

<b>Local Members Interest</b>
N/A

## **Audit and Standards Committee - Tuesday 08 December 2020**

### **Internal Audit Plan 2020/21 - Update**

#### **Recommendations**

I recommend that the Committee:

- a. Note progress against the 2020/21 Internal Audit Plan and the amendments to the original plan, including those audits which have been cancelled since its approval in April 2020;
- b. 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 Rob Salmon, County Treasurer**

### **Report**

#### **Background**

1. The annual audit plan approved by the Committee in April 2020 continues to be reviewed to ensure that areas included originally remain relevant and reflect the risk profile of the organisation. In relation to this, since the beginning of 2020/21, Internal Audit's work as expected has been dominated by supporting the Council's response to the COVID 19 pandemic which has included providing timely advice and guidance on new and revised processes across a number of business operations such as the food distribution hubs, the recruitment of volunteers and the procurement of Personal Protective Equipment (PPE) as well as undertaking a number of COVID 19 grant verification audit exercises. Despite this additional call on Internal Audit's resources, the Team has also maintained its work on key corporate transformation projects by continuing to provide a project assurance role for the Office 365 project, as well sitting on the Finance workstream for the Together4Children regional permanency service. In addition, the Internal Audit Service continues to focus on other key risk areas such as the Adult Social Care Pathway, Information Management; the Digital Development Programme and Special Education Needs and Disability (SEND) to provide audit support and assurance throughout the 2020/21 financial year.
2. Twenty-four additional audits have been requested in year, fifteen of which relate to the COVID 19 pandemic. See **Appendix 1** for all of Internal Audit's additional work relating to supporting the Council's response to the COVID 19 pandemic. As a result of this additional work, the Internal Audit Management team has been rigorously monitoring its impact on the delivery of the approved Internal Audit Plan and regular reconciliations of resources to Audit Plan delivery are undertaken. In order to bring the 2020/21 Internal Audit Plan back into balance and having taken into account the additional work carried out as well as the availability to undertake

audits in service areas due to staff-dealing with the COVID 19 pandemic, nineteen audit reviews have been cancelled so far this year. These are detailed in **Appendix 2** 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 2020/21.

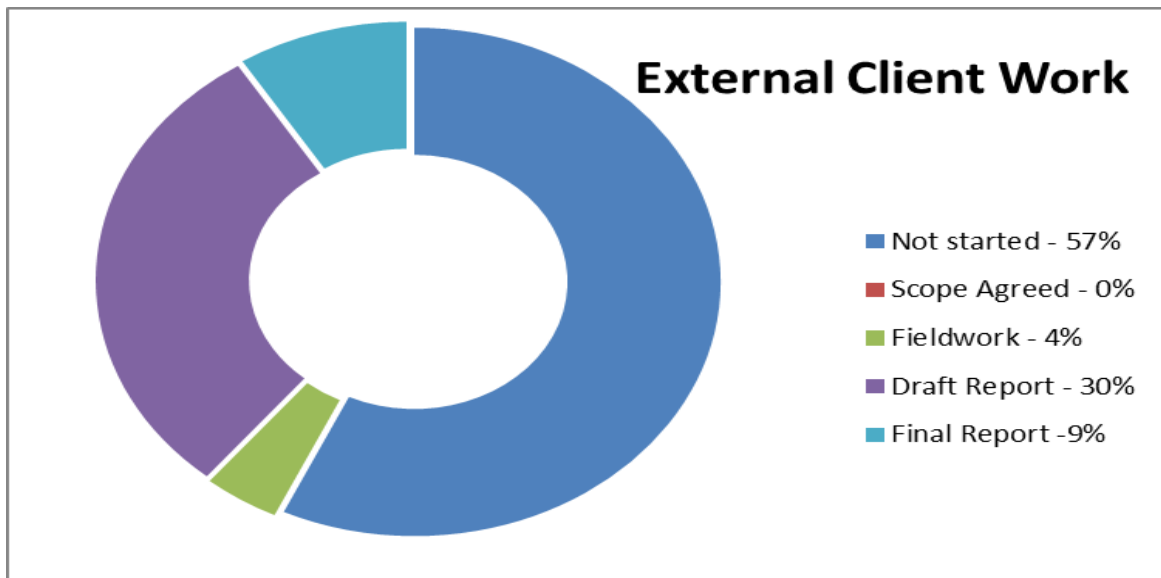
3. At this stage in the year the section remains on schedule to meet its key performance targets. The response rates from the Customer Satisfaction Surveys have continued to rise during the year, together with the number of positive comments received for work completed. In addition, the Internal Audit Service continue to use the Internal Audit Support Contract which was operational with effect from 1 November 2017. A number of audits have been allocated to providers, which have commenced already with the remaining reviews planned to commence in quarter 4 of 2020/21.
4. Overall, delivery against the 2020/21 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
<b>Systems Audits</b>								
Planned Audits	115	46	19	18	5	8	19	115
Additional Work	24	3	2	4	2	13	0	24
<b>Total Systems</b>	<b>139</b>	<b>49</b>	<b>21</b>	<b>22</b>	<b>7</b>	<b>21</b>	<b>19</b>	<b>139</b>
<b>Compliance Audits</b>								
Schools incl themed	18	11	0	0	0	7	0	18
Educational Endowment Funds	3	0	0	0	0	3	0	3
Pupil Referral Units	2	2	0	0	0	0	0	2
Complex Needs Units	3	0	0	0	0	0	3	3
Families First District Offices	2	0	0	0	0	0	2	2
Other Compliance -Adults	13	0	0	0	0	11	2	13
<b>Sub Total Compliance</b>	<b>41</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>7</b>	<b>41</b>
Additional Work Registrars Offices - Compliance	2	2	0	0	0	0	0	2
Other – Themed compliance (following irregularity experienced in year)	2	1	0	0	1	0	0	2
<b>Total Compliance</b>	<b>45</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>21</b>	<b>7</b>	<b>45</b>
Strategic Fraud	16	5	0	11	0	0	0	16
Pro-active Counter Fraud Work	10	8	0	1	1	0	0	10
Special Investigations/ Exercises	10	n/a	n/a	5	0	5	n/a	10*
<b>Total Fraud</b>	<b>36</b>	<b>13</b>	<b>0</b>	<b>17</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>36</b>
<b>Overall Totals</b>	<b>220</b>	<b>78</b>	<b>21</b>	<b>39</b>	<b>9</b>	<b>47</b>	<b>26</b>	<b>220</b>

