



**Internal Audit Progress Report as at 31<sup>st</sup> May 2023**

**Jan Balfour – Internal Audit Manager**

## **1.0 INTRODUCTION**

Internal Audit is a statutory function for all local authorities.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 as to:

“Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.”

The standards for “proper practices” are laid down in the Public Sector Internal Audit Standards (PSIAS) (the standards – updated 2016).

Internal Auditing is an independent, objective and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

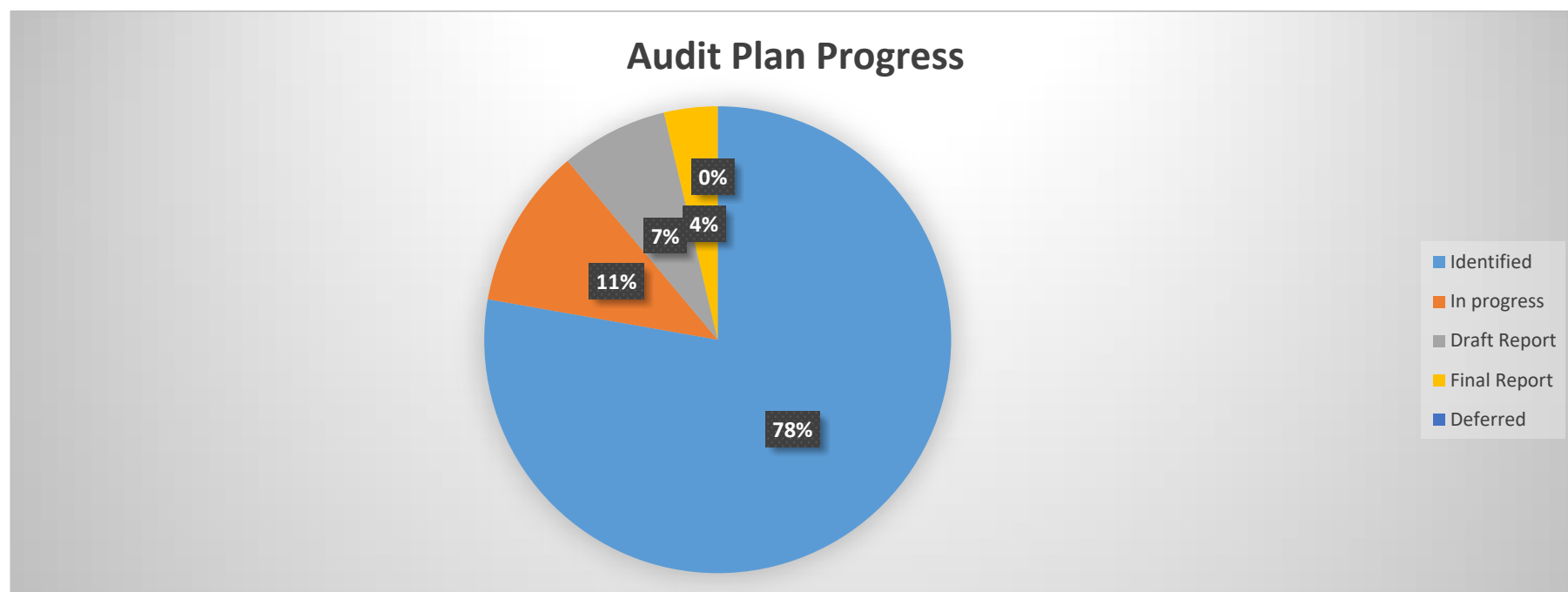
This report includes the status against the 2023/24 internal audit plan.

## **2.0 AUDIT PLAN 2023/24 PROGRESS AS AT 31<sup>st</sup> MAY 2023**

## ANNEX 2

There are 25 full audits and 2 follow up reviews totalling 27 reviews in the 2023/24 Audit Plan. These include the “core” financial audits which are compulsory and take place on an annual basis, cross cutting/corporate audits, and service specific reviews. Also included are 2 reserve audits to be undertaken if capacity allows.

To date 1 (4%) has been completed, 2 (7%) are at draft report stage and 3 (11%) are in progress.



### **3.0 ONGOING ACTIVITIES**

Internal Audit has provided advice and assurance in the following areas:

3 pieces of advice and assurance.

National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office.

Audit Committee reporting and attendance.

Audit Planning and consultation.

Risk Management and Annual Governance Statement.

Work is underway to develop and promote Fraud Awareness and carry out a risk assessment of the Council's Anti-Fraud and Corruption processes and procedures.

Project Assurance role on 7 projects.

### **4.0 CONTINGENCIES**

0 special investigations have been undertaken to date.

1 piece of work, a Grants probity review, is currently in progress and being carried out under the provision for requests from the S151 Officer.

### **5.0 AUDIT PLAN CHANGES**

No changes are proposed to the Audit Plan since issue of the last progress report.

### **6.0 ASSURANCE LEVEL/OPINION**

## ANNEX 2

Internal Audit Reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level/Opinion:	Description:
Full	There is a sound system of control designed to achieve the system objectives.
Substantial	While basically there is a sound system there are weaknesses which put some of the control objectives at risk.
Limited	Weaknesses in the system of controls are such as to put the system objectives at risk.
No	Control is generally weak leaving the system open to significant error or abuse.

