



Audit and Standards Committee Report

Report of: Kayleigh Inman, Senior Finance Manager (Internal Audit)

Date: 19th December 2019

Subject: Outcomes of the Internal Audit Mid-Year Review of the Annual Plan

Author of Report: Kayleigh Inman

Summary:

The purpose of this report is to present and communicate to members of the Audit and Standards Committee the outcomes of mid-year review of the annual work plan.

Recommendations:

- 1) Members of the Audit and Standards Committee are asked to note the contents of the report.

 - 2) Members of the Committee are asked to agree the revised 19/20 work plan.
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Background Papers:

Category of Report: Open

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
No Cleared by: Kayleigh Inman
Legal Implications
NO Cleared by:
Equality of Opportunity Implications
NO Cleared by:
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
Corporate
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE 19th December 2019

Senior Finance Manager Report

Purpose of the Report

1. The purpose of this report is to communicate to members of the Audit and Standards Committee the changes that have been required to the 19/20 tactical plan following the mid-year review.
2. The changes are a result of both staffing shortages and high sickness levels within Internal Audit.

Background

3. Internal Audit have always performed a review of the mid-year plan in order to assess whether resources are sufficient to deliver the remainder of the plan, and to take account of any new/emerging risk areas that may need to take priority over planned reviews.
4. A requirement of the Public Sector Internal Audit Standards (PSIAS) is to report the outcomes of the mid-year review to the Audit and Standards Committee where changes are deemed to be 'significant'. Within SCC Internal Audit, 'significant' is defined as a variation of 15% of the total number of planned days that will be delivered.
5. This first six months of 19/20 has been particularly difficult in terms of plan delivery, due to the high levels of sickness together with the level of staffing vacancies being carried in Internal Audit.
6. As at the 30th September, the PI result for the number of planned 19/20 assurance reviews completed was only 12 compared to a pro-rata target of 24. An additional 15 reviews were completed which had been carried forward as work-in-progress from 18/19.
7. At the 1st December 22 assurance reviews had been completed from the 19/20 audit plan. The full year target is to complete 77 reviews.

Resources

8. A Managing Employee Reduction (MER) Scheme is underway across the Finance and Commercial Service. It was anticipated, when the audit plan was being developed, that the MER process would have been completed by the

start of the 19/20 financial year. As a result, it was assumed that the vacant post within the Internal Audit structure would be filled and so a full-time equivalent member of staff was built into the resourcing assumptions.

9. Unfortunately, the MER process was delayed which meant Internal Audit has been unable to recruit to the vacant post. **This equates to the loss of 11 full audit reviews from the tactical plan.**
10. Attempts were made to temporarily appoint to the vacant post via Agency recruitment, however, due to a general shortage of trained internal auditors this was unsuccessful.
11. In addition to the above, a total of 19.4 weeks have been lost to sickness to date in 19/20. **This equates to approx. 6 audit reviews.**
12. Finally, the Internal Audit team have hosted the 3 different graduate trainees, who are on rotation around Finance. In order to ensure they are well-rounded and gain sufficient experience about the roles and responsibilities of Internal Audit, additional resources have been dedicated to training these officers. This has had a slight impact on the number of audits delivered. **This equates to approx. 1 full audit review.**

Balancing Resources

13. In order to balance the resources available with the number of days work included in the plan, 20 assurance reviews have been removed. These are identified in appendix 1.

	Days
Days left to deliver	1033
Staff resources	654
Resource shortfall	379
Days removed due to service demand changes	-260
Audit days left to remove due to resourcing issues	-119
Residual balance	-14

Audit Assurance

14. In removing audits from the tactical plan, Internal Audit has been mindful of the original priority assigned to the review. Wherever possible, audits have been removed based on the 'scores' awarded when the area was initially risk-assessed. Consideration has also been given to the overall coverage being achieved in each portfolio, in order that the annual audit opinion can still be given.
15. 14 of the assurance reviews have been removed for service reasons – for example a review was proposed of the new Performance Management Framework, however this has not yet been rolled-out and so the review cannot be completed.
16. 6 further reviews have been removed to balance the plan with the resources available.
17. The audits that have been removed have all been added to the first-call list, which will be revisited as part of the 2020/21 planning process. In most cases the audits that have been deferred from this year's plan will automatically be included in the plan for next financial year.

Business Partnering Activity

18. The business partnering resource included in the internal audit plan to complete pro-active audit activity continues to be used for added-value pieces of work. This work is undertaken at the request of portfolio management and the so far this year, more than half of the resource included in the plan has been used.
19. 15 pieces of work have been delivered. This swing towards proactive work also contributes the target for completion of assurance reviews not being achieved.

FINANCIAL IMPLICATIONS

20. There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

21. There are no equal opportunities implications arising from the report.

CONCLUSION

22. This first 6 months of 19/20 has been particularly difficult in terms of plan delivery.
23. As a result Internal Audit has had to remove 20 assurance reviews from the plan, which equates to 22% of the original plan. For the most part, reviews have been deferred in areas where service demands have changed. These reviews will be picked up in next years' work plan.

RECOMMENDATION

24. Members of the Audit and Standards Committee are asked to note the contents of the report.
25. Members of the Committee are asked to agree the revised 19/20 work plan.