

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	22 June 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 4 June 2021
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update the Risk and Audit Scrutiny Committee (RASC) on progress by, and performance of, the Internal Audit service in the period to 4 June 2021

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that progress and performance is noted.

3. Background

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in March 2021 and reported on work completed in the period 21 November 2020 to 12 February 2021. This report covers all work completed in the period 13 February 2021 to 4 June 2021. Performance information is also included.

4. Delivery of the 2020/2021 Audit Plan: Progress and Performance

4.1. Performance indicators were not reported to the Risk and Audit Scrutiny Committee for most of 2020/2021 given that traditional monitoring processes were not able to accurately capture data relating to the delivery of COVID-19 tasks alongside routine audit work. Annual performance data was, however, gathered for the purposes of the annual assurance report and is summarised in Appendix One together with explanations.

4.2. 88% of planned assignments were at final draft stage as at 31 March 2021. During 2020/2021, 94% of draft reports have been issued on time and 75% within budget against targets of 80% respectively. Quality continues to be monitored through internal quality control procedures.

4.3. Client contributions to the delivery of the audit plan take the form of responding to draft reports, agreeing to closing meetings and signing reports quickly once agreed. In 2020/2021, 94% of audit assignments were concluded to a signed action plan within four weeks of the issue of a draft report against a target set of 80%.

4.4. Members are asked to note performance.

5. Findings

- 5.1. Appendix Two lists all assignments completed in the period 13 February 2021 to 4 June 2021.
- 5.2. There were no significant audit assignments finalised for the Council in this period and Members are asked to note findings.

6. Progress against Strategy

- 6.1. The Public Sector Internal Audit Standards (PSIAS) requires progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting. Delivery of the strategy has been evidenced by the completion of the majority of the 2020/2021 Audit Plan by 31 March 2021.

7. Employee Implications

- 7.1. There are no employee issues.

8. Financial Implications

- 8.1. A breakeven position for 2021/2022 is forecast at the end of the financial year for the Internal Audit section.

9. Climate Change, Sustainability and Environmental Implications

- 9.1. There are no implications for climate change, sustainability or the environment in terms of the information contained within this report.

10. Other Implications

- 10.1. The main risks to the delivery of the Audit Plan are, generally, vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. Normally these would be mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. However, given the ongoing pandemic, these risks required particular consideration and a number of minor amendments were made to the 2020/2021 Audit Plan:

Job Number	Assignment Name	Amendment
I234101	Cash Checks	Financial control testing was originally intended to include a series of Cash Spot Checks in the year but this was not feasible during the ongoing pandemic. Instead, the time was used to integrate petty cash audit work into the Continuous Controls Monitoring (CCM) project. This work has now created a dashboard that can display how much petty cash has been spent by each unit, how often petty cash is topped up and whether VAT is being correctly recovered on purchases. This dashboard will now be used to inform visits in 2021/2022.
I611181	Bank Change Procedures	Time planned to review bank

		account change procedures was used instead to provide advice and guidance regarding the payment of some suppliers in the early stages of the pandemic. This was deemed to be a higher priority risk in 2020/2021 and the more general, planned review will now be undertaken in 2021/2022.
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11. Equality Impact Assessment and Consultation Arrangements

11.1. There is no requirement to equality assess the contents of this report.

11.2. Heads of Service are consulted on each and every audit assignment.

Paul Manning

Executive Director Finance and Corporate Resources

4 June 2021

Link(s) to Council Objectives/Improvement Themes/Values

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- ◆ 2020/2021 Internal Audit Plan – Risk and Audit Scrutiny Committee, 21 September 2020
- ◆ Internal Audit Activity as at 12 February 2021 – Risk and Audit Scrutiny Committee, 3 March 2021

List of Background Papers

- ◆ Figtree extracts of Action Plans

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Key audit performance indicators as at 31 March 2021**Appendix One**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	12/16	75%	80%	For the four assignments not completed within budget, the original days to complete were underestimated at the outset. Additional time required to complete was accommodated from contingency days within the 2020/2021 Audit Plan.
Draft reports delivered within 6 weeks of file review	15/16	94%	80%	
2020/2021 Audit Plan completed to draft by 31 March 2021	37/42	88%	100%	The five assignments that remain open as at 31 March 2021 all relate to special investigations. None are of a material nature.
Internal Audit recommendations delivered on time	12/17	71%	90%	100% in total were delivered including those actions delivered late. The actions delivered late fell due in the early stages of the pandemic in 2020 and were implemented as soon as it was practical to do so.
Client to agree findings and actions within 4 weeks of draft issue	15/16	94%	80%	

