

Report of	Meeting	Date
Director of Governance	Governance Committee	16 September 2020

## INTERNAL AUDIT - UPDATE

### PURPOSE OF REPORT

- To inform members of proposed restructures to the internal audit team and to update on the progress of the development of the audit plan for 2020/21.

### RECOMMENDATION(S)

- That members note the content of the report.

### EXECUTIVE SUMMARY OF REPORT

- The year 2020 has been particularly challenging. In addition to planned changes to the shared services being progressed, the unexpected consequences of the covid-19 pandemic have led to reprioritisation of work to ensure continuity of service delivery.
- This has had particular impacts for the Internal Audit team. Work which would usually be delivered has been delayed although it is important to note that statutory requirements remain fulfilled.
- It is also important to note that there has been a change in staffing in Internal Audit limiting both experience and capacity. This is addressed in the body of the report which details the progress of a restructure to ensure that the needs of the Council are met moving forward.

Confidential report Please bold as appropriate	Yes	No

### CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	X

### BACKGROUND

- This report addresses 3 matters for consideration by the Governance Committee:-
  - The Progress of the AGS Action Plan
  - The proposed restructure of the Internal Audit team
  - The audit plan for 2020/21.
- The matters are interlinked and appropriate to be considered together.

## Progress of the AGS Action Plan

Theme	Agreed Improvement	SMART Actions & Milestones	Status
1. Risk Management	1.1 To further embed the risk management system	<ul style="list-style-type: none"> <li>- To review &amp; update Risk Management Framework</li> <li>- Arrange and provide risk management training</li> </ul>	<b>A review of the Risk Management Framework has been undertaken.</b>
2. Fraud	2.1 To Review and update Anti-fraud policies	<ul style="list-style-type: none"> <li>- To review and update the Anti-fraud policies</li> </ul>	<b>Outstanding</b>  <b>This work will be completed in quarter 3.</b>
	2.2 To increase fraud awareness	<ul style="list-style-type: none"> <li>- Fraud awareness training to be delivered to all relevant officers using e-learning modules</li> <li>- Fraud reports to be presented to Governance Committee on a regular basis.</li> </ul>	
	2.3 To compile and monitor a fraud risk register	<ul style="list-style-type: none"> <li>- Fraud risk register to be compiled and monitored on a regular basis</li> </ul>	
3. Transparency	3.1 To ensure full compliance with the revised requirements of the Transparency Code.	<ul style="list-style-type: none"> <li>- A review of compliance with the Code has been undertaken and areas of non-compliance are to be actioned namely; <ul style="list-style-type: none"> <li>• Publication of contracts</li> </ul> </li> </ul>	<b>IT support is required to implement this system at CBC. Discussions in this regard are ongoing.</b>  <b>The process for the publication of contracts has been improved with additional regular reminders sent to SLT by Procurement to ensure completion and compliance.</b>  <b>Cross checks are also undertaken with Finance in relation to payments being made to contractors to try to ensure all contracts are identified.</b>
4. Compliance with Contract Procedure Rules (CPRs)	4.1 To further embed procurement policies and procedures, and to strengthen the current CPRs.	<ul style="list-style-type: none"> <li>- To develop and implement a contract management system through 'Agile Point'</li> <li>- To arrange and provide training to relevant staff</li> </ul>	<b>As per item 3.</b>
5. Shared	a. Implement	<ul style="list-style-type: none"> <li>- To review and update</li> </ul>	<b>a. The shared</b>

