of all internal audit reports issued in final and draft, since the last update to Members of this Committee, is provided in **Appendix 1 (Tables 1 and 2)**. No new Priority 1 recommendations have been made to date in 2017/18 and

none are outstanding from previous periods. The Service's opinion methodology is detailed in **Appendix 3**.

6. In addition to the final audit reports issued in **Appendix 1**, TVAAS staff have been involved in a number of other areas of work (that do not result in the issue of a formal report) including coordinating the Council's involvement in the national fraud initiative (NFI) and following up on the implementation of previous audit recommendations.
7. All proposed variations to the agreed Audit Plan arising as the result of emerging issues and/or requests from directorates are communicated to the Corporate Affairs and Audit Committee for information and comment. This will ensure that audit resource remains focussed on areas of strategic importance to the Council and will reassure Members of this Committee that there is a controlled process for deviating from the agreed audit plan. No variation requests have been made to date for 2017/18.
8. Internal Audit, along with other assurance processes of the Council, have a statutory obligation under the Accounts and Audit (Amendment) (England) Regulations 2015 and the PSIAS to provide assurance from the work they undertake in respect to the internal control systems operating within the Council.

## **FINANCIAL CONSIDERATIONS**

9. Redcar & Cleveland Council charges Middlesbrough Council for the provision of an internal audit service. Charges are based on a daily charge rate linked to the grade of staff involved in the audit work.

## **FINANCIAL, LEGAL AND WARD IMPLICATIONS**

10. There are no specific financial or ward implications arising from the Internal Audit Progress report 2017/18.

## **RECOMMENDATIONS**

11. Members are requested to note and comment upon the:

- Findings arising from internal audit work.
- Performance of the Service.

## **REASONS**

12. The Public Sector Internal Audit Standards (PSIAS) 2030 states that the Audit and Assurance Manager must ensure that internal audit resources are 'effectively deployed' to achieve the approved audit plan and progress should be reported to the Corporate Affairs and Audit Committee.
13. Internal Audit assists management in delivering the objectives of the Council by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the

quality of controls in place to assure delivery, ensure value for money and achieve better outcomes for local people.

## **BACKGROUND PAPERS**

14. No background papers other than published works were used in writing this report.

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