

9. INTERNAL AUDIT REPORT BLOCK 2, 2017/18 (A1362/7/PN)

Purpose of the report and key issues

1. This report presents to Members the internal auditors' recommendations for the second block of the 2017/18 audit and the agreed actions for consideration. The Internal Auditors will be available at the meeting to answer any questions relating to the audit report or process as usual.

Key issues include:

- The auditors give an opinion based on five grades of assurance (High / Substantial / Reasonable / Limited / No). The five areas audited – Creditors, Debtors & Income, Information Governance Systems, ICT Controls, and Information and Asset Security compliance, have been given a High, High, Substantial, Substantial and Reasonable level of assurance respectively.
- The priority of agreed actions is determined based on a scale of 1 – 3, with 1 representing a fundamental system weakness which needs urgent attention, 2 a significant weakness which needs attention, and 3 no significant weakness but merits attention. Managers have responded to 3 Priority 2 actions and 2 Priority 3 actions.

2. Recommendations

1. **That the internal audit reports for the five areas covered under Block 2 for 2017/18 be received (in Appendices 1 - 5) and the agreed actions considered.**

How does this contribute to our policies and legal obligations?

3. As identified in the Annual Governance Statement, the Internal Audit process is regarded as an important part of the overall internal controls operated by the Authority and recommendations are addressed by the Authority's managers in the management response to the audit report.

Background

4. The Accounts and Audit Regulations 2015 require that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practices in relation to internal control. The contract for the internal audit service is let to Veritau Ltd. Officers in consultation with the Chair and Vice Chair of this committee approved a two year extension of the current contract up to 31st March 2019 (the original contract was a three year contract starting April 2014, with an option to extend for two years). The Internal Audit Plan for 2017/18 was approved by this committee in May 2017.

Proposals

5. Managers have carefully considered the internal auditors' recommendations and the agreed actions are set out in the audit reports in Appendices 1 - 5 for members' consideration.

Are there any corporate implications members should be concerned about?

Financial:

6. There are resource implications of implementing recommendations and this is why prioritisation of action is important as this has to be managed within existing budgets and staffing levels, taking account of the level of risk agreed by management. The cost of the Internal Audit Service Level Agreement is found from within the overall Finance budget.

Risk Management:

7. The Internal Audit process is regarded as an important part of the overall internal controls operated by the Authority.

Sustainability:

8. There are no implications to identify.
9. **Background papers** (not previously published) – None

Appendices -

Appendix 1: Creditors
Appendix 2: Debtors & Income
Appendix 3: Information Governance
Appendix 4: ICT Controls
Appendix 5: Information & Asset Security Compliance

Report Author, Job Title and Publication Date

Philip Naylor, Head of Finance, 10 May 2018