

AUDIT AND GOVERNANCE COMMITTEE

DATE	22 April 2022
REPORT OF	Head of Audit and Assurance
SUBJECT	Internal Audit Update Report- progress against the 2020/21 audit plan
STATUS	Open

CONTRIBUTION TO OUR AIMS

An effective Internal Audit service contributes to the achievement of the Council's strategic objectives by assessing, providing comment and, if relevant, recommending improvement to the Council's assurance and control frameworks. The Internal Audit plan has also been designed to provide assurances on strategic risks and the supporting governance framework.

EXECUTIVE SUMMARY

This report provides an update on progress on the delivery of the Internal Audit Plan which was formally approved by the Audit and Governance Committee in July 2021 and amended in January 2021. As at 31 March 2021 740 days had been charged against the audit plan. This compares to the anticipated 800 days at this point in the audit cycle. The report explains the main reasons for the variance but provides assurance that sufficient work will be completed to provide a reliable year end opinion on the Council's control environment.

RECOMMENDATIONS

The Audit and Governance Committee is asked to note this report as part of its role in monitoring the effectiveness of Internal Audit.

REASONS FOR DECISION

A key responsibility of the Committee is to obtain assurance on the effectiveness of the Council's control environment. Internal Audit plays a significant role in evaluating the control environment, and therefore update reports such as this contribute to the Committee discharging its duties.

1. BACKGROUND AND ISSUES

- 1.1 In July 2020 an audit plan was formally approved by the Audit and Governance Committee, including those aspects of the plan reported to the CCG audit committee on adult social care. The forecast audit days required was 970.
- 1.2 On 21 January 2021 the Head of Audit and Assurance provided an interim report to the Audit and Governance Committee. The report concluded that the audit team was on course to complete the audit plan in sufficient time to

provide the Head of Audit Annual Report and Opinion by 31 May 2021. However, it also highlighted that the plan been subject to significant amendment and re-prioritisation, due to the impact of COVID-19 and that there were likely to be further risks to the delivery of the plan which would require to be managed.

1.3 As at 31 March 2021 740 days had been charged against the audit plan. This compares to the anticipated 800 days at this point in the audit cycle. The main reasons for this difference are as follows:

- the recruitment to our two vacancies across the shared service has taken a little longer than anticipated- although we have successfully recruited for these vacancies we do not anticipate to be at full complement until May 2021;
- due to the partial closure of schools the two school visits we intended to do in the Spring term have been deferred until April but there should be sufficient time for the outcome of them to be included in the audit opinion;
- there have been some delays in completing the planned ICT audit programme for 2020/21 due to the pressures on the ICT staff due to COVID and the timetable for the implementation of the new systems but work is ongoing in the current quarter;
- due to the pressures to front line services caused by the pandemic we agreed to delay the start of some of our work in Children's and Adults until quarter four and some of this work is ongoing; and
- due to the pandemic, in some areas, the intended introduction of anticipated changes to strategies, systems and processes have been delayed- in these areas our work has focused upon reviewing progress in their implementation (and therefore not required the time initially planned) but detailed audit work has been deferred into the 2021/22 audit plan.

1.4 During the first quarter of 2021/22 the audit team's focus will be completing the outstanding 2020/21 work and providing required assurance on COVID-19 grants were required. This will include preparing an updated summary on the impact of COVID-19 on the control environment based on the work carried out throughout the year. We still anticipate that we will have carried out sufficient work to provide a reliable, standards complaint audit opinion, although in a small number of cases some of the planned work is not anticipated be completed until June 2021. A list of the completed audits as at 31 March is shown on Appendix 1. In addition, 8 audits have been issued in draft, and all the remaining work from the revised plan is progressing. Furthermore, the work on the financial systems has either been completed or the draft reports issued; there were no issues identified that would materially impact on the financial statements.

2. RISKS AND OPPORTUNITIES

Audits are planned and delivered using risk-based auditing concepts, whilst

strategic and operational risks form the significant basis of the formulation of the audit plan. In addition, audit provides an opinion on the residual risk exposure for each audit completed. Section 1 of this report has highlighted the continued risks to the delivery of the plan due to the continued uncertainty resulting from the impact of COVID-19.

3. OTHER OPTIONS CONSIDERED

Not applicable - the Audit and Governance Committee is required to regularly receive updates on the delivery of the audit plan as part of the discharge of its responsibilities.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are no specific reputational and communication considerations other than any identified in specific audit reports shown on Appendix 1.

