

**AUDIT COMMITTEE
25th February, 2016**

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Ellis, Evans, Hughes and Bernard Coleman (Independent Member).

62. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no questions from members of the public or the press.

63. EXCLUSION OF THE PRESS AND PUBLIC

That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).

64. REVIEW OF INTERNAL AUDIT

Consideration was given to a report introduced by Colin Earl, Assistant Director, Audit, ICT and Procurement, which referred to a review of Internal Audit which was commissioned by the Interim Director Finance and Corporate Services. The commissioning of the review was in part based on concerns about possible weaknesses within the Service and opportunities to re-focus and improve it, in line with current expectations for modern internal audit services and following comments made to the Audit Committee during the course of the year.

An action plan had been developed which showed the steps that were now being taken to address the issues raised. The report also confirmed to the Committee the need for certain improvements was already known and early actions had already been taken to ensure statutory requirements could be met. It was also noted that some actions had already been implemented whilst the review was being undertaken

Progress was to be monitored by the Chief Executive and reported to the Audit Committee at each of its meetings in the forthcoming year, which the Committee welcomed. A further external review was proposed to be commissioned in 2016/17 which would involve a further deep dive into audit practice, including reviewing audit files, provide assurance on evidence of improvement and make any further recommendations for development.

Further information was also provided on the reasons and scope of the review, measures already put in place, assurances about improved performance, proposed structure, recommendations moving forward and the actions and the process of monitoring progress.

This was further highlighted by the representative from Price Waterhouse Cooper by some of the findings from the forensic review that was undertaken and the need for a collective team effort to ensure the changes were delivered.

The Committee explored further and asked questions about the performance process, personal development reviews and how the issues were being addressed, the reasons for resistance from some team members and were advised that these and other actions to improve productivity were now being enforced and rigorously tested.

It was recognised that the capacity and performance were affected by the budget cuts, but the implementation of a mixed delivery arrangement model, which would include a core in-house resource supplemented by specialists as required, would ensure the Service could meet statutory requirements.

The representative from Price Waterhouse Cooper gave an update on the performance management of individual staff and the recognition for this process to be undertaken effectively, the probability of sharing services, the need for increased productivity and the need for enhancements to the capability of the team which would be tested out as part of the new delivery model.

There was strong emphasis on risk management. This was being embedded and would be reflected in the 2016/17 Audit Plan.

The profile of Internal Audit needed to be raised and there was some evidence that working practices were changing and moving in the right direction.

In response to queries about a different model of delivery, staff development and to prevent any staleness in working practices, it was pointed out that there was experience within the team combined with a programme of development. The service also had an apprentice and CIPFA trainee, so there was a mixture of experienced and new staff and insights. In terms of shared working practices across South Yorkshire this was an area that would be explored further to determine whether an approach could be adopted moving forward.

The Chief Executive confirmed discussions around shared services were taking place and again reassured the Committee that there would be an external scrutiny process providing support and challenge to the action plan moving forward, supplemented with the self-assessment, which was endorsed by KPMG.

Discussion ensued on the future delivery of the Internal Audit function and management, implementation and timescale of the changes recommended, included the strengthening of planned work. The Committee wished to see the recommendations and the new structure implemented as soon as possible and the level of challenge and risk managed appropriately.

It was also noted that information about the Internal Audit function would be cascaded through the M3 Manager Briefing Sessions and would be considered by the Senior Leadership Team on a regular basis.

Resolved:- (1) That the implications of the findings and conclusions from the Review of Internal Audit completed by Price Waterhouse Cooper be received and noted.

(2) That the action plan put in place to respond to the Review be supported and reviewed regularly.

(3) That the actions already taken and improvements made be supported.

65. INTERNAL AUDIT PROGRESS REPORT AND PLAN REVISIONS 2015-16

Further to Minute No. 57 of the meeting of the Audit Committee held on 10th February, 2016, consideration was given to the report introduced by Consideration was given to a report introduced by Colin Earl, Assistant Director, Audit, ICT and Procurement, which provided a summary of Internal Audit work completed during the ten months ending 31st January, 2016 and the key issues that have arisen from it.

It also provided information regarding the performance of the Internal Audit function during the period and how back in November, 2015 it was reported that delivery of the Audit Plan was projected at 72% of the Plan by the end of the year.

As a result of various measures and significant effort 73% of the Audit Plan had been completed as at 29th January, 2016 and it was now estimated that 91% of the Audit Plan would be completed by April, 2016.

Further information was provided on the status of the 3* recommendations and it was suggested that management and the political lead be asked to supplement the work of Internal Audit to answer questions at the Audit Committee when recommendations had not been implemented.

In addition, the live auditing approach was being used successfully adding value to a more robust way of working.

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Examples of work undertaken by Internal Audit were provided along with latest progress figures as part of the delivery of 2015/16 Audit Plan, which had recovered since the last reporting period.

Resolved:- (1) That the Internal Audit work undertaken during the ten months ending 31st January 2016 and the key issues that have arisen from it be noted.

(2) That the information contained regarding the performance of Internal Audit during the period, in particular the management actions taken to improve delivery of the Audit Plan be noted. As a result, Internal Audit is now expecting to deliver 91% of the Audit Plan by April 2016, including all mandatory work. This will ensure that the Assistant Director, Audit, ICT and Procurement is able to provide his statutory opinion on the adequacy of the Council's control environment.