

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 12 December 2023

Internal Audit Plan 2023/24 - Update

Recommendation(s)

I recommend that:

- a. Members note progress against the 2023/24 Internal Audit Plan and the amendments to the original plan, including those audits which have been cancelled since its approval on 25th April 2023.
- b. Members note progress on the implementation of high-level recommendations.

Report of the Director of Finance & Section 151 Officer

Report

Background

1. The annual audit plan approved by the Committee in April 2023 continues to be reviewed to ensure that areas included originally remain relevant and reflect the risk profile of the organisation. In relation to this, the first half of the year has been dominated; similar to previous years; by a range of grant verification exercises including the Disabled Facilities Grant, Building Resilient Families and Communities Grant, SEND S256 Funding; Bus Service Operators Grant, Growth Hub Grant funding, Local Transport Capital funding; the Getting Building Scheme, the Multiply Programme and the Sustainable Warmth funding. The Internal Audit Team has also maintained its work on key corporate transformation and directorate projects by continuing to provide a project support role for the Corporate File Plan Project; the Highways Transformation Programme; the MyFinance Centros Upgrade (system Security) and new BACs system as well as continuing to sit on the Digital Leadership Group, and the BEST Review Project Team. In addition, the Internal Audit Service continues to focus on other key risk areas such as Special Education Needs and Disability (SEND) and Children's Services; Cyber Security; and Quality Assurance processes within both the Adult Social Care arena and Care Providers as well as participating in other corporate initiatives such as the employee Voice Group and being part of the Creation and

Innovation Taskforce.

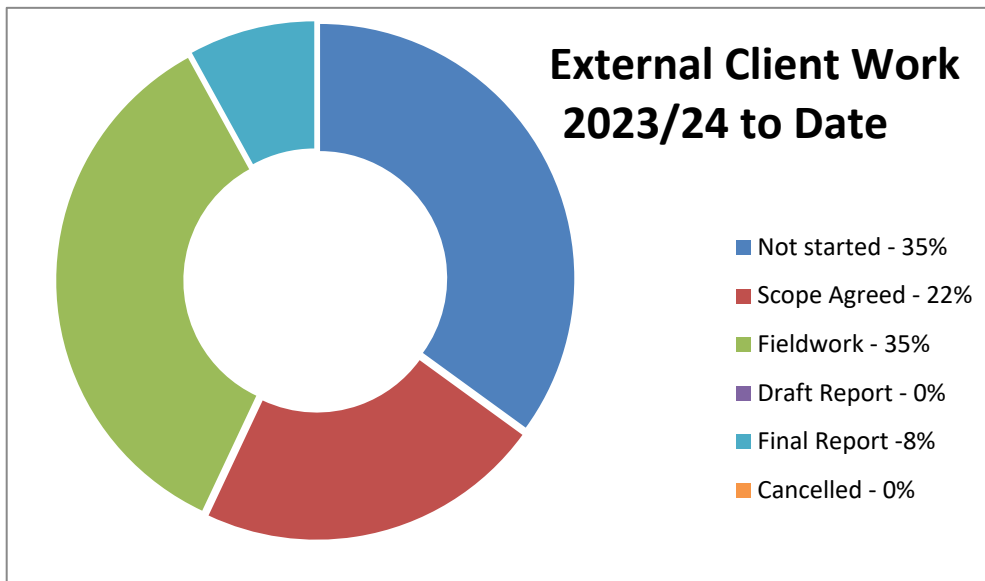
2. Fifteen additional audits have been requested in year, covering further grant verification exercises; as well as requests for additional work relating to areas such as the Pension Fund's enhanced administration to Pay functionality (EA2P), changes to the Pension Fund's income allocation process; Client Contributions relating to residential care homes and deceased pensioner property. As a result of this additional work, the Internal Audit Management team continues to monitor its impact on the delivery of the approved Internal Audit Plan and regular reconciliations of resources to Audit Plan delivery are undertaken. To bring the 2023/24 Internal Audit Plan back into balance and having taken into account the additional work carried out, seven audit reviews have been cancelled so far this year. The seven confirmed cancellations are detailed in **Appendix 1** of this report. Where possible, some elements of the cancelled audits are included in those reviews still going ahead. In other cases, the auditable area will be reconsidered as part of next year's annual audit planning process. Currently, the above amendments to the Internal Audit Plan will not impair the Internal Audit Service from making its annual audit opinion on the Council's control environment at the end of 2023/24.
3. At this stage in the year the section remains on schedule to meet its key performance targets. The response rates from the Customer Satisfaction Surveys received in-year have continued to be satisfactory, together with a number of positive comments received for work completed. In addition, the Internal Audit Service continue to use existing framework agreements to procure Internal Audit Support in year. Several audits have been allocated to providers, which have commenced already with the remaining reviews planned to commence in quarter 4 of 2023/24.
4. Overall, delivery against the 2023/24 audit plan is summarised below. Previously the Audit & Standards Committee agreed that only the reports of the high-risk reviews, limited assurance audits and major special investigations would be considered as part of the agenda, where relevant other reports would be emailed to Members for information.

