

Audit Committee

29th January 2024



Report of: Chief Internal Auditor

Title: Internal Audit Update Report

Ward: Citywide

Officer Presenting Report: Chief Internal Auditor

Recommendations

1. The Audit Committee notes the Internal Audit Update Report highlighting the planned key activities for the rest of the year until 31 March 2024.
2. The Audit Committee notes the report and takes assurance from senior management regarding the issues highlighted in the internal audit executive summary report.

Summary

The Committee received internal audit and fraud half year reports in November that provided full details on performance against the approved plan and summary of outcomes from each of the completed reviews. This report seeks to provide the Committee with a high-level update on internal audit priorities in the last quarter of this financial year.

The significant issues in the report relate to:

- Delivery of the 2023/24 internal audit priorities
 - The implementation of agreed audit actions
 - 2023/24 Annual Governance Statement
 - 2024/25 Audit Planning
- A recent internal audit review provided **no assurance** on the effectiveness of governance arrangements for Refugee Resettlement schemes and financial controls for cash support provided to persons with no recourse to public funds (NRPF). The executive summary of this report is at Appendix A.

Policy

1. Audit Committee Terms of Reference

Consultation

2. **Internal**

Corporate Leadership Board including S151 Officer, Cabinet Member for Governance, Resources and Finance.

3. **External**

Not applicable

Context

4. The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk, and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives. In addition, the team provide a Counter Fraud Service to the Council to enhance arrangements for the prevention, detection, and investigation of fraud.
5. This report provides an update on internal audit matters. The Committee received comprehensive half year reports in November which provided the Committee and Management with an update on the progress in delivering the approved 2023/24 internal audit priorities. This update details the key priorities for the period up to 31 March 2024.

Internal Audit Delivery

6. Reasonable progress is being made in completing the approved 2023/24 internal audit plan. Most of the reviews that are earmarked for completion in Q4 are being scoped and some of them are already work in progress.
7. Q4 is an incredibly challenging period for both management and Internal Audit due to management trying to find the right balance between business as usual and supporting internal audit activities. Internal audit will continue to effectively collaborate with management to ensure that planned activities are completed, recognising that there could be some delays in finalising some reports.
8. We continue to use our strategic partner to support the delivery of key audit priorities and we have recruited a temporary Group Auditor to increase our capacity in completing capital project reviews. As reported in the last meeting we are confident that the majority of the agreed audit priorities will be delivered by 31 March 2024.

Implementation of agreed management actions

9. A key activity for Internal Audit is following up and reporting on the implementation of agreed management actions. The Council uses the Pentana Audit Management System to monitor and report the implementation of agreed management actions. Management is responsible for implementing the agreed actions and Internal Audit is responsible for undertaking follow up and ensuring that the progress in the implementation of the actions is monitored and reported to the Corporate Leadership Board (CLB) and Audit Committee.

10. There is a target that 90% of all agreed management actions are implemented by the due date. There were 387 actions that were due for implementation on or before 31 December 2023. The pie chart below provides a high-level view of performance as at this date.

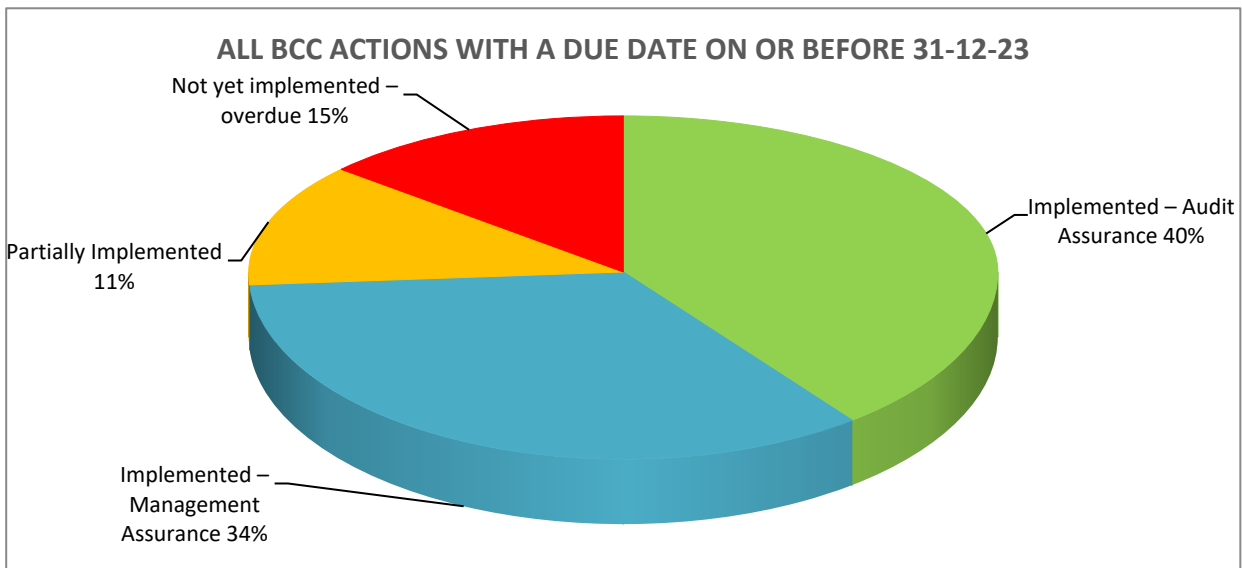


Table 1 below reflects the position as at that date.

