

Local Members Interest
N/A

Audit and Standards Committee - Tuesday 14 December 2021

Internal Audit Plan 2021/22 - Update

Recommendations

I recommend that:

- a. Members note progress against the 2021/22 Internal Audit Plan and the amendments to the original plan, including those audits which have been cancelled since its approval in July 2021.
- b. Members note progress on the implementation of high-level recommendations made since the introduction of electronic recommendation tracking in May 2016.

Report of the County Treasurer & Section 151 Officer

Report

Background

1. The annual audit plan approved by the Committee in July 2021 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 by a range of grant verification exercises (COVID 19 related grants and other) including the Infection Control fund; the Adult Social Care Rapid Testing fund; the Test and Trace fund as well as other grant work relating to Green Homes funding; Bus Support Restart funding and EU transition funding. The Internal Audit Team has also maintained its work on key corporate transformation and directorate projects by continuing to provide a project assurance role for the Microsoft 365 project, the new recruitment Applicant Tracking IT System, the Sharepoint EDRMS Implementation Project; the Highways Transformation Programme; the Household Waste Recycling Centre Project as well as continuing to sit on the Digital Leadership Group and acting as the audit liaison for the Together4Children regional permanency service. In addition, the Internal Audit Service continues to focus on other key risk areas such as Special Education Needs and Disability (SEND); Equality, Diversity and Inclusion and the Back to Business Additional Restrictions Grant programme to provide audit support and assurance throughout the 2021/22 financial year.

2. Fourteen additional audits have been requested in year, eight of which relate to grant verification exercises (four are COVID 19 related grants and four are other grants). 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 2021/22 Internal Audit Plan back into balance and having taken into account the additional work carried out, six audit reviews have been cancelled so far this year with a further five earmarked for potential cancellation at year-end. The six 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 2021/22.

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 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. Several audits have been allocated to providers, which have commenced already with the remaining reviews planned to commence in quarter 4 of 2021/22.

4. Overall, delivery against the 2021/22 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.

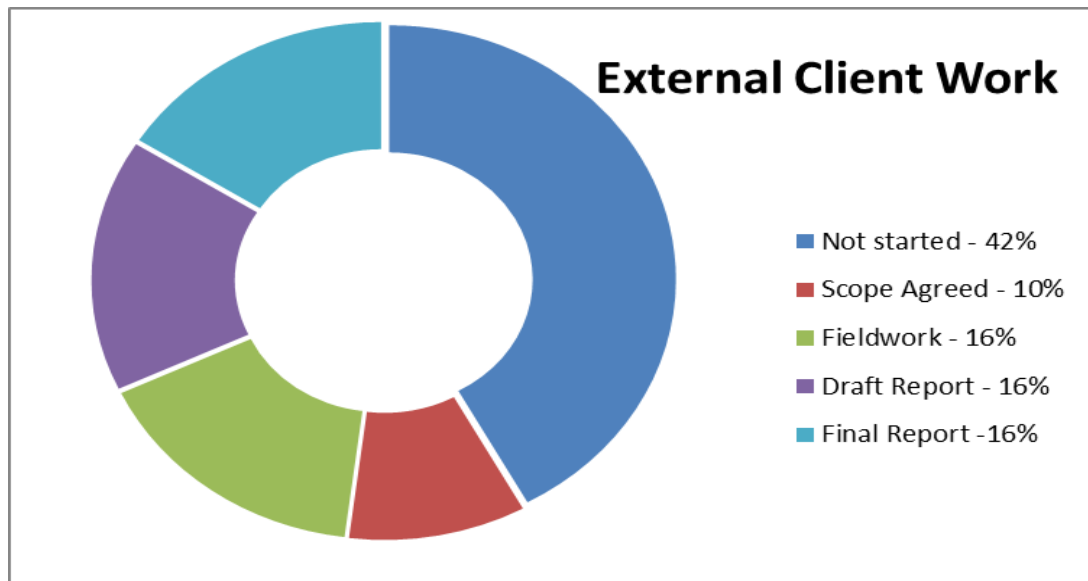
Area	Plan	Not Started	Terms of Reference Agreed	Fieldwork Ongoing	Draft Report Issued	Final Report Issued	Cancelled	Total
Systems Audits								
Planned Audits	137	57	19	26	10	14	11*	137
Additional Work	14	2	0	8	0	4	0	14
Total Systems	151	59	19	34	10	18	11*	151
Compliance Audits								
Schools including themed Payroll	19	13	0	0	6	0	0	19

Educational Endowment Funds	3	0	0	0	0	3	0	3
Pupil Referral Units	1	1	0	0	0	0	0	1
Complex Needs Units	3	3	0	0	0	0	0	3
Residential LD Homes	2	2	0	0	0	0	0	2
Other Compliance - Adults	10	0	0	0	0	10	0	10
Total Compliance	38	19	0	0	6	13	0	38
Strategic Fraud	7	0	0	7	0	0	0	7
Developing an Anti-Fraud Culture	4	1	0	3	0	0	0	4
Pro-active Counter Fraud Work	12	6	0	5	0	1	0	12
Special Investigations/ Exercises	13	n/a	n/a	4	0	9	n/a	13
Total Fraud	36	7	0	19	0	10	0	36
Overall Totals	225	85	19	53	16	41	11	225

*total includes confirmed cancellations (6) and earmarked potential cancellations (5).

