

Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

Internal Audit: Capacity to deliver the 2018/19 Internal Audit plan

Item number	7.8
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

This paper addresses the Governance, Risk, and Best Value (GRBV) Committee's request to confirm the capacity of Internal Audit (IA) to deliver the 2018/19 IA plan by 31 March 2019.

As at 6 August 2018, it is currently estimated that there is a shortfall of 239 days (or approximately 3 FTE). The currently estimated shortfall is attributable to delays in achieving full team capacity (notice periods etc); additional follow-up work associated with the 30 historic IA findings reopened in June 2018; and the time invested in preparing, launching, and delivering training on the new TeamCentral system. These activities have also fully utilised the contingency of 70 days that was included in the plan. Whilst there is a currently estimated shortfall in IA capacity, it is not proposed to rebase the plan. IA capacity and delivery of the plan will be closely monitored with a further progress update provided to GRBV by December 2018.

Internal Audit: Capacity to deliver the 2018/19 Internal Audit plan

1. Recommendations

- 1.1 The Committee is requested to note that:
 - 1.1.1 There is a current estimated shortfall in IA capacity of approximately 239 days (3 FTE) to deliver the full 2018/19 IA plan by 31 March 2019;
 - 1.1.2 The contingency included in the plan has been fully utilised;
 - 1.1.3 A further update on IA capacity to deliver the plan will be provided by December 2018.

2. Background

- 2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary, to address any emerging risks and issues identified during the year.
- 2.2 GRBV approved the draft 2018/19 IA plan in March 2018. It was noted that the plan may need to be reviewed during the year to deal with any changes in resource availability or areas of risk that are identified which require a reactive focus.
- 2.3 The 2018/19 internal audit plan includes a total of 43 audits to be delivered requiring a total of 1,345 audit days. The plan assumed that the IA team would be at full capacity by June 2018.
- 2.4 Following discussion at Committee in July, GRBV requested a paper to confirm IA's capacity to deliver the 2018/19 plan.

3. Main report

- 3.1 IA has now successfully recruited to all vacant roles, including the additional capacity that was approved by the Executive Director of Resources. Varying notice periods for the external appointees have resulted in phased start dates between August and October 2018. The IA team will be fully resourced by the start of October 2018.

- 3.2 As Committee is aware, a total of 30 historic High and Medium rated IA findings were reopened across Services in June 2018. The management and follow-up time required to confirm that these have now been effectively addressed was not reflected in the capacity assumptions supporting the 2018/19 plan.
- 3.3 Time has also been invested in configuring, testing and piloting the TeamCentral system that was launched in July to automate the follow-up process. Further time has also been invested in developing and delivering training that focuses on the importance of balancing service delivery with risk and controls. This training will continue to be delivered throughout August and September. Whilst this has taken up some short term capacity, it will be significantly more efficient over the medium and longer term so is worth the current time investment.
- 3.4 The contingency time of 70 days included within the plan has been fully utilised to support the activities noted above, which are expected to alleviate some capacity demands later in the year.
- 3.5 PwC have supported delivery of the IA plan with additional resource provided at no cost during August 2018. With Council IA management oversight and support, this will result in delivery of 3 audits, and has created capacity within the IA team to focus on follow-up work.
- 3.6 In terms of progress, one 2018/19 audit has been completed to date. Good progress is also being made with finalising the 5 2017/18 reviews carried over into 2018/19.
- 3.7 As at 6 August 2018, a further 1,295 days of IA activity is currently estimated to be required to deliver the full 2018/19 plan by 31 March 2019. This is in comparison to an estimated 1,056 available days from the IA team, leaving a shortfall of approximately 239 days (or approximately 3 FTE).
- 3.8 Whilst there is a current shortfall in IA capacity, this will be operationally managed by the Chief Internal Auditor and Head of Legal and Risk, to assess if the shortfall can be managed operationally to enable delivery of the plan. It is therefore not currently proposed to rebase the plan. IA capacity will be closely monitored, with a further update provided to GRBV by December 2018.

4. Measures of success

- 4.1 Delivery of the full 2018/19 IA plan by 31 March 2019.

5. Financial impact

- 5.1 There are no immediate financial impacts arising from this report.

6. Risk, policy, compliance and governance impact

- 6.1 Failure to deliver the IA plan could impact on the ability to provide the annual IA opinion for 2018/19 as required by the Public Sector Internal Audit Standards requirements.

7. Equalities impact

- 7.1 Not applicable.

8. Sustainability impact

- 8.1 Not applicable.

9. Consultation and engagement

- 9.1 Not applicable.

10. Background reading/external references

- 10.1 None.

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11. Appendices

None.