Job Number	Assignment name	Draft Issue	Final Issue	Assurance Info
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Current Year – Other Output				
I810028	Audit Plan 2021/2022	25/02/2021	03/03/2021	Preparation and presentation of 2021/2022 Audit Plan to RASC for approval.
I350081	Training Guide	31/03/2021	31/03/2021	Development of training plans to be implemented in 2021/2022.
I612178	Continuous Control Monitoring 2020/2021	31/03/2021	31/03/2021	Completion of programme of data downloads from main financial systems during 2020/2021 to inform audit sampling and provide management reports.
I615182	Fraud Alerts 2020/2021	31/03/2021	31/03/2021	Dissemination of fraud alert information to Council Resources.
I730054	Attend Internal Working Groups	31/03/2021	31/03/2021	Attendance at and participation in internal working groups.
I732053	Attend External Working Groups	31/03/2021	31/03/2021	Attendance at and participation in external working groups.
I820029	Provision of reports to Committee	31/03/2021	31/03/2021	Provision of reports to Committee.
I350093	City Deal Governance Statement 2020/2021	19/05/2021	19/05/2021	Provision of Statement of Assurance for City Deal 2020/2021.

Current Year – Assurance Reports				
I342087	Additional Support Needs Transport	22/03/2021	22/03/2021	A framework has now been developed that reflects the key points from previous audit work. The implementation of this new framework has been delayed due to the pandemic with a one year extension of the previous framework being exercised. Guidance documents for the new framework have been prepared and the intention is to

				roll this out from July 2021 onwards. A review of the new process and a testing of procedures in practice will now be undertaken by Internal Audit in 2021/2022 with part of the scope of this work being to assess whether elements of the contract award process could be automated using algorithms.
I342084	Contract Monitoring Reconciliation	31/03/2021	31/03/2021	Concluded implementation of an effective reconciliation of Oracle Payables to a key contract monitoring system used by a Service. The original audit identified that invoices were not always being correctly posted to the contract monitoring system and thus non-contract spend or, spend that varied from that of the original contract award, was not consistently identified. An automated reconciliation has now been developed by Internal Audit that will ensure robust controls are in place. This has mitigated one of the key risks identified by the audit.
I410072	Best Value Follow Up 2020/2021	31/03/2021	31/03/2021	All actions that were outstanding have now been completed in 2020/2021. Work to refine the Council's approach to locality plans and develop capacity to engage with its communities continues.
I411071	Informal Follow Up 2020/2021	31/03/2021	31/03/2021	Provided quarterly advance prompts of actions falling due.

				Collated responses monthly for reporting.
I611181	Bank Change Procedures	31/03/2021	31/03/2021	Time used to provide advice and guidance regarding the payment of some suppliers in the early stages of the pandemic.
I350092	Assurance Statement Peer Review 2020/2021	22/04/2021	22/04/2021	Review of Resource Directors Statements of Assurance. Feedback provided to assist with preparation of the 2020/2021 Annual Governance Statement.
I420080	Review Themes	06/05/2021	06/05/2021	Collation of review themes to assist Resource with improvement actions.

External Clients				
I938125	SEEMIS Annual Report and Admin 2019/2020	05/01/2020	21/02/2021	Reported to SEEMIS
I941159	IHSC 2021/2022 Audit Plan	16/03/2021	16/03/2021	Reported to IJB
I910133	SLLC Admin Meetings Act Rep	31/03/2021	31/03/2021	Reported to SLLC
I916138	SLLC Fraud Alerts	31/03/2021	31/03/2021	Reported to SLLC
I920142	LVJB Admin Meetings Board	31/03/2021	31/03/2021	Reported to LVJB
I926147	LVJB Fraud Alerts	31/03/2021	31/03/2021	Reported to LVJB
I930149	SEEMIS Admin Meetings Board	31/03/2021	31/03/2021	Reported to SEEMIS
I936154	SEEMIS Fraud Alerts	31/03/2021	31/03/2021	Reported to SEEMIS
I940156	IHSC Admin Meetings Act Rep	31/03/2021	31/03/2021	Reported to IJB
I946161	IHSC Fraud Alerts	31/03/2021	31/03/2021	Reported to IJB
I911120	SLLC Audit Plan 2020/2021	01/04/2021	01/04/2021	Reported to SLLC
I924146	LVJB Follow up	13/05/2021	17/05/2021	Reported to LVJB
I934153	SEEMIS Follow Up	11/05/2021	17/05/2021	Reported to SEEMIS