

AUDIT COMMITTEE

DATE OF MEETING: 26 MARCH 2019

TITLE OF REPORT: INTERNAL AUDIT REPORTING

Report of: Internal Audit Manager

Cabinet Member: Councillor David Neighbour, Leader of the Council and Portfolio Holder for Finance

I PURPOSE OF REPORT

1.1 The purpose of this report is to inform the Committee of a proposed change to the way Internal Audit report findings, risks and recommendations.

2 OFFICER RECOMMENDATION

2.1 That the Committee approves the proposed changes to the internal audit reporting process.

3 BACKGROUND

3.1 Currently on the completion of each audit review a report is issued to management on the outcomes, the report will include:

- The findings of the review
- An opinion on the internal control framework in place to manage risk and ensure expected objectives are achieved
- Any risks that are identified where controls are not considered to be effective
- Recommendations to improve the control framework and mitigate risk

3.2 Management will then consider the recommendations made, and provide appropriate responses. They will either accept the recommendation and agree a date for its implementation, or, decide that they will accept the risk, reject the recommendation and carry on as they have been.

3.3 This approach should work. However, there are times when we are having to repeat agreed recommendations, this is both frustrating and does not improve the management of risk or the internal control framework.

3.4 It is worth remembering that management are responsible for the effectiveness of the internal control framework that is in place, not Internal Audit. Internal Audit will review the control framework and report on its effectiveness.

3.5 It is felt that to improve the prospect of risks being effectively mitigated by management, it should be the manager that proposes solutions to control

weaknesses identified, rather than internal audit making a recommendation. This should at the very least improve ownership of the process, which hopefully in turn lead to a better prospect of the proposal being implemented.

What would management receive from Internal Audit?

3.6 Management would still receive a report at the end of each review, it is only the Management Action Plan that would change. The revised action plan is shown below:

Finding	Risk	Risk Assessment	Management Response	Responsible Officer	Target Date
What we found during the review.	What is the risk that is not being effectively managed.	What is the risk assessment: High Medium Low	What management propose do to reduce the risk.	Who is responsible for the action	When will the action be done by.

3.7 The Audit Committee will still receive summaries of all internal audit reports as it does now. The only changes being to the Action Plan as shown above.

3.8 It should also be noted that we will not allow management to ignore issues that are considered to be high risk. If we do not receive a suitable solution to these, we will escalate these to the Joint Chief Executives.

Will Internal Audit still follow up on agreed actions?

3.9 Internal Audit will still follow up on all high risk actions at the very least, as they do now. We will also follow up on medium risk actions where resource allows. Where agreed high risk actions are not implemented we will still escalate, so there will be no change to that process.

3.10 It should be noted that if the proposed changes do not work, the reporting process will revert back to the current arrangements. It is felt that a 6 month trial period would provide an indication if the changes are worthwhile.

4 FINANCIAL IMPLICATIONS

4.1 There are no financial implications associated with this report.

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