

AUDIT AND GOVERNANCE COMMITTEE – 17th NOVEMBER 2021

INTERNAL AUDIT PROGRESS REPORT 2021/22

1 Purpose of this report

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 12th July 2021 to 31st October 2021.

2 Background information

- 2.1 The Audit and Governance Committee has responsibility for reviewing the adequacy of the Council's corporate governance arrangements, including matters such as internal control and risk management. The reports issued by internal Audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

- 2.2 At the end of the financial year, Internal Audit will produce an Annual Internal Audit Report, which will provide the overall opinion on the adequacy of the Council's control environment and compliance with it during the year.

3 Recommendations

- 3.1 It is recommended that the Audit and Governance Committee considers the assurances it needs on the effectiveness of the Authority's internal control, risk and governance arrangements through the work of Internal Audit by:-**

- i. considering the issues arising from completed Internal Audit work in the period along with the responses received from management;**
- ii. noting the assurance opinion on the adequacy and effectiveness of the Authority's internal control framework based on the work of Internal Audit in the period;**
- iii. noting the progress against the Internal Audit plan for 2021/22 for the period.**

4 Local Area Implications

- 4.1 There are no Local Area Implications arising from this report.

5 Consultations

- 5.1 All audit reports are discussed and agreed with the Audit Sponsor and Designated Operational Lead. Individual audit reports are provided to the appropriate Executive Director and/or Service Director to apprise him/her of key issues raised and remedial actions agreed.

5.2 No specific consultation has been necessary in the preparation of this quarterly report.

6 Compatibility with European Convention on Human Rights

6.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 2018, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

7 Reduction of Crime and Disorder

7.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

8 Risk Management Considerations

8.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.

8.2 The Service's own risk register includes the following risks which are relevant to this report:

- Need to ensure ongoing compliance with public sector audit standards
- Implementing a new structure for IA that provides the right level of skill, expertise and experience.
- Capacity issues - keeping up with the pace of change

8.3 All of these risks have been assessed and remain within the tolerance of the Service.

8.4 An essential element of the control (and on-going) management of these risks is the provision of update reports to the Audit Committee and the assurance this provides.

9 Employee Implications

9.1 There are no employee implications arising from this report.

10 Financial Implications

10.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function are included within the Authority's base budget.

11 Appendices

Appendix 1 - Key To Internal Audit Assurance Gradings & Classification of Management Actions.

12 **Background Papers**

12.1 Various Internal and External Audit reports, files and working papers.

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Date: 8th November 2021



Barnsley Metropolitan Borough Council

Internal Audit Progress Report

Audit and Governance Committee

17th November 2021

INTERNAL AUDIT PROGRESS REPORT 2020/21 12th July to 31st October 2021

Purpose of this report

This report has been prepared to inform the Audit and Governance Committee on the Internal Audit activity for the period 12th July to 31st October 2021, bringing attention to matters that are relevant to the responsibilities of the Committee.

The report also provides information regarding the performance of the Internal Audit function during the period.

2021/22 Internal Audit Plan Progress

The following tables show the progress of the internal audit plan delivery, analysed by the number of plan assignments producing a report and audit days delivered by Directorate / Service.

Position as at 31st October 2021 – Audit Days Delivered

Directorate	Original 2021/22 Plan days	Revised 2021/22 Plan days	Actual days (% of revised days)
Adults & Communities	59	62	38 (61%)
Childrens Services	85	77	60 (78%)
Core Services	317	338	290 (86%)
Corporate	177	160	109.9 (68%)
Council Wide	255	255	79 (31%)
Place	171	171	83 (49%)
Public Health	27	27	2 (7%)
General Contingency	3	4	0 (0%)
Barnsley MBC	1,094	1,094	661 (60%)
Corporate Anti-Fraud Team	409	409	241 (59%)
Barnsley MBC Internal Audit Total	1,503	1,503	902 (60%)
Corporate Governance & Assurance	183	183	99 (54%)
HolA role as DPO	27	27	26 (96%)
External Clients	959	959	295 (31%)
Total Chargeable Planned Days	2,672	2,672	1,322 (50%)

Position as at 31st October 2021 – Plan Assignments

Directorate	2021/22 plan assignments	Assignments expected to be completed to date	Actual assignments completed
Adults & Communities	6	2	2
Childrens Services	6	4	3*
Core Services	19	11	11
Council Wide (Cross Cutting)	7	0	0
Place	7	2	1**
Public Health	1	0	0
Total	46	19	17

NB – excludes advisory, grants etc where no report required.

