

CABINET – 16TH JANUARY 2020

Report of the Head of Strategic Support Lead Member: Cllr Poland

ITEM 6 INTERNAL AUDIT PLAN – RECOMMENDATION OF THE AUDIT COMMITTEE

Purpose of Report

To consider the recommendation of the Audit Committee relating to the Council's lack of resources to complete the Internal Audit Plan for 2018/19 (which arose during the Committee's consideration of the Internal Audit Plan progress update, see Audit Committee Minute 81, 2019/20), alongside an officer recommendation and advice in response, with a view to the Cabinet deciding if it wishes to agree the action to take.

Recommendations and Reasons

Set out below is the recommendation and reason of the Committee, followed by the officer recommendation and advice.

Audit Committee Recommendation

That the Cabinet acknowledge and respond to the concerns of the Committee relating to the lack of resources in the Council's internal audit service and the Council's ability to complete the internal audit plan for 2019/20.

Reason

The Committee had concerns about the lack of progress with the internal audit plan due to lack of resources and wished to refer the matter to the Cabinet.

Officer Recommendation

The Head of Strategic Support recommends that Cabinet note the actions that have been taken to address the resourcing issues with the Internal Audit team and that the proposed shared Internal Audit service is resigned to address the ongoing issues that have been experienced over the last 18 months to two years, and that they also determine whether there are any other steps they wish officers to take to address the concerns of the Audit Committee.

Reason

To acknowledge the actions that have been taken in response to the ongoing resourcing issues for Internal Audit, and to determine if Cabinet wish officers to take any further steps.

Response of the Head of Strategic Support to concerns raised by the Audit Committee

The Audit Committee have been kept informed of the situation regarding the resourcing of the Internal Audit service at their recent meetings. A summary of the situation is set out below:

Date	Details
Summer /Autumn of 2018	Long-term sickness within the Audit team – external resources procured to provide additional support in delivering the 2018/19 audit plan.
December 2018	Resignation of full-time Auditor
February 2019	Resignation of Audit & Risk Manager
Spring / Summer of 2019	Alternative options for future delivery of Internal Audit service identified and evaluated. In the meantime, a temporary agency appointment was made to vacant Audit & Risk Manager post (ultimately this appointment was not extended) Unsuccessful attempt to recruit a temporary agency Auditor (due to lack of suitably qualified / experience candidates) Therefore 90 days of external support was procured to assist in delivering the 2019/20 audit plan
September 2019	Cabinet report agreeing a shared Internal Audit service with North West Leicestershire and Blaby as the future preferred option to improve resilience
October 2019	Unsuccessful attempt to recruit a new Senior Auditor to allow commencement of the new shared service arrangements
November 2019	Procurement of an additional 42 days of external support to deliver the 2019/20 audit plan
November / December 2019	Further re-advertisement of the new Senior Auditor post for the shared service, with an enhanced reward package
December 2019	Further attempt to recruit a temporary agency Auditor to provide additional resources to deliver the 2019/20 audit plan (only one suitably experienced applicant identified – currently in discussions regarding potential appointment)

Cabinet will recall from the report they received at their meeting on 19th September 2019 that a proposed Internal Audit shared service with North West Leicestershire and Blaby District Councils was proposed and approved (minute reference 31). Within that report the following risk was set out:

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Recruitment difficulties for the proposed Senior Auditor post in the shared service establishment	Unlikely (2)	Significant (2)	Low (4)	If recruitment is unsuccessful the unspent staffing budget would be available to buy-in additional audit days

Cabinet will also note from the summary of the actions taken by officers set out above that, following an unsuccessful first recruitment attempt, a further 42 days of external support has been procured to assist in delivering the 2019/20 audit plan, as was included in the proposed risk management actions.

Cabinet will further note that attempts have been made to recruit temporary agency staff to further support delivery of the audit plan, but there has been a shortage of suitably qualified and experienced candidates. The Council's external auditors stated at the Audit Committee meeting on 19th November that there was currently an ongoing general shortage of experienced local government auditors, and that they had also been finding it hard to recruit over the last year or so.

The Senior Auditor position has been re-advertised with an enhanced reward package, and a verbal update will be given at the Cabinet meeting regarding the recruitment process.

In the meantime, although additional external support has been obtained and a further attempt has been made to recruit temporary agency staff, unfortunately it is unlikely that the 2019/20 Internal Audit plan will be fully completed. It is currently estimated that somewhere between 50% and 60% of the plan will be achieved, although this may increase if additional temporary staff can be recruited. The available resources are being targeted at the key financial systems and other higher risk areas within the plan.

Any audits from the 2019/20 plan that are not completed will be taken into account in developing the 2020/21 plan.

It is accepted that this is a less than ideal situation, but from the information set out in this report Cabinet will see that officers have taken steps to procure additional external support and have made attempts to recruit both temporary staff and a new Senior Auditor for the proposed shared service, but there is currently a general shortage of qualified and experienced auditors which has made this difficult.

Policy Justification and Previous Decisions

Chapter 5, section 5.5 (b) of the Constitution states that the Audit Committee can refer matters of concern to the Council, Cabinet, or appropriate committee. The Chair or Vice Chair of the Committee may address the Cabinet or a committee and the Vice-chair of the Committee may address the Council before the report is considered.

Regulation 5 of The Accounts and Audit Regulations 2015 require that ‘a *relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*’.

Implementation Timetable including Future Decisions and Scrutiny

If Cabinet instruct officers to take further steps, these will be implemented as soon as is practical.

Report Implications

The following implications have been identified for this report.

Financial Implications

There are no direct financial implications.

Risk Management

There are no specific risks associated with the recommendations of the Audit Committee.

Key Decision:	No
Background Papers:	Audit Committee Minute 81, 19th November 2019
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