

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date of meeting: **29 November 2017**

By: **Chief Operating Officer**

Title: **Internal Audit Progress Report – Quarter 2 (01/07/17 – 30/9/17)**

Purpose: **To provide Members with a summary of the key audit findings, progress on delivery of the audit plan and the performance of the internal audit service during Quarter 2.**

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## **RECOMMENDATIONS**

- 1. Members are requested to consider and agree any action that should be taken in response to the issues raised in any of the audits carried out during Quarter 2;**
  - 2. Identify any new or emerging risks for consideration for inclusion in the internal audit plan;**
  - 3. In addition, Members are asked to approve the:**
    - intention to use the South West Audit Partnership (SWAP) to complete an external assessment of Orbis Internal Audit in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) – Appendix 2;**
    - revised Orbis Internal Audit Key Performance Indicators - Appendix 3;**
    - revised Orbis Internal Audit Charter - Appendix 4;**
    - Orbis Internal Audit Reporting and Escalation Policy - Appendix 5.**
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### **1. Background**

1.1 This progress report covers work completed between 1 July 2017 and 30 September 2017.

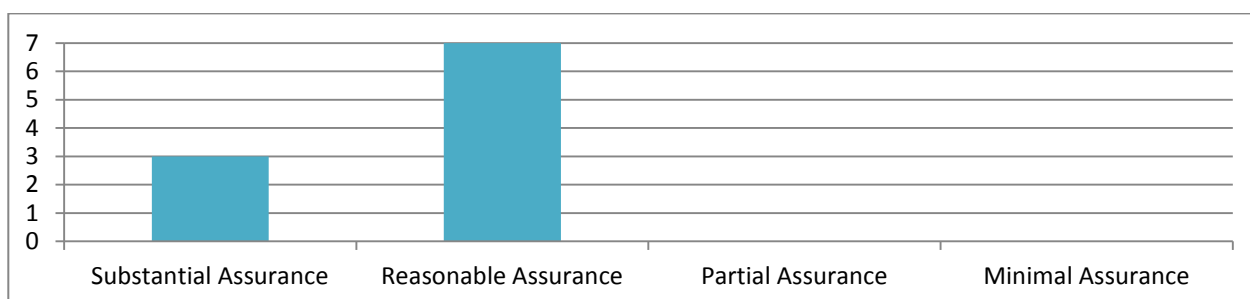
### **2. Supporting Information**

2.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2017-18. This was prepared after consulting Chief Officers and senior managers and was endorsed by Audit, Best Value and Community Services Scrutiny Committee on 14 March 2017.

### **3. Conclusion and Reasons for Recommendation**

3.1 Key audit findings from final reports issued during Quarter 2 are summarised in Appendix 1.

3.2 Overall, of the 10 formal audits finalised during the quarter, 3 received 'substantial assurance' opinions and 7 received opinions of 'reasonable assurance'. There were no opinions of 'partial' or 'minimal assurance'.



3.3 Although the same range of internal audit opinions are issued for all audit assignments, it is necessary to also consider the level of risk associated with each area under review when drawing an opinion on the Council's overall control environment. **Taking into account these considerations, the Chief Internal Auditor continues to be able to provide reasonable assurance that the Council has in place an effective framework of governance, risk management and internal control.**

3.4 The overall conclusion has been drawn based on all audit work completed in the year to date and takes into account the management response to audit findings and the level of progress in subsequent implementation. This is something which will continue to be monitored and reported on by Internal Audit throughout the year.

3.5 Formal follow up reviews continue to be carried out for all audits where 'minimal' assurance opinions have been given and for higher risk areas receiving 'partial' assurance. A schedule of all audits where future follow up reviews are planned is provided at the end of Appendix 1, which will continue to be updated on an ongoing basis. In addition, arrangements are in place to monitor implementation of all individual high risk recommendations. At the time of writing this report, all high-risk recommendations due had been implemented.

3.6 Members will recall that flexibility was built into the audit plan to allow resources to be directed to any new and emerging risks. We continue to liaise with departments to identify these but would also welcome input from this Committee. Details of those reviews added and removed from the plan so far this year are set out at the end of Appendix 1.

3.7 The Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be subject to an independent, external assessment at least every five years. Our proposals for this are set out in Appendix 2.

3.8 Progress against an updated set of performance targets (focussing on a range of areas relating to our service) can be found in Appendix 3. All targets, with the exception of one amber score relating to the percentage of the audit plan completed, have been assessed as on target (green).

3.9 The Internal Audit Charter sets out the scope and responsibility of internal audit and this was last approved by this Committee in June 2015. The Charter has recently been reviewed and updated in line with the latest professional guidance and to reflect changes as a result of Orbis. An updated version is attached to this report as Appendix 4.

3.10 Members are also asked to approve the Orbis Internal Audit Reporting and Escalation Policy, attached as Appendix 5.

**KEVIN FOSTER**  
**Chief Operating Officer**

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BACKGROUND DOCUMENTS: Internal Audit Strategy and Annual Plan 2017-18