* One report at draft report stage, awaiting management feedback and agreement to finalise.

** Almost completed the review, awaiting information requested from management to finalise.

Changes to the 2021/22 Internal Audit Plan

There have been no changes to the Internal Audit plan during this period.

Final Internal Audit reports issued

We have finalised 9 audit reports in the period. The details of 6 of these reports was included in the Head of Internal Audit's Annual Report presented to the Committee in September 2021. The following table provides a summary of assurances, where applicable, and the number and categorisation of agreed management actions included in the remaining 3 reports finalised:

Directorate- Audit Assignment	Assurance Opinion	Number of Management Actions Agreed:			Total	Agreed
		High	Medium	Low		
Core Services – Accounts Payable (advisory)	N/A	5	22	7	34	34
Core Services – Covid19 Income Compensation (Claim 3)	N/A	0	1	0	1	1
Place – Glassworks Contract & Performance Management	Reasonable	0	1	5	6	6
Total		5	24	12	41	41

Please note that final audit reports are available to Audit Committee members on request.

Internal Audit reports providing a limited or no assurance opinion

There were no audit reports issued during the period that had a limited assurance opinion.

The report on the Accounts Payable system and function shown above highlighted a significant number of high and medium implications. This is relation to the matter highlighted in the External Auditor's ISA260 Report and the Annual Governance Statement.

Details and outcome of other Internal Audit activities undertaken in the period not producing a specific assurance opinion

Audit Work Completed	Details	Contribution to Assurance
Communities: Troubled Families – Quarterly validation	Grant claim validation.	The work contributes to assurance in respect of financial management.
Core/Place: Glassworks Board Attendance	Provide independent and objective assurance that effective and efficient risk, control and governance arrangements exist to provide a robust framework upon which the phase two scheme can be delivered (i.e. on time, in budget & to standard).	The work contributes to assurance in respect to contract management, governance and financial management.
Core: SAP Success Factors	To continue to support the project throughout its design and implementation.	The work contributes to assurance in respect to contract management, governance and financial management.
Core: SMART working and Managers Toolkit	To develop the audit and assurance elements of the managers toolkit and also to attend the Working Group meetings to provide check and challenge to the process.	This work supports the Council in its objective of increased SMART working arrangements.
Core: Code of Practice - Value for Money Assessment	To provide an independent check and challenge of the self assessment completed by Finance.	The work contributes to assurance in respect of financial management.
Place: LTP Grant	To independently validate and certify the claim.	The work contributes to assurance in respect of financial management.
Place: URBACT	To independently validate and certify the claim.	The work contributes to assurance in respect of financial management.

Other Internal Audit work undertaken

Audit Activity	Description
Follow-up of Agreed Management Actions	Regular work undertaken to follow-up agreed management actions made.
Attendance at Steering / Working Groups	<ul style="list-style-type: none"> • Information Governance Board; • Commissioning, Procurement & Contracts Working Group; • Vendor Task and Finish Group;

Audit Activity	Description
	<ul style="list-style-type: none"> • SMART Working / Managers Toolkit; • SAP Success Factors Working Group; • Glassworks Board; • Barnsley 2030 / Council Plan Working Group; • ALMO Operational Liaison Board; • Adult Social Care Governance Action Plan and Individual ASC Project Meetings.
Liaison, Planning and Feedback	Meeting and corresponding with Service and Executive Directors and Heads of Service regarding the review of the annual plan, progress of audit work, future planning and general client liaison.
Audit and Governance Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training, general support and development.
Corporate Whistleblowing	General time taken in providing advice and the initial consideration of matters raised. Also includes the review of arrangements.
Corporate Matters	Covering time required to meet corporate requirements, i.e. corporate document management, service business continuity and health and safety.

