

Cherwell District Council

Account Audit and Risk Committee

20 January 2021

Internal Audit Progress Report 2020/21

Report of the Director of Finance

This report is public

Purpose of report

The report presents the Internal Audit Progress report for 2020/21

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the progress with the 2020/21 Internal Audit Plan and the outcome of the completed audits.
- 1.2 To review recommended best practice within CIPFA Audit Committee Guidance (2018) and agree additions to the AARC work programme.

2.0 Introduction

- 2.1 This report provides an update on the Internal Audit Service, including resources, completed and planned audits.
- 2.2 Each progress report includes the Executive Summaries from the individual Internal Audit reports finalised since the previous update to the committee and also an update on the implementation of agreed management actions.
- 2.3 This report also summarises the requirements / recommended guidance from both the CIPFA Audit Committee Guidance and PSIAS (Public Sector Internal Audit Standards) that should be considered for inclusion within the annual work programme of AARC.

3.0 Report Details

Resources

- 3.1 A full update on resources was made to the Accounts, Audit & Risk Committee in July 2020 as part of the Internal Audit Strategy and Plan for 2020/21. Since then the recruitment activity which had been paused due to covid-19, recommenced and we have successfully appointed to the Senior Auditor and Assistant Auditor vacancies. Both have now started.
- 3.2 The November committee meeting was updated, with the additional posts that had been agreed as dedicated counter fraud resource, with an updated structure chart presented for Internal Audit and Counter Fraud. The delivery of a joint Internal Audit Service across both CDC and OCC will be extended to include a joint counter fraud service from April 2021. Recruitment is in progress to ensure resources are in place for the beginning of the financial year.

2020/21 Plan Progress

- 3.3 The 2020/21 Internal Audit Plan, which was agreed at the July Accounts, Audit & Risk Committee, is attached as Appendix 1 to this report. This shows current progress with each audit. The plan and plan progress is reviewed quarterly with senior management.
- 3.4 An audit of Disabled Facilities Grant Processes has been completed and also a further review of IT risks under stage 2 of the finance system implementation. Executive summaries for both of these are included within Appendix 2 of this report. Internal Audit also completed the certification work for the Disabled Facilities Grant and this was satisfactorily signed off in October.
- 3.5 There have been two amendments made to the plan, which have been agreed by the Director of Finance. 1) We have removed the audit of Key Financial Systems Assurance and used the days available to continue to support over the summer the due diligence work on Small Business Grants. The audits of Payroll, Revenues and Benefits and also the implementation of the new Finance System remain in the plan. 2) We have removed the grant certification work on the Homes England Grant as this is not required for this financial year. There will likely be further grant certification work identified for the completion at the end of the financial year which will replace this, for example the Covid Compliance and Enforcement Grant. The remainder of the plan is on track for delivery by the end of April 2021.

Performance

3.6 The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved for 20/21 audits (as at 07/01/2021)	Comments
Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	80%	
Elapsed time for completion of audit work (exit meeting) to issue of draft report.	15 days	100%	
Elapsed time between issue of Draft report and issue of Final Report.	15 days	80%	

3.7 The other performance indicators are:

- % of 2020/21 planned audit activity completed by 30 April 2021 – reported at year end.
- % of management actions implemented – see para 3.8 below.

Implementation of Agreed Management Actions

3.8 Outstanding management actions from 2018/19 and 2019/20 audits were taken over for monitoring from the previous internal audit provider. At the time of reporting to the July Committee and handover from the previous internal audit provider there were 27 actions still open from 2018/19 and 40 actions still open from 2019/20 audits. As at 07/01/2021 this figure has reduced, there remains 14 open from 2018/19 and 20 open actions from 2019/20. Further detail is recorded in Appendix 3. These will continue to be reviewed and followed up with senior management throughout 2021.

3.9 We have agreed a total of 36 actions for the work completed so far as part of the 2020/21 Internal Audit Plan, nine of these actions have been implemented and one has been superseded. Of the remaining 26 actions, 20 are not yet due for implementation, four are being implemented and two have recently become due – these will be followed up throughout 2021.