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

5. Since the last meeting of the Audit & Standards Committee, there has been two limited assurance opinion reports finalised requiring Members consideration. One relates to the Scheme of Delegation Final Audit Report 2019/20 and the other relates to the Third-Party Access Final Audit Report 2020/21. Both of these reports are included in the confidential part of this agenda. In addition, the final investigation report relating to the attempted bank mandate fraud which occurred during May 2020 has been concluded. This final investigation report along with the associated processing mapping position statement are also reported later in the confidential part of this agenda.
6. 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. At the end 2019/20 financial year, our external contract with Staffordshire Fire and Rescue for the provision of Internal Audit Services came to an end. Figure 1 below shows the current status of our external client work which relates to our work with Academies only.

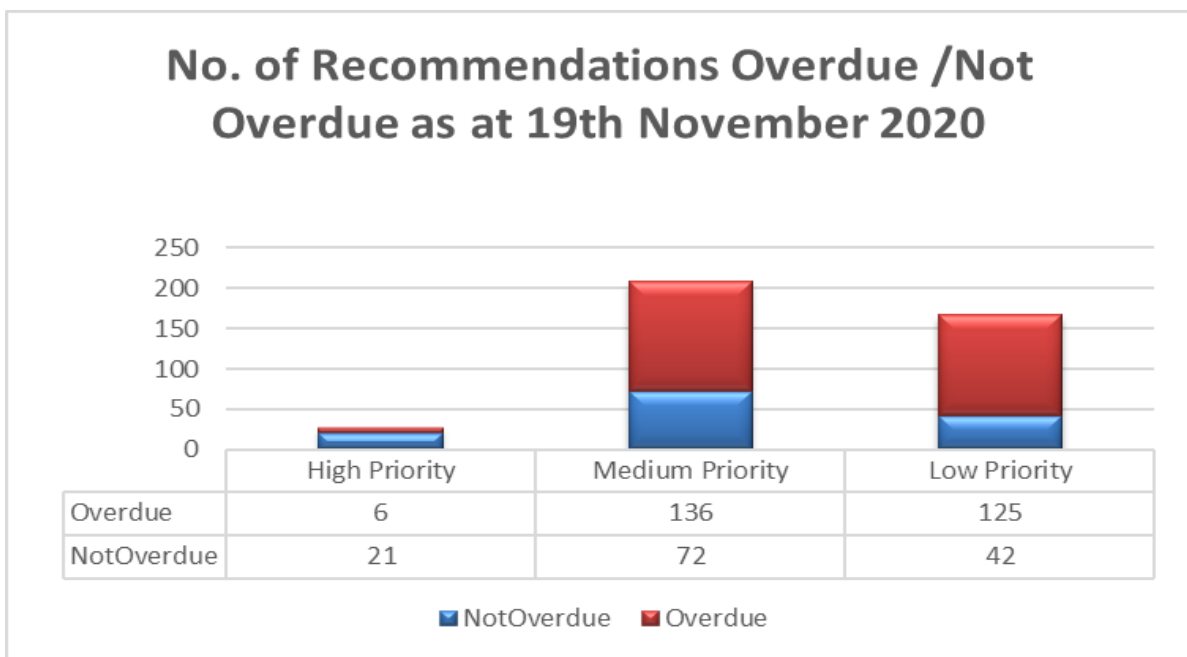
**Figure 1**



7. 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 circa 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 £38,000.
8. 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, 2,406 recommendations have been made and monitored, this figure includes schools. Of the 2,406 recommendations made, 76% (1,824 recommendations) have been implemented; a further 7% (180 recommendations) have either been superseded, or risk accepted with the remaining 17% of recommendations not yet implemented (402 recommendations). Of the 402 recommendations not yet implemented, there are 267 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**



9. 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 only six high-level recommendations that have not been fully implemented by their due date, all of which, the Committee is receiving an “update” report included in the confidential part of this agenda (recommendations relate to the Deer Call Out Service (three high level recommendations; SEND Joint Inspection – Second Stage (two high-level recommendations) and SEND Governance – Decision making Groups ( one high-level recommendation)). All six overdue high-level recommendations are detailed at **Appendix 3** to this report, for completeness.

### **Equalities Implications**

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

## **Legal Implications**

11. 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**

12. The net budget of the Internal Audit Section for 2020/21 is £982,700 of which £67,000 relates to payments to external providers.

## **Risk Implications**

13. 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**

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

## **List of Background Documents/Appendices:**

Appendix 1 – Additional COVID-19 Related Work Carried Out 2020-21

Appendix 2 – Cancelled Audit Reviews in 2020-21

Appendix 3 – Overdue High Level Recommendations

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