<p>Services</p>	<p>enhanced Shared Services Governance Arrangements</p> <p>b. To review the staffing and resourcing of Internal Audit</p> <p>c. To review the Business Continuity and Emergency Plans and service resourcing</p>	<p>the shared services agreement to specifically address matters that have arisen and the extension of shared services</p> <ul style="list-style-type: none"> <li>- To review staffing and resourcing of Internal Audit in light of changes to staff</li> <li>- To review and update Business Continuity and Emergency Plans in light of learning occasioned by the Covid Pandemic</li> </ul>	<p><b>services agreement has been updated, approved and signed off.</b></p> <p><b>b. A proposed structure for Internal Audit has been approved by Shared Services Joint Committee and is currently being consulted on with staff. (please see section below)</b></p> <p><b>c. The Business Continuity and Emergency Plans are being reviewed. A QA check was undertaken by the Lancashire Resilience Framework and they were found to be robust. As with Internal Audit the staffing of the Risk and Insurance Team has been reviewed and consultation on this proposed structure and responsibilities is underway. The new structure will be implemented in November 2020.</b></p>
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**Proposed Restructure of Internal Audit**

9. Senior management changes preparing for the extension of shared services included an recommendation to delete the then Head of Shared Assurance Service post and introduce temporary arrangements pending the implementation of the extension. The delays in the

progression of shared services have therefore led to a period of uncertainty in this team with staff being asked to act up to higher roles or temporary staff being brought in to support delivery.

10. This situation has been exacerbated due to 2 senior members of staff obtaining employment with other councils. An Audit Manager was appointed on a temporary basis and temporary auditors were appointed to assist in the delivery of the audit plan work for 2019/10. Whilst this served to deliver the audit plan, there has been no continuity and the gaps and changes at a senior level have prevented a strategic approach to the delivery of the Internal Audit function.
11. A further issue relates to the Interim Manager role. This post was procured as a services contract. It was extended on 2 occasions. Had the contract been extended further the value would have then exceeded the Council's procurement limits for the appointment. Given the proximity to the proposed shared services review it was felt appropriate to delay any change to incorporate them into the move to the new proposed shared services terms and conditions.
12. As part of the implementation of the new shared service all shared teams have been reviewed and proposals made to the Shared Services Joint Committee. So far as they relate to the Internal Audit service it is proposed to establish a Service Lead post which will discharge the function of Head of Internal Audit and a Senior Auditor post to support the existing 2 Auditors. This will provide the necessary capacity and experience to deliver the internal audit function.
13. The first duty the Service Lead post will be asked to undertake is to revisit the approach of the Council to its audit function. Working with the Council's Monitoring Officer to review the adopted code for corporate governance and revisit the council's approach to testing against this. This is not to say that the Council's current approach to governance is wrong but it is an opportunity to revisit both the framework in which we work and our audit practices to ensure they reflect best practice. Chorley Council have a long history of a strong governance environment and commitment to improvement and this is reflected in both internal and external audit reports.
14. A consequence of these staffing changes, and pressures put on the service due to the fact it is shared with SRBC has been that whilst we have been able to discharge our statutory functions through the delivery of the annual governance statement and supporting the residents through secondments to the community hubs, we have not been able to produce or progress a detailed audit work plan for the year 2020/21 sooner.
15. This is not ideal, however, given there are no significant risks highlighted by the either previous internal audits nor the external audit reviews it is seen as manageable.

### **The internal audit plan**

16. Attached at Appendix A is the proposed audit plan for the year 2020/21. It is based upon reviewing the actions carried over from last year and a risk based assessment of areas requiring audit. In addition the commitments from the AGS are incorporated into the plan.
17. Recognising that resources are going to be more limited this year due to vacancies and the support provided to the community hub during the lockdown period, the period of audit has not been allocated at this stage. It is intended to deliver the higher risk audits and report back to Governance Committee with more detail as to the audits to be undertaken this year and the capacity.

## IMPLICATIONS OF REPORT

18. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

19. The risks connected to this report are detailed in the body of it.

## COMMENTS OF THE STATUTORY FINANCE OFFICER

20. No comment

## COMMENTS OF THE MONITORING OFFICER

21. The report is for noting with no recommendations for decision. It is important for members to be clear both in terms of the work being taken to support the AGS action plan but importantly the Internal Audit Plan so they may be satisfied the Council are seeking to discharge their functions properly.

CHRISTOPHER MOISTER  
MONITORING OFFICER

Report Author	Ext	Date
Chris Moister	5160	10/09/20