

## Report of the Assistant Director Finance and Procurement to the meeting of Governance and Audit Committee to be held on 30 July 2018

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### **Subject:**

Internal Audit Peer Review – July Update

### **Summary statement:**

This report provides an update on the actions being taken to address the recommendations of the Internal Audit Peer Review reported at the March 2018 meeting.

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**Overview & Scrutiny Area: Corporate**



## **1. SUMMARY**

This report provides an update on the actions being taken to address the recommendations of the Internal Audit Peer Review reported at the March 2018 meeting.

## **2. BACKGROUND**

During January 2018, the Council's Internal Audit function was peer reviewed by colleagues from Doncaster Council to assess compliance with the Public Sector Internal Audit Standards (PSIAS). The findings of this review were presented to Governance and Audit Committee on 22 March 2018.

The review found that the Internal Audit service was rated as 'partially conforms' against the standards and provided the Council with 13 audit specific recommended actions for improvement. The key reasons for the 'partially conforms' rating were:

- the low level of audit resource employed by the Council,
- the percentage completion of the Bradford Council element of the audit plan at the time of the review (46% at January 2018),
- the impact of other duties on the role of the Council's Head of Internal Audit (HoIA), and that safeguards to preserve audit objectivity and independence are not reported annually as expected by the Standards,
- that some audit documentation was in need of updating and some reporting requirements were not met,
- the annual audit opinion given by the HoIA does not explicitly include a conclusion on risk management or governance arrangements, as required by the Standards.

In agreeing to the recommendations of the report, Members of the Committee resolved that updates be provided throughout 2018.

The first update was provided to the 19 April meeting. To summarise that update:

- i) Budget had been identified for four additional posts (1 x Assistant Audit Manager, 3 x Senior Auditors) and the recruitment process for these was due to commence.
- ii) An improvement in the percentage of completed audits at the end of the financial year.
- iii) Formal reporting of the safeguards in place to protect the objectivity and independence of the audit function around the other responsibilities of the HoIA.
- iv) Assurance around CMT engagement in the reporting process.

## **3. PROGRESS UPDATE**

The Peer Review action plan that was agreed with the Committee and the External Assessors is outlined in Appendix 1, with corresponding risk ratings (Green, Amber, Red) and progress against each action. Members will note positive progress on most of the

actions with outstanding work rated as 'Amber' predominantly centred on documentation and procedural information that will be updated during the summer.

Much of the focus of the peer review was on the function's level of resource. The background section to this report highlights budgetary resource had been identified to recruit to four posts. This process has now been completed. In terms of the Assistant Audit Manager post, an internal candidate from an existing Senior Auditor post was appointed following a competitive process, which was concluded at the end of April. This led to the Council going out to advert for four Senior Auditors. Interviews for these posts were held during June and offers have been made to four high calibre individuals with an anticipated start date of 20 August. The Council has a duty to offer flexible working to new and existing employees and as a result, the four individuals will correspond to 3.3 FTE (full time equivalents). This leaves us 0.7 FTE short of the budgeted structure with options around temporary staffing, apprenticeships or a further recruitment process currently being considered. Future updates will provide feedback on progress in this area.

#### **4. FINANCIAL & RESOURCE APPRAISAL**

The report refers to budgetary movements within the overall Finance & Procurement budget and the addition of employees to the establishment which are affordable within the approved cost envelope for 2018/19.

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

The peer review report highlighted where the Council's Internal Audit function and practices can be improved. As a professional, independent and objective Internal Audit service is one of the key elements of good governance in Local Government, it is clearly important that the recommendations are implemented to ensure the Council's governance environment remains strong.

#### **6. LEGAL APPRAISAL**

There are no legal implications.

#### **7. OTHER IMPLICATIONS**

##### **7.1 EQUALITY & DIVERSITY**

There are no equality and diversity implications.

##### **7.2 SUSTAINABILITY IMPLICATIONS**

There are no sustainability implications.

##### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

There are no greenhouse gas emissions implications.

#### **7.4 COMMUNITY SAFETY IMPLICATIONS**

There are no community safety implications.

#### **7.5 HUMAN RIGHTS ACT**

There are no Human Rights Act implications.

#### **7.6.1 TRADE UNION**

There are no Trade Union implications.

#### **7.7 WARD IMPLICATIONS**

There are no Ward implications.

#### **7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

N/A

#### **7.9 IMPLICATIONS FOR CORPORATE PARENTING**

There are no Corporate Parenting implications.

#### **7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

There are no Privacy Impact implications.

### **8. RECOMMENDATIONS**

That Members note the latest update on progress against the key recommendations of the peer review and note the next written update will be presented at September's Committee meeting.

### **9. APPENDICES**

Appendix 1 – Internal Audit Peer Review Action Plan

### **10. BACKGROUND DOCUMENTS**

- Internal Audit Peer Review – Governance and Audit Committee Report and Appendix, 22 March 2018 (Doc AH)
- Internal Audit Peer Review April Update – Governance and Audit Committee Report, 19 April 2018 (Doc AJ)