5. FINANCIAL CONSIDERATIONS

A key role of internal Audit is to provide assurance on the financial systems which support the production of the statement of the accounts. Any significant issues arising from this work will be reported to the Audit and Governance Committee in the Chief Audit Executive Annual Report and Opinion. In addition, effective financial reporting and processes are a key component of the control environment and therefore are considered when planning each assignment

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None directly arising from the recommendations in this report.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no specific legal implications arising from this this report.

9. HUMAN RESOURCES IMPLICATIONS

There are no direct human resources implications arising from this report.

10. WARD IMPLICATIONS

Applicable to all wards.

11. BACKGROUND PAPERS

Internal Audit Annual Plan 2020/21 (July 2020)
Interim Head of Audit and Assurance Report (January 2021)

12. CONTACT OFFICER(S)

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Head of Audit and Assurance

Audit work contributing to the 20/21 audit opinion as at 31 March 2021

Audit Assignment	Director	Assurance	Residual Risk	Comments
Governance, Strategic Risks and operational risks				
Adoption Agency	Children's	Substantial		Joint audit of the Regional Adoption Agency led by the York audit team
Alcohol and Drug Framework	Public Health	Substantial	Medium	Though substantial assurance could be provided in relation to the current monitoring arrangements, the medium risk score reflects
Child Criminal Exploitation (CCE), Child Sexual Exploitation (CSE) and Modern Day Slavery	Children's	Satisfactory	Medium	
Educational Standards	Children's	Satisfactory	Medium	
Environmental Services-Regulatory Compliance	Environment, Economy and Resources	Substantial	Medium	
Fixed Penalty Notices	Environment, Economy and Resources	Satisfactory	Low	
Libraries	Public Health	Limited	Medium	At the time of the audit there were no clear monitoring methods in place to ensure that the contract was delivered in line with contract and within the legal requirements relating to library services
People and Culture - Workforce Development	Environment, Economy and Resources	Satisfactory	Medium	
Public Health Peer Review follow up	Public Health			Despite the pressures on Public Health as a result of the pandemic, it has continued to make progress with the action plan arising from the peer review undertaken in October 2018.
Regeneration Partnership Governance	Environment, Economy and Resources	Substantial	Medium	
Regional growth Fund-Wykeland	Environment, Economy and Resources	Substantial	Low	
Registrars Income	Assistant Chief Executive	Substantial	Low	
Role of LADO	Children's	Satisfactory	Medium	
Search Fees	Environment, Economy and Resources	Substantial	Low	
South Humber Industrial Investment Programme (SHIIP) Implementation	Environment, Economy and Resources	Satisfactory	Medium	
Financial systems				
Payroll	Environment, Economy and Resources	Substantial	Low	
Debtors	Environment, Economy and Resources	Substantial	Medium	Although we have provided substantial assurance on the control environment, we have assessed the risk as medium due to the potential impact the pandemic may have on the wider economy and therefore potentially on the recovery of debt.
Local Taxation and Benefits	Environment, Economy and Resources	Satisfactory	Medium	
Feeder Systems				To support our audit of the key financial systems we carry out audits of feeder systems on a cyclical basis. We have carried to audits on educational fines, the early year system and the use of excel spreadsheets for specific items of regular expenditure which do not have invoices associated with them and no issues of concern were identified

Audit Assignment	Director	Assurance	Residual Risk	Comments
ICT				
Finance System Resilience	Environment, Economy and Resources	Substantial	Low	Provided assurance that the ICT controls relating to the systems to be replaced in 2021/22 can still be relied upon
HR and Payroll System Resilience	Environment, Economy and Resources	Satisfactory	Medium	Provided assurance that the ICT controls relating to the systems to be replaced in 2021/22 can still be relied upon
Information Governance	Environment, Economy and Resources	Substantial	Low	
Procurement				
				We provide an overall opinion on procurement arrangements by a mixture of a review of overall arrangements and reviewing a sample of procurement exercises
Procurement -Clinical Waste				KPI's to be introduced are required for monitoring purposes for future related contracts
Procurement - Mental Health				No area of concern identified
Follow up				
Housing Strategy Follow up	Environment, Economy and Resources	Satisfactory	Medium	
Heritage Assets Follow Up	Environment, Economy and Resources	Satisfactory	Medium	
Leisure & Culture Follow Up	Public Health	Limited	Medium	At the time of audit the actions from the previous reports on systematic performance and financial monitoring by the council had not sufficiently addressed, and there was a need to update the contract to reflect the expectations for all parties in relation to facilities management
Probity audits				
Agency Workers	Environment, Economy and Resources	Substantial	low	
Data Matching				Exercises were carried out matching payroll/ creditors, debtors/ creditors and duplicate payments. No evidence of fraud or significant number of duplicate payments was identified
Imprest accounts	Environment, Economy and Resources	Satisfactory	Medium	