

Director: Angela Taylor, Director of Resources

Author: Russell Gott



Report to: Governance and Audit Committee

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Subject: Internal Audit Plan 2017/18

1 Purpose

- 1.1 To consider actions required to enable the delivery of the Internal Audit Plan for 2017/18.
- 1.2 To consider the resourcing requirements for the completion of the Internal Audit Plan 2017/18.

2 Information

- 2.1 The Internal Audit Plan was approved by the Governance & Audit Committee in April 2017. The Plan is designed to deliver work on the core financial systems, data systems and reactive and proactive counter-fraud and probity audits. This seeks to provide a level of assurance that the basic governance and control arrangements continue to operate effectively, minimising the risk of misappropriation, loss and error. The Plan does not include any provision for value added activities such as value for money reviews or any significant allowance for consultation.
- 2.2 The Plan identified a resource requirement which was slightly in excess of that which could be provided by the in-house team at the time of its development. However, it was anticipated that this position could be managed if the levels of contingencies within the plan were not fully required.
- 2.3 This report considers the impact of changes to the level of resource provided through the internal audit team and develops options to enable a reduced level of audit work to be undertaken and subsequently a lower level of assurance, through the delivery of a revised internal audit plan 2017/18.

Resourcing

- 2.4 The 2017/18 approved establishment for the internal audit team consists of an internal audit manager, responsible for the delivery of the function along with statutory responsibilities of the Authority's Chief Audit Executive, two internal auditors employed on a full time basis and one internal auditor on a fixed-term contract due to end in December 2017. The internal audit manager has made representations through WYCA's organisational development programme to secure all three internal auditor positions as permanent posts. However, at the time of

writing this report, this structure has not been approved pending understanding of the 2018/19 requirement and the best model to deliver this.

- 2.5 At the beginning of August 2017, one of the full time internal auditor posts became vacant, leaving the section with just one full time and one fixed-term internal auditor. WYCA approved, as an interim measure, that this post be filled with another fixed-term appointment. After consideration of the quality of applications for this post, it was agreed that it would be prudent to continue the incumbent’s fixed term post up until the completion of the audit plan, 31 March 2018. At this point WYCA’s future assurance requirements and subsequent resource requirement, and organisational development plan, will be identified and approved.
- 2.6 In December 2017 the remaining full time internal auditor tendered her resignation to take effect from 8 January 2017. This has left the section with one internal audit manager and one internal auditor (fixed-term to 31 March 2018). This has meant that the number of audit days available has effectively been reduced by a total of approximately 140 days in 2017/18. Approval was provided by WYCA’s Leadership Team to appoint an Internal Auditor through an agency arrangement for a three month period commencing in January 2018.

Internal audit plan 2017/18

- 2.7 To mitigate the overall shortfall in internal audit resource, a review of the assignments remaining within the 2017/18 plan has been undertaken and potential reductions to the plan identified. This can be achieved through a combination of measures including the deferment of some reviews, a reduction in scope and levels of testing provided in some assignments, an increase in direct audit days contributed by the Internal Audit Manager, (this will impact on other functional reporting and management activities and the effectiveness of quality review measures within the audit process) and the reduction of the general contingency included within the plan to allow for any unplanned work to be undertaken. These changes can be summarised as:

<u>Reduced scope</u>	<u>Audit Days Reduced</u>
Health & Safety	5
Business Continuity	4
CDM Compliance	4
Growth Deal	28
Procurement	8
<u>Deferred/Removed</u>	
Sector Skills Initiative	12
Proactive Anti-Fraud	6
Housing & Regeneration Projects	10
Human Resources	15
Skills Service/Skills Fund	12
Business Growth Programme/Access to Capital Grants	20

Debtors	8
<u>Reduced Contingency</u>	
Reduction in General Audit Plan Contingency	<u>9</u>
Total Plan Reduction	141

Appendix 1 of this report provides further details of these proposals along with a revised resourcing requirement.

- 2.8 It should be noted that these actions will result in a lower level of audit activity that that approved by WYCA on which to base independent assurance and the 2017/18 internal audit opinion. This will require disclosure in the annual governance statement.

3 Financial Implications

- 3.1 Costs for the appointment of an internal auditor, employed through an agency arrangement, can be met through savings achieved against the allocated staffing budget for internal audit in 2017/18.

4 Legal Implications

- 4.1 The Accounts & Audit Regulations (2015) require WYCA to maintain an adequate and effective internal audit function.
- 4.2 Public Sector Internal Audit Standard, PSIAS, 2030 requires the Chief Audit Executive to ensure that internal audit resources are appropriate, sufficient and effectively deployed.

5 Staffing Implications

- 5.1 The approved staffing establishment for WYCA's internal audit function is 3 full time posts plus 1 fixed term contract to 31 December 2017. Current resourcing consists of one fixed term internal auditor up to 31 March 2018 and one internal auditor engaged through an agency arrangement to 31 March 2018.

6 External Consultees

- 6.1 None.

7 Recommendations

- 7.1 That the Governance & Audit Committee consider revisions to the Internal Audit Plan and the impact this will have on the level of assurance this provides in 2017/18.

8 Background Documents

8.1 None.