Area	Plan	Not Started	Terms of Reference Agreed	Fieldwork Ongoing	Draft Report Issued	Final Report Issued	Cancelled	Total
Systems Audits								
Planned Audits	131	40	28	42	5	9	7	131
Additional Work	15	4	0	6	3	2	0	15
Total Systems	146	44	28	48	8	11	7	146
Compliance Audits								
Schools including themed Payroll	20	2	13	4	1	0	0	20
Educational Endowment Funds	3	0	0	0	0	3	0	3
Complex Needs Units	0	0	0	0	0	0	0	0
Residential LD Homes	1	0	0	0	0	1	0	1
Nexus Visits	6	0	6	0	0	0	0	6
Other Compliance - Adults	9	0	0	0	0	9	0	9
Total Compliance	39	2	19	4	1	13	0	39
Strategic Fraud	8	1	0	7	0	0	0	8
Developing an Anti-Fraud Culture	7	4	0	3	0	0	0	7
Pro-active Counter Fraud Work	12	5	1	6	0	0	0	12
Special Investigations/ Exercises	26	n/a	n/a	4	0	22*	0	26
Total Fraud	53	10	1	20	0	22	0	53
Overall Totals	238	56	48	72	9	46	7	238

*includes potential fraud referrals assessed and passed on to other agencies for action

- Delivery of the work for the External Clients is important in ensuring that the section meets its income targets for the year. Performance to date is detailed below and each audit is on course to be fully delivered by the end of the audit year. **Figure 1** below shows the current status of our external client work which relates to South Staffordshire Council and the Staffordshire Pension Fund.

Figure 1



6. The implementation of all recommendations made is monitored via Internal Audit's Pentana recommendation tracking portal. The portal is the web-based system of Pentana that is accessible to business users (auditees). The portal allows auditees to search and view recommendations that have been assigned to them, provide regular updates directly against their recommendations in real-time as well as giving WLT/SLT leads greater oversight of recommendations raised and implemented across all their areas of responsibility.
7. As part of the recommendation tracking process, auditees who are assigned recommendations are provided with two notifications. The first notification is for any recommendations that they have been assigned to where its implementation date is within the next 30 days. This is to act as a reminder to auditees and will either prompt them to implement the recommendation or provide an update on the progress they have made, in the portal. The second reminder is a monthly reminder of recommendations that have past their implementation date and remain unimplemented for their attention and action.
8. Included within the Pentana recommendation tracking portal as at 23rd November 2023, there are **1212** audit recommendations which are currently being tracked (relating to completed audits for the financial years 2021/22 onwards plus legacy recommendations migrated over from our previous audit management system):

Area	Total	Implemented	Risk Accepted	Superseded	Not Implemented	
					Not Over Due	Yet Overdue*
Corporate	884	547	22	24	122	169
Schools	328	283	1	0	9	35
Total	1212	830	23	24	131	204
%		68%	2%	2%	11%	17%

* overdue - the agreed action date has been reached and the recommendation remains outstanding