The **opinion** is formed with reference to the Councils Corporate risk matrix. Each control weakness identified during an audit review is scored according to this matrix. Where \* shown this opinion is qualified when selected.

**Likelihood**

A Very High	Substantial or Limited*	Limited	No Assurance	No Assurance
B High	Substantial	Limited*	Limited Or No Assurance*	No Assurance
C Significant	Substantial	Substantial or Limited*	Limited	Limited Or No Assurance*
D Low	Substantial or Full*	Substantial	Substantial or Limited*	Limited
E Very Low	Full	Substantial or Full*	Substantial**	Limited
F Almost impossible	Full	Full	Substantial	Substantial or Limited*
	IV Negligible	III Significant	II Critical	I Catastrophic

**Impact****7.0 CONTROL WEAKNESS – RISK RANKING****Priority Level:****Description:**

High	Major issues for the attention of Senior Management. Action needs to be taken within a reasonable timescale to address significant control weaknesses and to ensure that the controls can be relied upon for the effective performance of the Service or function.
Medium	Issues for middle management action. These include control weaknesses that may expose the system function or process to a key risk but the likelihood of it occurring is significant rather than high.
Low	Minor matters. Low risk exceptions or improvements which help to improve service effectiveness and efficiency.

## **8.0 EXECUTIVE SUMMARIES**

The following summaries relate to Audits from the 2022/23 Audit Plan not previously reported to the Audit Committee. The 1 completed audit reported in Section 1 above for 2023/24 relates to Follow Ups. This work is summarised in Annex 2 (the Internal Audit Annual Report).

**1.**

Control Weaknesses Identified:		
High	Medium	Low
0	1	0

## ACCOUNTANCY 2022/23

Overall Assurance Opinion:
Substantial Assurance - overall
Agreed actions have been implemented.

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> <li>Dealing with customers</li> <li>Payments</li> <li>Overpayments and Recovery</li> <li>Refunds</li> <li>Write-offs</li> </ul>	<ul style="list-style-type: none"> <li>There were transactions outstanding on the suspense account which covered a period back to 2013.</li> </ul>	<ul style="list-style-type: none"> <li>Unidentified amounts are promptly investigated and correctly allocated in the Councils accounts.</li> </ul>

**2.**



Control Weaknesses Identified:		
High	Medium	Low
0	0	1

## PAYROLL 2022/23

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 30/06/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> <li>Starters and leavers.</li> <li>Additional payments.</li> <li>Calculation of Annual Leave.</li> <li>Changes to standing data pay grade, increments etc.</li> <li>Payroll reconciliation.</li> <li>Deductions and payments to third parties.</li> <li>Payment of salaries and posting of data to accounting records.</li> <li>System access and backup</li> <li>Overpayments</li> </ul>	<ul style="list-style-type: none"> <li>There were variances showing on the control account reported in the 2021/22 audit, which have not been resolved.</li> </ul>	<ul style="list-style-type: none"> <li>Potential errors are picked up and resolved in a timely manner.</li> </ul>
3.		

Control Weaknesses Identified:		
High	Medium	Low
0	1	1

## RECRUITMENT & RETENTION OF STAFF 2022/23

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 31/12/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> <li>Review of outcomes from the HR Manager's paper on recruitment and retention risk including their monitoring, prioritisation and management.</li> <li>A walkthrough of the recruitment Process / portal.</li> <li>A sample survey of employee's experience of recruitment via the portal to capture user feedback.</li> </ul>	<ul style="list-style-type: none"> <li>Application forms that contain personal data for unsuccessful applicants are held longer than the 7 months stated in the Privacy Notice statement.</li> <li>The Recruitment Policy, although fit for purpose, is due for review.</li> </ul>	<ul style="list-style-type: none"> <li>Personal data is held no longer than necessary minimising the potential risk of a data breach.</li> <li>The Council's recruitment policy is subject to regular review and update and remains fit for purpose.</li> </ul>

## 4.

Control Weaknesses Identified:		
High	Medium	Low
0	3	2

## INSURANCE 2022/23

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 30/06/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> <li>Emerging or increasing risks</li> <li>Sufficiency of insurance policies to cover the Council's liabilities and risks.</li> <li>Tendering of insurance and brokers contracts.</li> <li>Recording and management of claims.</li> <li>Monitoring of any emerging trends.</li> </ul>	<ul style="list-style-type: none"> <li>The claims spread sheet is not periodically filtered to review all claims that still have an "open" status.</li> <li>No information was available at the time of the audit to demonstrate which properties were included in the valuation for business interruption cover to confirm that the cover remains sufficient.</li> <li>The Insurance Strategy is in draft format and includes out of date references. There is also no senior management review or approval of the strategy.</li> <li>Correspondence is not consistently saved to claim files.</li> </ul>	<ul style="list-style-type: none"> <li>Financial pressure is minimised in the event of a major cyber incident impacting the continuity of Council services.</li> <li>All claims are reviewed and settled or closed.</li> <li>Business Interruption cover is sufficient in response to a major business continuity event.</li> <li>There is a formally approved strategy for the mitigation of risk via insurance.</li> <li>A full trail of the management of a claim is maintained.</li> </ul>

## 9.0 CONTROL WEAKNESSES

Of the 4 2022/23 audits completed, where an opinion has been given 9 exceptions have been raised:

Risk:	No. of exceptions (actions):
High	0
Medium	5
Low	4