

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 November 2017

## Re-basing the 2017/18 Internal Audit Plan

Item number 7.3

Report number

Executive/routine

Wards

Council Commitments

### Executive summary

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This paper details proposals for changes to the current year's (2017/18) risk based Internal Audit plan that was approved at Governance, Risk, and Best Value Committee in March 2017.

These proposed changes reflect the addition and removal of audits to ensure ongoing alignment with the changing risk profile of the Council, and the need to increase audit validation work to confirm that Service Areas have taken appropriate action to address their audit recommendations.

# Governance, Risk and Best Value Committee

## Re-basing the 2017/18 Internal Audit Plan

### Recommendations

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- 1.1 It is recommended that the Committee approves Internal Audit (IA) proposals for a net decrease of 77 days of the planned audit time detailed in the current 2017/18 Internal Audit Plan. This reflects:
- addition of 6 new audits (+135 days)
  - an increase in the time required to support more effective validation of IA recommendations (+65 days)
  - removal of 4 existing audits (-105 days)
  - removal of contingency time for additional reviews that has already been used to support completion of audits and validation work (-172 days)

Further detail is included at Section 3 below.

### Background

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- 2.1 The 2017/18 risk based Internal Audit plan was approved at Governance, Risk, and Best Value Committee in March 2017. Since then, six additional audits have been added to the plan, and it has also been identified that additional time (65 days) is required to support ongoing validation work to confirm that IA recommendations have been effectively addressed by Service Areas.
- 2.2 Analysis has been performed to assess whether delivery of the current plan (including the additional audits and increased validation time required) is achievable and has confirmed that the plan requires to be rebalanced and rebased to enable effective delivery with current IA resources (including existing PwC co-source arrangements).
- 2.3 The IA team has been operating below full capacity since mid August 2017 due to the resignation of one of the Principal Audit Managers. The role has been advertised with a view to filling the vacancy as soon as possible and by March 2018 at the latest. Whilst temporary back fill resource is in place, they cannot fulfil the full remit of the Principal role due to IR35 restrictions.

### Main report

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- 3.1 A total of 7 additions have been made to the 2017/18 IA plan (6 audits and increased validation time). The audits have been included at the request of management and agreed by the Chief Internal Auditor based on new and emerging risks impacting the Council. A further 100 days of IA time is required to support these additions, which are:

1. St Katherine's / Records Management for Looked After Children (25 days)
  2. Health and Social Care – Reconciliations (20 days)
  3. Health and Social Care – Home Care Purchasing Budget Management (35 days)
  4. Business World Enterprise Resource Planning System Implementation (30 days)
  5. Customer Transformation project (20 days)
  6. Port Facilities Security Plan (5 days).
  7. Additional time required for IA validation through to 31 March 2018 (65 days).  
Only 55 days for validation for the full year was included in the original plan. A review confirms that this requires to be circa 150 days based on the volume and ratings of open Internal Audit Recommendations.
- 3.2 If no changes are made to the current plan, a further 5.3 FTE would be required to deliver it. It may be possible to recruit temporary qualified staff to do this work, but if this is not possible any additional capacity would require to be drawn down through PWC.
- 3.3 Four audits comprising 105 plan days have been identified that could be removed from the plan to support the inclusion of the audits detailed at 3.1 above and enable effective plan delivery by 31 March 2018. These are:
1. Carbon reduction (20 days) – this was included in the 2017/18 plan as a discretionary audit.
  2. Client Money (30 days) – some aspects of the scope have been covered in the Health and Social Care reconciliations audit that has been added to the plan, and client money has also been covered within the scope of our Health and Social Care care homes audit (due to be finalised by end November 2017).
  3. Facilities Management Service Level Agreement (30 days) – scope of this audit was to assess how effectively the new SLA has been embedded. The SLA will not be finalised until February 2018, so it is recommended that this audit is moved into the 2018/19 plan.
  4. Edinburgh Integration Joint Boards (EIJB) District Nursing (25 days) – recommend that this is replaced by the Health and Social Care Purchasing Budget Management audit now added to the plan as detailed at 3.1 above.
- Note that this change will also require to be approved by the EIJB Audit and Risk Committee.**
- 3.4 A further 172 days were included in the original 2017/18 audit plan reflecting additional time for 5 project reviews (75 days); 3 Service Area Audit reviews (75 days) and Contingency time (22 days). These days have already been used to complete audits delivered to date (most notably Care Homes where completion of the 10 visits and preparation of the final 'themed' audit report has taken longer than expected) and completion of validation work since May 2017. It is also the Chief Internal Auditor's opinion that there is adequate coverage of project reviews in the current plan with the addition of the Business World and Customer Transformation project audits noted at 3.1 above.
- 3.5 If the four audits (105 days) and the contingent capacity for additional reviews (172 days) are removed from the plan (a total reduction of 277 days), the additions (100 days as noted at 3.1 above) can be delivered with current IA team resources

(assuming no further resourcing challenges). The net impact will be a net reduction of 77 planned days.

- 3.6 It should be noted that delivery of the plan will still remain challenging, with no capacity for significant budget overruns or delays in completing the remaining audits. This will be kept under constant review by the Chief Internal Auditor and the Head of Legal and Risk.
- 3.7 The Chief Internal Auditor is satisfied that the re-based plan still provides appropriate internal audit assurance for the Council's activities as the audits added to the plan reflect the real and dynamic nature of the risks to Council.

## **Measures of success**

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- 4.1 Successful delivery of the rebased Internal Audit plan by 31 March 2018.

## **Financial impact**

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- 5.1 No direct financial impact.

## **Risk, policy, compliance and governance impact**

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- 6.1 No direct impact – the rebased plan remains risk based with appropriate focus on the Council's top risks.

## **Equalities impact**

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- 7.1 No direct impact.

## **Sustainability impact**

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- 8.1 No direct impact.

## **Consultation and engagement**

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- 9.1 These proposals have been discussed and agreed at Corporate Leadership team prior to presentation at Governance, Risk, and Best Value Committee.

## **Background reading/external references**

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- 10.1 Non Applicable.

## **Lesley Newdall**

Chief Internal Auditor

E-mail: [lesley.newdall@edinburgh.gov.uk](mailto:lesley.newdall@edinburgh.gov.uk) | Tel: 0131 469 3216

## 11. Appendices

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11.1 None.