

## Head of Internal Audit Update

### **Audit Committee**

**Date: 13<sup>th</sup> September 2017**

Author: Head of Internal Audit  
Wards: None  
Locality Affected: None  
Parishes Affected: None

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### **1. Purpose and Reasons**

- 1.1 To present Members with a summary of the main issues arising from the Internal Audit reports finalised since the Audit Committee meeting in June 2017, to update Members with regard to progress against the annual internal audit plan and other key issues.
- 1.2 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.3 The Council's Internal Audit section is a key component of the assurance framework and therefore it is essential that this Committee monitor its performance against the annual plan along with the implementation of agreed recommendations by Client departments.

### **2. Recommendations**

The Committee is recommended to:

- 2.1 It is recommended that Audit Committee comment on the proposed appointment of the Council's external auditor and note the remainder of the report.

### **3. Detail**

Appointment of External Auditor

- 3.1 Members have been provided with regular updates regarding the appointment of the Council's external auditor with effect from 1<sup>st</sup> April 2018. Full Council agreed to opt for the national appointment process via Public Sector Audit Appointments Ltd. (PSAA).
- 3.2 PSAA has now informed the Council that it is proposing to appoint Grant Thornton (UK) LLP to audit the accounts of Swindon Borough Council for five years from 2018/19. The consultation will close on 22<sup>nd</sup> September 2017.
- 3.3 If the Council will need to confirm with PSAA whether it is satisfied with the appointment process; or whether it isn't and wishes to make representations about the proposed auditor appointment. This decision will be made by way of a Lead Member Decision Note.

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- 3.4 Representations can include matters that the Council believe might be an impediment to the proposed firm's independence, were it to be the Council's appointed auditor. The following may represent acceptable reasons:
- there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA
  - there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
  - there is another valid reason, for example the Council can demonstrate a history of inadequate service from the proposed firm.
- 3.5 If the Council makes representations and these are accepted, PSAA will consult the Council on an alternative auditor appointment between 16th and 27th October 2017. If the Council's representations are not accepted, PSAA will confirm this with the Council.
- 3.6 PSAA will write to all bodies to confirm the Board's final decision on the appointment of their auditor before 21<sup>st</sup> December 2017.
- 3.7 PSAA will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on their website in March 2018. PSAA has stated that the results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17.

### Progress on completion of Internal Audit Plan 2017/18

- 3.8 Details of audits finalised since the June Audit Committee meeting are set out in Appendix 1. The appendix sets out the key audit recommendations made along with the overall risk assessment to the Council.
- 3.9 Appendix 2 sets out progress against the 2017/18 plan as at the year-end. As at the end of August 2017, 37% of the number of audits in the audit plan has been completed against a target of 40%.

### Staffing update

- 3.10 The section had been without a Senior Auditor since January 2017. Having gone through a second recruitment process we have successfully recruited to this post. The new Senior Auditor started with us on 31<sup>st</sup> July.

### Corporate Fraud Team

- 3.11 Continued HRA funding for the Corporate Fraud Team has been agreed with the Head of Housing Services for 2017/18.
- 3.12 So far in 2017/18 the Corporate Fraud Team has received a total of 162 referrals. To the 24<sup>th</sup> August the team has:
- Recovered 10 housing properties (estimated savings £180,000)
  - Stopped 2 right to buy properties (discount saved of £142,143)

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### PSIAS update

- 3.13 Bristol City Council carried out an external assessment of the Internal Audit section against the Public Sector Internal Audit Standards during 2017/18. They made seven recommendations relating to areas such as the Audit Charter, Audit Plan and audit follow-ups. These recommendations have now been implemented.

## **4. Alternative Options**

- 4.1 Not Applicable

## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report.

### Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

### Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Internal Audit's remit is to examine the adequacy of the Council's governance, risk management and internal controls. Effective systems of governance, risk management and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

### Diversity Impact Assessment

- 5.5 None

### Risk Management

- 5.6 Potential risks to the Council are identified in the individual audit reports summarised in Appendices 1 and 2.

## **6. Consultees**

- 6.1 The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

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6.2 All Heads of Service, Corporate Directors and Members who have contributed to individual audits to date during the course of 2017/18.

### **7. Background Papers**

7.1 None

### **8. Appendices**

Appendix 1 – Internal Audit Reports finalised since the June 2017 Audit Committee.

Appendix 2 – Progress against the Internal Audit plan 2017/18