

<b>REPORT TO:</b>	MFRS – Audit Sub Committee
<b>DATE:</b>	28 <sup>th</sup> January 2016
<b>REPORTING OFFICER:</b>	Melanie Dexter
<b>SUBJECT:</b>	Internal Audit Update Report – 2015/16

## **1. PURPOSE OF THIS REPORT**

- 1.1 To provide the Audit Sub Committee with an Internal Audit update on the 2015/16 Internal Audit Plan and to inform the committee of Internal Audit's planned approach to the Public Sector Internal Audit Standards (PSIAS) external assessment.

## **2. EXECUTIVE SUMMARY**

- 2.1 The Annual Audit plan is flexible and it is regularly reviewed to ensure it is in line with emerging risks. This year we have made some minor adjustments in year to the 15/16 planned work.
- 2.2 Two of the audits are currently at review stage but the remainder of the planned work is scheduled to take place between now and the end of April. We intend to ensure we meet the contracted 112 days for 2015/16. If it is identified that it would be more appropriate for a strategic review to be performed in early 16/17 the days will be carried forward. It will be ensured that over the two year period the total contracted 112 days per year have been fulfilled.
- 2.3 The PSIAS 'The Standards' came into force on the 1st April 2013 and there is a mandatory requirement that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team. The Head of Internal Audit should make recommendations to the Audit Sub Committee regarding the nature of the assessment. The purpose of this report is to inform the Committee of the planned approach by which the external assessment will be undertaken.

## **3. AUDIT WORK**

- 3.1 The two audits started in quarter 3 were Ethical Governance and the Facilities Management Contract Management and Performance Monitoring Process. The main aim of the ethical governance review is to provide the authority with assurance that there is an appropriate controls framework in place. The Facilities Management review is focussing on the controls in place to ensure that the service provided by the contractor is as specified in the contract and that it is being effectively monitored at the level and standard expected. The fieldwork is in progress.

- 3.2 The following amendments have been made to the strategic reviews identified in the 2015-16 audit plan:

**Strategic reviews / client directed / ad-hoc reviews**

<b>Proposed work</b>	<b>Original 2015-16 Audit days</b>	<b>Revised 2015-16 Audit days</b>
Ancillary Fleet & Vehicle Asset Management Plan	15	10
FM Contract Mgt & Performance monitoring process	10	10
New FPS Pension Administration Arrangements	10	0
Strategic Mgt Review / Future workforce planning	10	0
Financial Management System Phase 2	10	0
Property & ICT Asset Management		10
Joint working / Devolution Agenda		5
Consultation / Equalities		5
IT applications		15
<b>Total audit days</b>	<b>55</b>	<b>55</b>

- 3.3 The following table shows when the majority of the fundamental systems audit reviews are planned for:

**Fundamental Systems Audits**

<b>Audit</b>	<b>Estimated start date</b>
Treasury Management	January
Payroll	February
Budgetary Control	February
General Ledger	February
MTFP	March
Creditors	April
Non-pay expenditure/Procurement	April
Debt Management	April

**4. PSIAS EXTERNAL ASSESSMENT**

- 4.1 The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment should be a supportive process that identifies opportunities for development which ultimately helps to enhance the value of the audit function to the Authority.

- 4.2 The two possible approaches to external assessments outlined in the standard include either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 4.3 Members of the core cities group intend to adopt the latter of the two approaches with another member of the core cities group undertaking the validation. There are obvious financial savings to members of the core cities group by adopting the peer review approach. In addition, such an approach is in keeping with the promotion of collaborative working arrangements.
- 4.4 Prior to the commencement of the assessments taking place all parties will agree the programme of peer reviews and an appropriate timetable, including the number of days required to undertake the reviews. It is envisaged that Liverpool will have their external assessment during the 2016/17 financial year (all reviews must be completed by 2017/18).
- 4.5 Participating in the peer review process would incur no direct costs. However, there would be a time commitment for Internal Audit Managers to become reviewers or moderators for another authority. It will be for the peer group to ensure that the time burden is evenly spread with each participating authority taking its share.
- 4.6 The review should conclude with a detailed report providing an opinion on the Internal Audit activity's conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards highlighting any areas of partial conformance or areas which do not conform along with recommendations for improvement, where appropriate. This report will be presented to the Audit Sub Committee and will form part of the Internal Audit team's Quality Assurance and Improvement Programme.