Internal Audit

Risk, Audit and Performance Committee Internal Audit Update Report September 2023

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1 Executive Summary

1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Board involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and these are provided to the Risk, Audit and Performance (RAP) Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

This report advises the RAP Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2022/23 and 2023/24 Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- The final review from the previous financial year has been finalised.
- Work is underway with regards to delivery of the 2023/24 Internal Audit Plan.
- Five audit recommendations have been closed, with two carried forward.

1.3 Action requested of the RAP Committee

The Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

2 Internal Audit Progress

2.1 2022-23 Audits

Service	Audit Area	Position
Council Led HSCP Services	Adults with Incapacity (Management of funds)	**Final Report Issued**

2.2 2023/24 Audits

Service	Audit Area	Position
Council Led HSCP Services	Social Care Financial Assessments	**Review Scheduled**
Council Led HSCP Services	Care Management System	**Review In Progress**
IJB	Compliant Handling	**Review In Progress**
IJB	IJB Hosted Services	**Review Scheduled**

2.3 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 31 July 2023 (the baseline for our exercise), Seven audit recommendations were due and outstanding:

- Six rated as Moderate
- One rated as Minor

As part of the audit recommendations follow up exercise, five recommendations were closed:

- Four rated as Moderate
- One rated as Minor

For the remaining two[1], these have been discussed with management and updates provided on the progress of their implementation.

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

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[1] This is the position with regards to recommendations that were due as at 31 July 2023. Recommendations falling due past this date and those made as part of subsequent Internal Audit Reports will be followed up as part of the standard follow up cycle and reported to Committee session on session.

3 Appendix 1 – Grading of Recommendations

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Board's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Board. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Board's objectives or could impact the effectiveness or efficiency of the Board's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Board. Action is considered imperative to ensure that the Board is not exposed to severe risks and should be taken immediately.

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

Overall Report Area	Report	Grading	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
Transformational Programme	AC2211	**Moderate**	2.5.2 - Finance should liaise with budgets holders and apply MTFS savings as appropriate to H&SCP budgets.	Apr-23	Dec-23	Work is ongoing with regards to monitoring and the application of the MTFF, including sessions with SLT to address the budget. All of these points will be addressed by the time of Q2 monitoring reporting.	**In progress**
Transformational Programme	AC2211	**Moderate**	2.6.13 - Where relevant, budget monitoring information should be regularly reported to groups responsible for Delivery Plan projects with sufficient detail to identify project budget underspends and pressures requiring corrective action.	Jun-23	Dec-23	Work is ongoing with regards to this recommendation and will be addressed by the time of Q2 monitoring reporting, and inline with other recommendations.	**In progress**