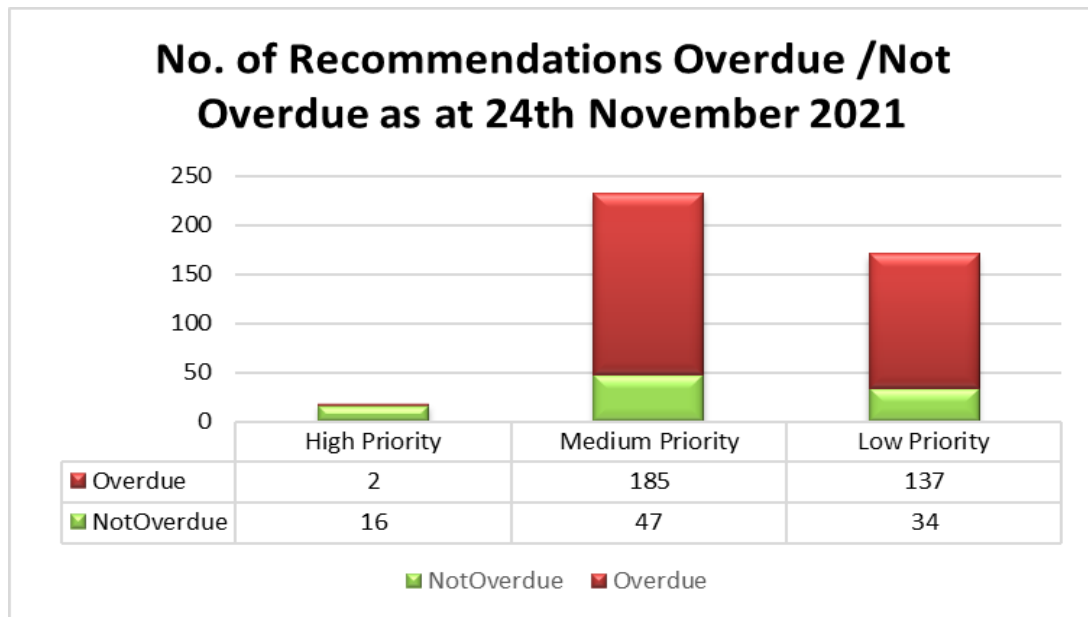
- Since the last meeting of the Audit & Standards Committee, there has been one audit review relating to the use of COVID 19 Grant Monies and the associated decision making arrangements which require Members consideration. This report is included in the confidential part of this agenda.
- Delivery of 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. In addition to our academies work, on 1st September 2021, the Internal Audit team was awarded the Contract for the provision of internal audit services at South Staffordshire Council for three years. **Figure 1** below shows the current status of our external client work which relates to both Academies and South Staffordshire Council.

Figure 1



7. The implementation of all recommendations made is monitored via the Internal Audit Team's electronic recommendation tracking 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, 3,078 recommendations have been made and monitored, this figure includes schools. Of the 3,078 recommendations made, 79% (2,432 recommendations) have been implemented; a further 7% (225 recommendations) have either been superseded, or risk accepted with the remaining 14% of recommendations not yet implemented (421 recommendations). Of the 421 recommendations not yet implemented, there are 324 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 only two high-level recommendations that have not been fully implemented by their due date. Both recommendations relate to the SEND Governance – Decision Making Groups audit review which the Committee last received an update on, at its meeting held on 13th July 2021. The two overdue high-level recommendations are detailed at **Appendix 2** to this report, for completeness.
9. As part of the recent implementation of the new Audit Management System, Pentana Audit, the Internal Audit Team are currently in the process of undertaking a housekeeping exercise to chase and close as many “old audit recommendations” as possible and therefore it is envisaged that the number of recommendations not yet implemented will significantly reduce over the coming few months. Following this housekeeping exercise, those audit recommendations will be further analysed and cleansed depending on the length of time the recommendation has been outstanding and the priority risk rating. Those audit recommendations identified as requiring further tracking will be migrated to Pentana Audit in December 2021 for their on-going monitoring until their full implementation.

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 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

12. The net budget of the Internal Audit Section for 2021/22 is £979,020 of which £199,620 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:

2021/22 Internal Audit Strategy & Plan
Performance Monitoring Sheets 2021/22
Recommendation Tracking System Reports
Client Satisfaction Survey results 2021/22

Appendix 1 – Cancelled Audit Reviews in 2021/22

Appendix 2 - High Level Recommendations That Are Overdue

Contact Details

Assistant Director: Lisa Andrews, Head of Internal Audit & Adults & Children's Financial Services

Report Author: Deborah Harris
Job Title: Chief Internal Auditor (interim)
Telephone No.: 01785 276406
E-Mail Address: deborah.harris@staffordshire.gov.uk