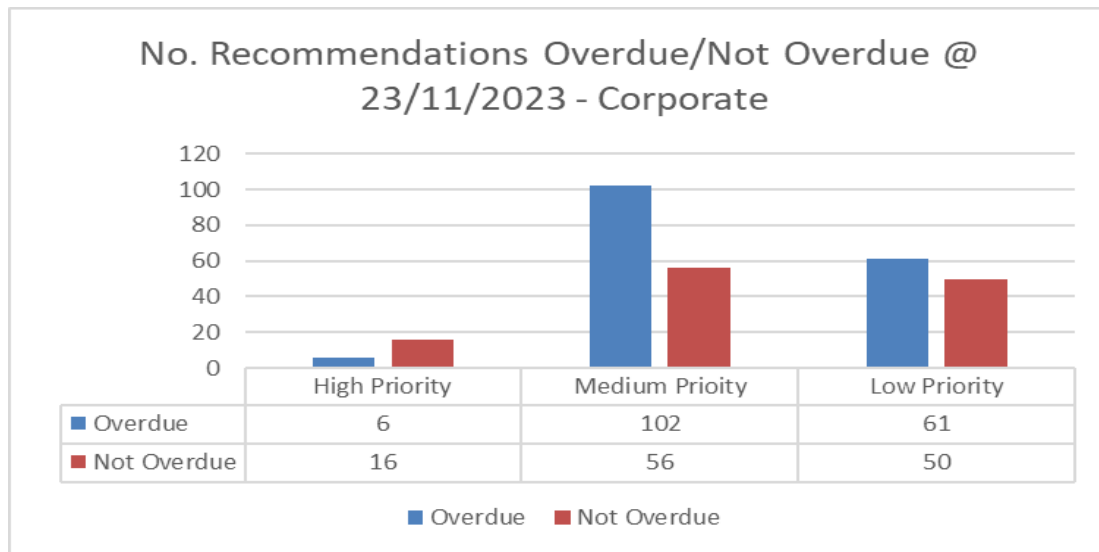
9. In respect of schools' recommendations, there are 35 audit recommendations overdue of which eleven are high level priority recommendations. These high-level recommendations relate to the following areas:

- Governance – update and approval of the School's scheme of Delegation;
- Income and Banking – the recording of income and separation of duties throughout the income collection, recording and banking processes;
- Payroll – Authorisation controls relating to payroll changes as well additional hours and expense claims;
- Procurement – the need to ensure best value is achieved when procuring works/services;
- Lettings – improvements to lettings administration including approvals and agreements in place as well as an evidenced scale of charges; and
- Leases – the need to comply with the Schools' Procurement Regulations when entering into a lease.

All outstanding recommendations continue to be actively tracked via our on-line recommendation portal and where appropriate the Schools Audit Team will contact the relevant Schools to ensure that up to date responses are captured for all overdue recommendations.

10. Figure 2 below shows the number of high, medium and low-level priority recommendations which have not yet been implemented (outstanding), and their current status as either overdue or not overdue for all corporate recommendations (excludes schools).

Figure 2



11. Previously, those high-priority level recommendations which have not been implemented by the target (or revised target) implementation date together with an explanation of the delay by the appropriate officer have been reported to the Audit & Standards Committee.
12. The number of high-priority level recommendations relating to corporate areas has reduced significantly over time when compared to previous years, due in part to the involvement of the Audit & Standards Committee as well as the implementation of the previous electronic recommendation tracking system which was first introduced in May 2016. For corporate areas, progress in implementing those outstanding agreed recommendations has been monitored and it is pleasing to note that there are only six high-priority level recommendations that have not been fully implemented by their due date. These six overdue high-level recommendations are detailed at **Appendix 2** to this report, for completeness.
13. All recommendations (corporate and schools) will continue to be tracked until their full implementation.

Internal Audit Resources

14. In year, two members of staff who have been supported via the Council's Apprenticeship Scheme to undertake the Chartered Institute of Internal Auditors (CMIIA) qualification were successful in attaining their qualification following 2-3 years of study.

15. Three new Audit Assistants were also recruited into the Schools Team to replace two individuals who left the Service and one other that was promoted into the role of Auditor following their qualification success.
16. In addition, following a successful recruitment campaign, a CIPFA qualified auditor with substantial local government experience has been appointed to replace another member of staff who left the Authority in October 2023. They will be joining Staffordshire County Council's Internal Audit Service in January 2024.

Equalities Implications

17. There are no direct implications arising from this report.

Legal Implications

18. Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations 2015 specifically require that a relevant body must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

Resource and Value for Money Implications

19. The net budget of the Internal Audit Section for 2023/24 is £1,082,580 of which £305,930 relates to payments to external providers.

Risk Implications

20. Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Where relevant, the results of individual reviews will link into the Annual Governance Statement, providing assurance on the operation of key controls. Internal Audit will continue to align its work with the Corporate Risk Register.

Climate Change Implications

21. There are no direct climate change implications arising from this report.

List of Background Documents/Appendices:

2023/24 Internal Audit Strategy & Plan
Performance Monitoring Sheets 2023/24
Recommendation Tracking System Reports
Client Satisfaction Survey results 2023/24

Appendix 1 – Cancelled Audit Reviews in 2023/24

Appendix 2 - High Level Recommendations That Are Overdue - Corporate

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