CIPFA's Audit Committee Guidance (2018)

- 3.10 CIPFA's Audit Committee Guidance 2018 sets out the functional and operational responsibilities of audit committees in local authorities throughout the UK. It represents best practice. Following the November AARC meeting a copy of the guidance was circulated to all AARC members for information. It recognises audit committees as a key component of governance. Audit committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment, the integrity of financial reporting and governance processes.
- 3.11 From April 2013, Internal Audit within local authorities have been required to follow PSIAS (Public Sector Internal Audit Standards). The committee have a clear role in oversight of the Internal Audit function.
- 3.12 There are a number of requirements / recommended guidance from both the CIPFA Audit Committee Guidance and PSIAS that should be considered for inclusion within the annual work programme of AARC. These are noted below for review and decision:

Item	Description	Comment	Action proposed
1	AARC Terms of Reference	Have the terms of reference for AARC been subject to recent review / is it in accordance with CIPFA recommended guidelines? (There is a suggested model for TOR within the guidelines)	Chief Internal Auditor / Assistant Director of Finance to undertake review of current AARC TOR against CIPFA guidelines and bring back to March committee meeting any proposed changes for discussion and approval.
2	Annual Report of AARC	CIPFA recommended guidance is that "a public report should demonstrate how the committee has discharged it's responsibilities". It is expected that this report should be made annually to full council.	Chief Internal Auditor to draft on behalf of the committee – draft to be presented to March committee meeting for review, discussion and amendment. Chair of AARC to present the report to full council early in 2021/21.
3	Review of Internal Audit Charter	This was presented and approved at the July 2020 AARC meeting. It is a requirement of PSIAS and CIPFA guidance that this is presented annually.	Include in work programme for July meeting. (annually)

4	Private sessions with both External Auditor and Chief Internal Auditor	Recommended that at least annually there are private sessions between the committee and The Chief Internal Auditor and also the committee and External Audit. This enables the committee to confirm with the Chief Internal Auditor, organisational independence, adequacy of resourcing, key issues, etc.	Schedule 30-minute private session with Chief Internal Auditor. Schedule 30-minute private session with External Audit. September 2021 (and then annually)
5	Independent member	Recommended best practice is to appoint an independent member to the committee. Advantages: <ul style="list-style-type: none"> • to bring additional knowledge and expertise to the committee • to reinforce the political neutrality and independence of the committee • to maintain continuity of committee membership where membership is affected by the electoral cycle. 	Person specification would need to be drafted and agreed. Committee to decide how to progress with recruitment of an independent member.
6	Training programme / briefings / Self-Assessment	Is there a regular programme of training events / briefings for AARC members (e.g. risk management, finance, treasury management)? Are there any areas that would be useful to highlight and add to the work programme? Cipfa guidance recommends that the committee undertake a regular self-assessment against the guidance.	Add any current identified training or briefing requirements to AARC work programme. Undertake a self-assessment exercise (Chief Internal Auditor to lead and support AARC with this). Undertake a session in November 2021.

4.0 Conclusion and Reasons for Recommendations

- 4.1 This report provides a progress update on delivery of the internal audit plan for 2020/21, summarising key findings from completed audits and provides an update on the implementation of management actions for the committee to consider. The current plan for 20/21 is on target for delivery by the end of April 2021.

5.0 Consultation

Not applicable.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: No alternative options have been identified as this report is for information only.

7.0 Implications

Financial and Resource Implications – Mandatory paragraph

- 7.1 There are no financial implications arising directly from this report.

Comments checked by:
Michael Furness, Assistant Director of Finance, 01295 221845
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Legal Implications – Mandatory paragraph

- 7.2 There are no legal implications arising directly from this report.

Comments checked by:
Richard Hawtin, Team Leader – Non-contentious, 01295 221695
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Risk Implications - Mandatory paragraph

- 7.3 There are no risk management issues arising directly from this report.

Comments checked by:
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8.0 Decision Information

Key Decision (N/A)

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Councillor Tony Ilott – Lead Member for Financial Management and Governance.

Document Information

Appendix number and title

- Appendix 1 – Internal Audit Plan 2020/21 – Progress Update
- Appendix 2 – Executive Summaries of reports finalised
- Appendix 3 – Outstanding Management Actions (as at 7/1/20)

Background papers

None

Report Author and contact details

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