Work in progress

The following table provides a summary of audits in progress at the time of producing this report:

Directorate- Audit Assignment	Audit Planning	Work in Progress	Draft Report
Childrens – Lone Working, Social Care			✓
A&C – Thematic Review - Carers		✓	
A&C – Thematic Review – Transition Childrens to Adults SC		✓	
Childrens – SEND Data Quality		✓	
Core – RPA Project Assurance		✓	
Core – Publication Scheme		✓	
Place – Active Travel		✓	
Place – Highways Financial and Governance Arrangements		✓	
Place – Glassworks Future Management		✓	
Place – Elsecar Heritage Trust		✓	
Place – Funding Review (ESIF)		✓	
A&C – Integrated Care	✓		
Core – Corporate Decision Making	✓		
Core – Declarations of Interest	✓		
Childrens – Return to Home Care Service	✓		
Public Health – Referral Processes	✓		

Follow-up of Internal Audit report management actions

As previously reported to the Committee, Internal Audit is working closely with management to monitor the general position with regards the implementation of management actions and to establish the reasons behind any delays. Internal Audit continues to issue a detailed monthly status update to Service Directors and to Executive Directors on a quarterly basis. This is in addition to the performance reports currently presented to SMT.

The following table shows the status of internal audit management actions by Directorate where the original target implementation date was due for completion during the period:

Implication Categorisation	Original Target Date in Period	Completed	Not yet completed – Revised date agreed	Not yet completed – Awaiting management update
Adults & Communities				
High	0	0	0	0
Medium	1	0	1	0
TOTAL	1	0	1	0
Place				
High	0	0	0	0
Medium	0	0	0	0
TOTAL	0	0	0	0
Childrens Services (excl. Maintained Schools)				
High	1	1	0	0
Medium	5	5	0	0
TOTAL	6	6	0	0
Maintained Schools				
High	0	0	0	0
Medium	2	2	0	0
TOTAL	2	2	0	0
Core				
High	3	2	0	1
Medium	21	14	6	1
TOTAL	24	16	6	2
Public Health				
High	0	0	0	0
Medium	2	0	2	0
TOTAL	2	0	2	0
OVERALL TOTAL	35	24	9	2
% of TOTAL		69	26	5

Internal Audit Resources

The Internal Audit Team is currently carrying a number of vacancies and temporary long term absences. Whilst this position will be addressed as part of the wider Finance Business Unit restructure in 2022/23, for the remainder of the financial year it is highly likely that resources will be insufficient to deliver all the currently planned work.

The audit plan is reviewed regularly throughout the year, regardless of any changes in resources. Over the next few weeks, all plans will be reconsidered to identify which pieces of work are most at risk of not being delivered in this financial year.

Temporary resources have been and continue to be sought. However, the temporary / agency market is particularly difficult and a number of attempts to secure additional staff have not been successful. It is hoped that some capacity can be added, but as time progresses it is likely that there will be some shortfall.

Of particular importance however is to ensure the resources we do have are deployed in the most effective way, in the highest risk areas and where the impact on the organisation is the greatest. Despite the resource issue, with careful planning and management co-operation, there will be sufficient work completed upon which to base the annual opinion for the Council and other client organisations by the end of May. The Committee will be updated further at its January meeting.

Internal Audit performance indicators and performance feedback for Quarter 2 - 2021/22

Internal Audit's performance against a number of indicators is summarised below.

Ref.	Indicator	Frequency of Report	Target 2021/22	This Period (Q1)	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100%	100%
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time	Quarterly	73%	70%	70%

Ref.	Indicator	Frequency of Report	Target 2021/22	This Period (Q1)	Year to Date
2.3	against total available. Average number of days lost through sickness per FTE	Quarterly	6 days	0.38 days	0.38 days
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<u>Financial Perspective:</u>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Yes	Yes

Head of Internal Audit's Internal Control Assurance Opinion

The Head of Internal Audit, Corporate Anti-Fraud and Assurance must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Based on the audits reported in the period, an overall **reasonable** assurance opinion is considered to be appropriate.

A summary of our quarterly opinions for the year to date is as follows:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Assurance Opinion	Reasonable	Reasonable		

Consideration of our overall opinion takes the following into account:

- results from the substantive audit assignments we have completed during the period;
- outcomes from our audit work not producing an assurance opinion;
- an assessment as to the timely implementation of internal audit report management actions.

Internal Audit, Anti-Fraud and Assurance Contacts

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KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF MANAGEMENT ACTIONS

1. Classification of Management Actions

High	Requires immediate action – imperative to ensuring the objectives of the system under review are met.
Medium	Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
Low	Action is advised to enhance control or improve operational efficiency.

2. Assurance Opinions

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	No	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.