

Local Members Interest
N/A

Audit and Standards Committee - Monday 02 December 2019

Internal Audit Plan 2019/20 - Update

Recommendations

I recommend that:

- a. To note progress against the 2019/20 Internal Audit Plan and the amendments to the original plan, including those audits which have been cancelled since its approval in June 2019.
- b. To note progress on the implementation of high-level recommendations made since the introduction of the Audit Management System including electronic recommendation tracking in May 2016.

Report of the County Treasurer

Report

Background

1. The annual audit plan approved by the Committee in June 2019 continues to be reviewed to ensure that areas included originally remain relevant and reflect the risk profile of the organisation. Internal Audit has continued to focus its work on key corporate transformation projects by providing a project assurance role for the Office 365 project, as well as the Adult & Children's Financial Services Transformation Review Programme. In addition, the Internal Audit Service is focusing on other key risk areas within the Digital Development Programme and Special Education Needs and Disability (SEND) to provide audit support and assurance. Two additional audits have been requested in year relating to the Finance System Upgrade and Independent Schools Placement Pathway. Furthermore, there have been six reviews that have been cancelled, these are detailed in **Appendix 1** of the report.
2. 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 have continued to rise during the year, together with the number of positive comments. In addition, the Internal Audit Service continue to use the Internal Audit Support Contract which was operational with effect from 1 November 2017. Several audits have been allocated to providers, which have commenced already with the remaining reviews planned to commence in quarter 4 of 2019/20.
3. Overall, delivery against the 2019/20 audit plan is summarised below. Previously the Audit & Standards Committee agreed that only the reports of the high-risk reviews (Top 12), limited assurance audits and major special investigations would

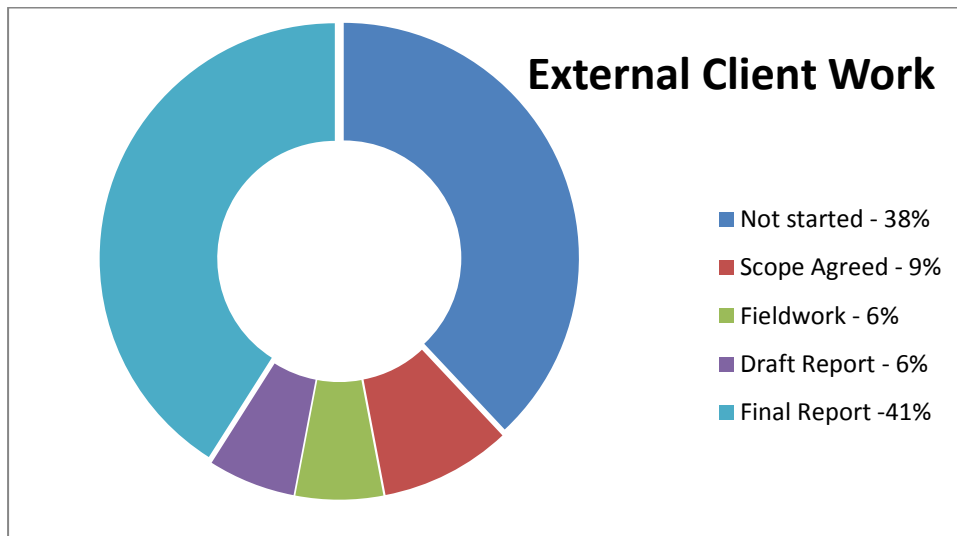
be considered as part of the agenda, where relevant other reports would be emailed to Members for information.

Area	Plan	Not Started	Terms of Reference Agreed	Fieldwork Ongoing	Draft Report Issued	Final Report Issued	Cancelled	Total
Systems Audits								
Planned Audits	110	46	15	18	10	15	(6)	104
Additional Work	2	0	0	2	0	0	0	2
Total Systems	112	46	15	20	10	15	(6)	106
Compliance Audits								
Schools incl themed	19	11	0	0	0	8	0	19
Educational Endowment Funds	3	0	0	0	0	3	0	3
Pupil Referral Units	2	0	0	0	2	0	0	2
Families First District Offices	2	2	0	0	0	0	0	2
Other Compliance Adults	15	3	0	0	0	12	0	15
Total Compliance	41	16	0	0	2	23	0	41
Strategic Fraud	13	5	0	7	0	1	0	13
Pro-active Counter Fraud Work	11	6	0	4	0	1	0	11
Special Investigations/ Exercises	n/a	n/a	n/a	8	1	7	n/a	16*
Total Fraud	24	11	0	19	1	9	0	40
Overall Totals	177	73	15	39	13	47	(6)	187

*Fraud Investigation figures excludes 8 referrals that have been passed on for investigation elsewhere, for example Trading Standards, HR, or other Local Government Organisations.

