

Report of:	Audit & Assurance Manager, Tees Valley Audit & Assurance Services
Submitted to:	Corporate Affairs and Audit Committee 07 March 2019
Subject:	Internal Audit Progress Report

Summary

Proposed decision(s)
<p>That the Committee notes and comments upon the:</p> <ul style="list-style-type: none"> • Findings arising from internal audit work; • Proposed audits to be deferred; • Performance of the Service.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Information	No	No	No

Contribution to delivery of the 2018-22 Strategic Plan		
Business Imperatives	Physical Regeneration	Social Regeneration
<p>Agreement to note the audit findings or identify where additional assurance is required will help the Committee perform its role. Internal audit work contributes towards achieving the Mayor’s Vision and Strategic Plan by identifying any potential control issues which may obstruct that achievement.</p>	<p>Internal Audit assists management in delivering the Mayor’s Vision 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.</p>	<p>Internal Audit assists management in delivering the Mayor’s Vision 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.</p>

Ward(s) affected

None.

What is the purpose of this report?

1. To update Members on the main findings arising from internal audit work carried out since the annual internal audit report to Members on 6 December 2018. In addition, the report will brief Members on the performance of the Council's internal audit service, Tees Valley Audit and Assurance Services (TVAAS).

Why does this report require a Member decision?

2. Agreement to note the audit findings or identify where additional assurance is required will help the Committee perform its role. Internal audit work contributes towards achieving the Mayor's Vision and Strategic Plan by identifying any potential control issues which may obstruct that achievement.

Report Background

3. Internal Audit is an independent appraisal function established by the Council to objectively examine, evaluate and report on the adequacy of internal controls. The objective of this role is to support the proper economic, efficient and effective use of resources.
4. 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. TVAAS provides a wider integrated assurance service for Redcar & Cleveland Borough Council and covers health and safety, risk management and insurance.
5. Members approved the 2018/19 Audit and Assurance Plan at their meeting on May 2018. The total number of planned audit and assurance days for 2018/19 is 855. For those assignments where a report is produced, the target is to have issued 100% of all reports in draft by 30 April 2019. The current performance on this target is 37%. Although this seems low, it is expected that most of the remaining assignments will be completed by the time of the annual report (excluding any variations that are requested and approved) if auditors are provided with responses and information on a timely basis.
6. Each individual audit report provides an opinion on the system or area under review. The methodology applicable to those audits is provided for the benefit of Members in **Appendix 3**.
7. A service level agreement for the provision of internal audit services is in place between Redcar and Cleveland Borough Council and Middlesbrough Council and includes several performance measures. Additional performance measures were later introduced based on the perceived development and improvement needs of the Service. The current level of performance against each of these measures is detailed in **Appendix 2**. The Service's productivity has been affected this year by one instance of long term absence and the initial training and supervision required for new starters. Where individuals' productivity performance is slightly below target, the reasons for this have been identified and most variances are minor.

8. **Appendix 1** provides a summary of the main internal audit work; a summary of the priority 1 actions recommended (if any) during the quarter plus any P1s outstanding from previous periods (if they have passed their due date). This appendix also shows any other actions that are still outstanding but which, according to the date agreed at the time of the audit, had passed their due date by the end of January 2019.
9. The key points to note from **Appendix 1** are as follows:
 - All but two internal audit reports issued as a final during the period had an overall assurance level of Strong or Good. One report had a Moderate assurance opinion and one had a cause for concern opinion;
 - One draft report has been issued with a good assurance opinion although this report is still under discussion.
 - No new P1 actions have been recommended during the period and none are outstanding from earlier periods.
 - A total of 104 actions were due to have been implemented (according to the agreed target date) between 1 April 2018 and 31 January 2019 and only 6 are outstanding.

Proposed Variations to the 2018/19 Plan

10. All proposed variations to the agreed Internal 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. The only variations requested at this point in the year are as follows:
 - Quality assessment framework - Children's Services DMT suggested that this audit is no longer a priority and will be replaced by an audit of cash handling controls in a sample of Children's Services establishments.

What decision(s) are being asked for?

11. That the Corporate Affairs and Audit Committee notes and comments upon the:
 - Findings arising from internal audit work;
 - Proposed deferred audit;
 - Service performance to deliver the Internal Audit Plan.

Why is this being recommended?

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.

Other potential decisions and why these have not been recommended

14. The progress report is a factual statement of the Service's findings and performance for the quarter concerned. As a result, there are no options available except to note this performance and its impact on the future performance of the Council.

Impact(s) of recommended decision(s)

15. Agreement to note the audit findings or identify where additional assurance is required will help the Committee perform its role. Internal audit work contributes towards achieving the Mayor's Vision and Strategic Plan by identifying any potential control issues which may obstruct that achievement.

Legal

16. The work of TVAAS is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The Audit and Assurance Manager is required to report to those charged with governance on the findings of audit work, provide an annual opinion on the Council's internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.

17. Internal audit is a statutory requirement in a local authority. The Council has delegated the delivery of this responsibility to the Strategic Director for Finance, Governance & Support.

Financial

18. The audit and assurance plan for Middlesbrough Council for 2017/18 includes a total of 855 days. The number of days is based on the estimated productive days per member of the Team considering known and estimated absences and commitments. Redcar & Cleveland Borough 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 applied to the actual days worked. The overall annual budget for internal audit is circa £180K.

Policy Framework

19. The Corporate Affairs and Audit Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements. TVAAS acts as an assurance function providing an independent and objective opinion to the organisation on the entire control and policy environment by evaluating its effectiveness in achieving the organisation's objectives. It 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.

Equality and Diversity

20. There are no direct implications from this report on equality and diversity although aspects of the proposed internal audit work may involve a review of issues affecting equality and diversity.

Risk

21. Internal audit and assurance work is aimed at providing assurance that the key risks faced by the Council are being managed effectively and that appropriate safeguards are in place for public funds and assets. As such, internal audit work contributes to providing assurance on the mitigation controls for many of the risks included on the Council's risk registers, both strategic and directorate. Internal audit work particularly links into risk reference O8-054 which relates to having adequate governance processes in place.

Actions to be taken to implement the decision(s)

22. Any requests for additional assurance or clarification by Members of the Committee will be responded to accordingly.

Appendices

Appendix 1 – Audit Outcomes and Actions Status

Appendix 2 – Performance Targets for TVAAS

Appendix 3 – Opinion Definitions

Background papers

23. No background papers other than published works were used in the preparation of this report.

Contact: [Helen Fowler – Audit and Assurance Manager](#)

Email: helen.fowler@redcar-cleveland.gov.uk or
helen_fowler@middlesbrough.gov.uk