Table 1

Action Status	High	Medium	Grand Total
Implemented – Audit Assurance	45	108	153
Implemented – Management Assurance	31	102	133
Partially Implemented	14	29	43
Not yet implemented – overdue	21	37	58
Grand Total	111	276	387

Table 2 below shows the percentage performance per directorate:

Table 2

Action Status	Resources	Growth & Regeneration	Adults & Communities	Children & Families
Implemented – Audit Assurance	45%	32%	43%	16%
Implemented – Management Assurance	33%	31%	32%	55%
Partially Implemented	12%	20%	3%	3%
Not yet implemented – overdue	10%	17%	22%	26%

11. At 85% this performance is below the target of 90%. More needs to be done to ensure that the improved performance reported in previous quarters is maintained. During the reporting period, a lot of work was completed in supporting the organisation to clear some long outstanding actions and there is visible traction at senior management level. While there has been a lot of effort by both management and Internal Audit to ensure continuous improvement in this area, more still needs to be done and this is a priority for CLB: In Q4, Internal Audit, will support management in:
- proactively managing the process for monitoring the implementation of agreed actions;
 - embedding the process for monitoring and reporting progress as part of monthly performance discussions;
 - maximising Pentana Audit to monitor the implementation of agreed actions; and
 - embedding the implementation of agreed actions as part of business as usual and maximising the opportunities arising from the audit activities.
12. The next report on the implementation of agreed management actions will be presented in the Chief Internal Auditor’s Annual Opinion.

2023/24 Annual Governance Statement (Statement)

13. The Council is required by the Accounts and Audit Regulations 2015 to prepare an Annual Governance Statement to accompany its published financial statements. Internal Audit has responsibility for collating assurances in support of the Council’s Annual Governance Statement; for drafting the Statement and for facilitating management review.
14. The review process, that includes examination of a wide range of internal control and governance processes and senior managers from across the Council and group of companies completing assurance statements for each of their areas acknowledging responsibility for internal control and risk management, has started.
15. A draft Statement will be presented to the Audit Committee for consideration in June 2024.

2024/25 Audit Planning Approach

16. The local government sector continues to face significant levels of financial pressures impacting the council's ability to deliver quality services to their residents. As a result, the sector is exploring alternative models of delivery that come with uncertainty, complexity, and increased risk. It is against this background that Internal Audit will need to adapt to these changes and adopt approaches that align with the business and implement effective methodologies that anticipate new risks, provide advice, and help to positively manage change.
17. Due to the fast-changing operating environment, Internal Audit has adopted flexible planning methodologies that ensures that the Service focuses on the issues that are impacting the business on time and the resultant advice will have an impact on outcomes.
18. Work to identify priorities for the first three months of 2024/25 has commenced and the proposals will be presented for approval by the Audit Committee in March 2024. Consistent with the now established practices, in the same meeting the Audit Committee will be requested to note some of the areas that will form part of the following quarter (Q2) which will be presented for approval by the Committee in June 2024. The approach ensures that the Committee has assurance that all known emerging risks are covered and there is an opportunity to reprioritise activities every quarter. The process will be repeated in all other quarters during the year.
19. There are no other changes to the delivery of internal audit services and reporting to the Committee.
20. Annually, the Audit Committee undertakes a self-assessment on its effectiveness based on the CIPFA Audit Committees: Practical Guidance for Local Authorities and Police. A workshop to complete this exercise is scheduled for 29th January 2024.

Internal Audit Exception Reporting

21. Under the agreed escalation procedure, a summary of every audit with a no or limited assurance opinion is presented to the Audit Committee for consideration. The Committee may seek additional assurances on the actions being taken to address the issues identified. Consistent with this procedure the Refugee Resettlement schemes and financial controls for cash support provided to persons with no recourse to public funds (NRPF) review summary, Appendix A of this report, is being presented for consideration and the relevant senior responsible officers will be in attendance to answer any questions the Committee may have.

Proposal

22. The Audit Committee note the internal audit update and takes assurance from management regarding the issues highlighted in Appendix A.

Other Options Considered

23. Not applicable

Risk Assessment

24. The work of Internal Audit minimises the risk of failures in the Council’s internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. Areas of significant risk are detailed in the report.

Summary of Equalities Impact of the Proposed Decision

No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal

Not Applicable

Financial

Not Applicable

Land

Not Applicable

Personnel

Not Applicable

Appendices:

Appendix A - Refugee Resettlement Schemes and Financial Controls for cash support provided to persons with no recourse to public funds (NRPF)

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Public Sector Internal Audit Standards

Various Audit Files