

# AUDIT AND GOVERNANCE COMMITTEE

<b>DATE</b>	9th November 2023
<b>REPORT OF</b>	Head of Audit and Assurance
<b>SUBJECT</b>	Internal Audit Report Update
<b>STATUS</b>	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 the delivery of the Internal Audit Plan approved by the Audit and Governance Committee on 20 April 2023 with an update provided on 13 July 2023. It also provides a summary of the audits completed since the production of the 2022/23 Head of Internal Audit Annual Report and Opinion. The key highlight from the report are the risks to delivering the audit plan and the mitigating actions to manage those risks.

## RECOMMENDATIONS

The Audit 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. In addition, the Committee also has responsibility in monitoring the effectiveness of Internal Audit, including the delivery of the Internal Audit Plan.

### 1. BACKGROUND AND ISSUES

- 1.1 On 20 April 2023 approved the outline Internal Audit Plan 2023/24, received an update to it on 13 July 2023, and subsequently a detailed plan covering the assignments intended to be carried out was circulated. Both the original report and the update highlighted that the delivery of the plan was potentially challenging with only limited contingency available.

1.2 As at 30 September compared to a target of 300 days by this time in the audit cycle, 287 had been delivered. Despite this fairly positive “headline” figure there are a number of risks related to the delivery of the plan:

- It includes greater than anticipated time required to complete audits carried forward from 2022/23. Although this work is now largely complete it has reduced the time available for new assignments completed in 2023/24.
- A key senior member of the team retired in August 2023 and has not yet been replaced, whilst a further staff member will be leaving the team in early January 2024.
- There has been greater than anticipated levels of sickness during the year which has impacted on resources.
- Changes to the Children’s Senior Management Team scheduled for December 2023 may lead to a review of audit priorities in that critical area.
- in previous years due to year-end backlogs we have delayed the production of the annual HOIA report beyond the target completion date of 31 May. This, however, has limited the time for consultation with senior officers prior to being considered by the Audit Committee, and therefore moving forward any work not reported by 31 May will not be included in the 2023/24 HOIA report, potentially reducing the number of assignments referred to in it .

1.3 Internal Audit is looking to mitigate these risks as far as possible as follows:

- potentially taking on agency staff and/or secondments from other areas of the Council to increase capacity;
  - limiting the acceptance of requests for advisory work;
  - holding discussions with Assistant Directors to emphasise the importance of audits being delivered to schedule;
  - where appropriate the reprioritisation of audit assignments dependent on their relative importance to the Council’s control environment-meetings with Assistant Directors have been held as part of this process;
  - continuing to develop its approach to providing assurance on the key financial systems- rather than carrying out audits of the whole systems, audit will focus on those areas of highest risk, following up actions identified in the previous audits, and further increased use of data analytics;
  - continuing to procure support specialist support for the delivery of its ICT audit programme, with the contract for 2023/24, 2024/25 and 2025/26, due to start in 1 December 2023;
  - in relation to grants, Audit has held discussions with Accountancy so that the latter can identify grants requiring audit certification at an earlier stage and thus allow Audit to programme them into its resourcing plans more efficiently; and
- as part of the upgrade of Internal Audit’s software, an improved action tracking system will be introduced. This should improve efficiency of the

audit resources required for follow up by allowing action holders to update progress on their actions and improve the reporting facility.

Any significant changes to the plan will be presented to future meetings, and particularly when the Interim Audit Report is presented to the Committee in early February 2024.

1.3 Appendix 1 provides a summary of the audits completed since the production of the 2022/23 Head of Internal Audit Annual Report and Opinion. Two reports have been provided with Limited Assurance, "Discharge of responsibilities under the Mental Health Act" and "Public Health Grant" but action plans are in place to mitigate the issues identified. In addition, it is pleasing that for the three follow up audits so far carried out that good progress has been made in implementing the agreed actions.

1.4 In addition to the reports shown on Appendix 1 Audit has also provided mandatory grant certification for the following:

- Bus subsidies
- Contain Outbreak Management Fund (COMF)
- Home Upgrade Grant
- Household Support Fund
- Local Transport Plan and Pothole Grant
- Supporting Families Monthly Checks

## **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.

The report has highlighted the risks to the delivery of the plan, and the actions taken to mitigate those risks. Critically due to the ongoing re-prioritisation of assignments sufficient work will be carried out to provide a risk-based, standards compliant opinion at the year end.

## **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 of the interim report.

## **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, and specific time is allocated for this work. Any significant issues arising from this work will be reported to the Audit and Governance Committee in the Head of Internal Audit 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. CHILDREN AND YOUNG PEOPLE IMPLICATIONS**

Audit assignments relating to Children's Services are included in audit plan. Where applicable Audit will continue to rely on the work of OFSTED, and the Council's response to it, to contribute to forming its opinion on the Council's control environment.

## **7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

None directly arising from the recommendations in this report, although a review of the implementation of the Council's environmental strategies is included in the audit plan.

## **8. FINANCIAL IMPLICATIONS**

There are no direct financial implication arisings from the recommendation to note the report.

## **9. LEGAL IMPLICATIONS**

This report is by way of update and therefore no legal implications immediately arise.

## **10. HUMAN RESOURCES IMPLICATIONS**

There are no direct HR implications contained within this report.

## **11. WARD IMPLICATIONS**

Applicable to all wards.

## **12. BACKGROUND PAPERS**

Internal Audit Annual Plan 2023/24 (April 2023)  
Public Sector Internal Audit Standards (April 2017)

**13. CONTACT OFFICER(S)**

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**Peter Hanmer**  
**Head of Audit and Assurance**

Summary of Completed Audit work upto 30 September 2023

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
Delivery of strategic outcomes and good governance				
Casual Workers	Environment, Economy and Resources	Satisfactory	Low	
Discharge of Mental Health Responsibilities	Adults	Limited	Medium	Although the necessary functions relating to mental health are being fulfilled, improvements in relation to embedding policy have been identified. The main issue within the service, as highlighted as part of the audit, is the shortage of Approved Mental Health Professionals (AMHP's). This is in line with issues that have been reported nationally, and
Grimsby Town Centre	Economy, Environment and Infrastructure	Substantial	Medium	
Public Health Grant	Public Health	Limited	Medium	The council complies with the requirements of the public health grant. However, the allocation has not been significantly reviewed for a number of years to reflect changing public health priorities and challenges.
Safeguarding Children Partnership	Childrens Services	Satisfactory	Medium	
Sexual Health (joint with NLC)	Public Health	Substantial	Low	

<b>Audit Assignments 2023/24</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
Tree Safety	Economy, Environment and Infrastructure	<b>Satisfactory</b>	<b>Medium</b>	
<b>Financial systems</b>				
Payroll	Environment, Economy and Resources	<b>Substantial</b>	<b>Low</b>	
<b>ICT</b>				
Cloud Computing Follow Up	Environment, Economy and Resources	<b>Substantial</b>	<b>Medium</b>	
<b>Procurement and contract and contract monitoring</b>				
Central Procurement Arrangements	Environment, Economy and Resources	<b>Satisfactory</b>	<b>Medium</b>	We have assessed the residual risk as medium. We have made this judgement because there is potential for financial, service provision and reputational risks if procurements are not completed in line with the relevant guidance
<b>Follow up</b>				
Children's Homes - Financial Control	Childrens Services	<b>Satisfactory</b>	<b>Medium</b>	
Commercial Estates	Environment, Economy and Resources	<b>Substantial</b>	<b>Medium</b>	