

19 January 2021

Report of	Assistant Director of Policy & Corporate	Author	Hayley McGrath 508902
Title	Mid-Year Internal Audit Assurance Report 2020/21		
Wards affected	Not applicable		

1.0 Executive Summary

1.1 The report set out in Appendix 1 summarises the performance of Internal Audit, and details the audits undertaken, between 1 April and 30 November 2020.

1.2 The key messages from the report are:

- Despite the impact of the pandemic the new Internal Audit contractor was able to successfully commence the service from 01 April and has ensured that an effective internal audit service was provided during the first half of the 2020/21 financial year.
- Seven out of the ten audits completed have achieved a substantial assurance rating (previously classed as 'full assurance').
- The remaining three audits all achieved reasonable assurance (previously known as 'substantial').
- There were no audits completed that resulted in a limited or no assurance rating.
- Twelve priority 2 and thirteen priority 3 recommendations have been made. All recommendations have been accepted by management.

2.0 Recommended Decision

2.1 To review and comment on:

- Internal audit activity for the period 1 April – 30 November 2020.

3.0 Reason for Recommended Decision

3.1. The Accounts and Audit Regulations 2015 require that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Internal audit is a key element of the Council's corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

4.0 Alternative Options

4.1 None.

5.0 Background Information

- 5.1 The Council changed internal audit supplier in April 2020, to TIAA, and they have provided a mid-year report in a new format, attached at appendix 1. This details the audits that have been carried out and a summary of work completed against the plan for the year. The report also includes a section highlighting current key issues in the general auditing environment for information.
- 5.2 Whilst there is no formal recommendation to review the format of the attached report, it is in a different style to previous reports and therefore the committee might like to consider if there is any other information, or changes, that you would like to see included in future reports.
- 5.3 Whilst the majority of terminology is the same as used by the previous auditors there are some differences to the definition of the assurance levels and recommendations. These are set out in the tables below:

Assurance Level			
TIAA Definition		Previous Definition	
Substantial	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Reasonable	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.	Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
No	There is a fundamental breakdown or absence of core internal controls requiring immediate action.	No	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Recommendation Priority Gradings			
TIAA Definition		Previous Definition	
1	Urgent. Fundamental control issue on which action should be taken immediately.	1	Major issue for the attention of senior management and the Governance and Audit Committee.
2	Important. Control issue on which action should be taken at the earliest opportunity.	2	Important issues to be addressed by management in their areas of responsibility
3	Routine. Control issue on which action should be taken.	3	Minor issues resolved on site with local management.
OEM	Operational Effectiveness Matter. Items that would be best practise / improvements but do not impact on the effectiveness of the controls.		Not previously highlighted in the audit process.

- 5.4 The main difference is that the Full Assurance rating is now called Substantial and the previous Substantial rating is now Reasonable.

6.0 Strategic Plan Implications

- 6.1 The audit plan has been set with due regard to the identified key strategic risks to the Council and the objectives of the strategic plan to be vibrant, prosperous, thriving and welcoming. Therefore, the audit work ensures the effectiveness of the processes required to achieve the strategic objectives.

7.0 Risk Management Implications

- 7.1 The failure to implement recommendations may have an effect on the ability of the Council to control its risks and therefore the recommendations that are still outstanding should be incorporated into the risk management process.

8.0 Environmental and Sustainability Implications

- 8.1 There are no environmental or sustainability implications as a result of this report.

9.0 Other Standard References

- 9.1 There are no direct Publicity, Financial, Consultation, Equality, Diversity, Human Rights, Community Safety or Health and Safety implications as a result of this report.