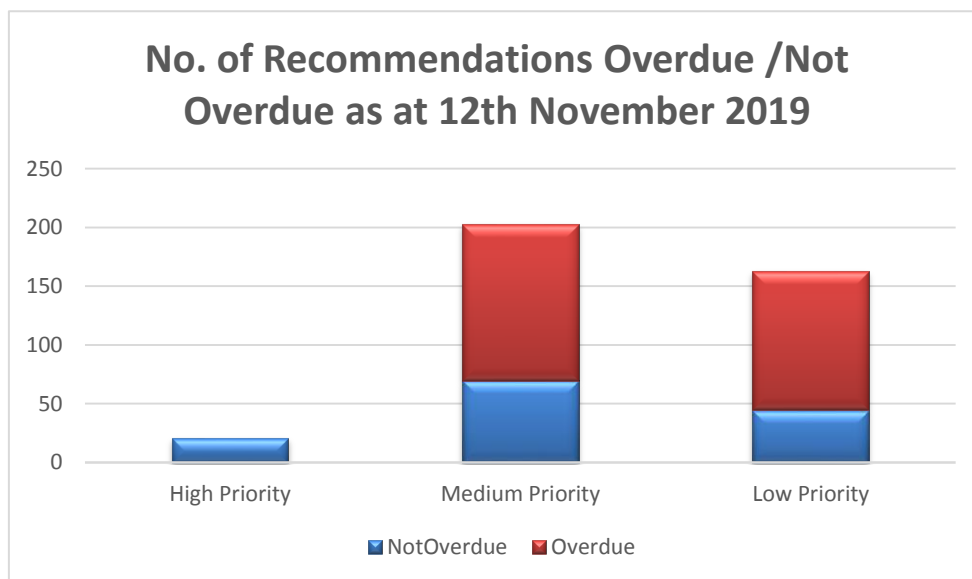
4. Since the last meeting of the Audit & Standards Committee, there has been two limited assurance opinion reports finalised requiring Members consideration. These reports are separate agenda items for this meeting.
5. Delivery of the work for the External Clients is important in ensuring that the section meets its income targets for the year. Performance to date is detailed below and each audit plan is on course to be fully delivered by the end of the audit year. The results of these exercises are reported to the individual bodies' Audit Committee, as appropriate. Figure 1 below shows the current status of our external client work.

Figure 1



6. During 2014/15, the Team successfully bid for the contract to deliver the Internal Audit function, including the management of the existing in-house team, for South Staffordshire District Council. This equates to an additional 100 days per annum and is on track to be fully delivered by the end of the financial year. The total value to the section for this work is circa £36,300.
7. The implementation of all recommendations made is monitored via the Internal Audit Team's electronic management and working paper system. As part of the process, responsible managers are reminded via email once the implementation deadline date has past, until a positive response is received by Internal Audit. Since the introduction of the electronic recommendation tracking system in May 2016, 1,920 recommendations have been made and monitored, this figure includes schools. Of the 1,920 recommendations made, 73% (1,393 recommendations) have been implemented; a further 7% (140 recommendations) have either been superseded, risk accepted or deferred with the remaining 20% of recommendations not yet implemented (387 recommendations). Of the 387 recommendations not yet implemented, there are 251 recommendations which are overdue i.e. the agreed action date has been reached and the recommendation remains outstanding. 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.

Figure 2



8. Previously, those high-level recommendations which have not been implemented by the target implementation date together with an explanation of the delay by the appropriate officer have been reported to the Audit & Standards Committee. The number remaining outstanding has reduced significantly over time when compared to previous years, due in part to the involvement of the Audit & Standards Committee. Progress in implementing those outstanding agreed recommendations has been monitored and it is pleasing to note that there are no high-level recommendations that have not been fully implemented by their due date.

Equalities Implications

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

Legal Implications

10. Whilst there are no direct implications arising from this report, the Accounts and Audit Regulations 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

11. The net budget of the Internal Audit Section is £758,430.

Risk Implications

12. 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

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

List of Background Documents/Appendices:

Appendix 1 – Details of Audits Contained in the Audit Plan, approved in June 2019 which have been cancelled

Reference Material:

2019/20 Internal Audit Strategy & Plan
2019/20 Internal Audit Charter
Performance Monitoring Sheets 2019/20
Recommendation Tracking System Reports

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