



Name of meeting: Corporate Governance & Audit Committee
Date: 22nd April 2022

Title of report: Annual Report of Internal Audit 2021/22 & Issues for 2022/23

Purpose of report; To provide information about Internal Audit activity and the effectiveness of the system of internal control, and conclusions on the control environment and assurance provided in 2021/22, and on matters that relate to Internal Audit activity in 2022/23

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports) ?	Not applicable
The Decision - Is it eligible for "call in" by Scrutiny?	Not applicable
Date signed off by Director & name Is it also signed off by the Service Director for Finance?	Not applicable
Is it also signed off by the Service Director for Legal, Governance & Commissioning?	Not applicable
Cabinet member portfolio	Not applicable

Electoral wards affected: All
Ward councillors consulted: Not applicable
Have you considered GDPR; Yes
Public

1. Summary

- 1.1 This report provides information about Internal Audit activity in the year to 31st March 2022 and notes the outcome of the annual review of the effectiveness of the Council's system of internal control. It provides an "opinion" on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control, and advises as regards compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and Code of Ethics.
- 1.2 The report provides an Audit Plan for 2022/23 and indicates potential priorities for the year and a draft 2022/23 Audit Charter.

2. Information required to take a decision

- 2.1 After the substantial disruptions in 2020/21, the year 2021/22 saw a return to a more routine distribution of planned and reactive work. There continued to be a use of audit resource to support organisational initiatives, particularly related to business grants (and the investigations related thereto).
- 2.2 Using an objective assessment of the Council's framework of governance, risk management and control it is concluded that overall, the Council has sound arrangements to operate its business effectively.
- 2.3 This is based on a somewhat reduced coverage of planned audit activity during the year, and from some unplanned work which assists in ascertaining assurance.
- 2.4 There are several observations and qualifications which are highlighted in the report which should be addressed, although 85% of audit work in the year had positive opinions.
- 2.5 This Committee also needs to review, and indicate that it is content as regards, the effectiveness of the system of internal control. The attached report contains material intended to assist the Committee in reaching a decision.
- 2.6 The report notes that following the external assessment undertaken at the end of the 2017/18 year (which attributed the operation with the highest standard which is "generally conforms"), assessment against the Public Sector Internal Audit Standards (PSIAS) and Code of Ethics has been undertaken this year internally by the Head of Risk as Head of Internal Audit. The assessment has been undertaken against the CIPFA recommended assessment criteria, and the outcomes from this assessment are included in the report.
- 2.7 Each year the Committee needs to consider and approve an Internal Audit Strategy & Charter. A proposed 2022/23 version is attached. (Those of any significance are shown by "track change")
- 2.8 A draft Audit Plan for 2022/23 is included within the papers. This audit plan was the subject of consultation with Kirklees Strategic and Service Directors. Although the statutory restrictions which applied through parts of 2021/22 have now been removed, the way which the Council operates administratively- for example working from home- has changed the way that audit work can be delivered. This requires changes in our approach and in the interaction with clients and sometimes means that work will take longer, impacting on overall achievement within any set of resources. The plan has been drawn up on the basis that there are no limits or restrictions on how the IA function can operate during 2022/23 but taking account of the Council's revised operating style. There is an amount of contingency, providing opportunities to divert resources to priorities, and the unforeseen, or foreseeable.
- 2.9 From April 2022, the Risk Service/Internal Audit has taken responsibility for the Fraud Team, which has been a part of the Exchequer function hitherto and has concentrated on client fraud, mainly social housing and blue badge car parking. The intention is that the Fraud Team, whilst remaining a separate function, will enhance the ability to integrate fraud control within the overall assurance arrangements.
- 2.10 A separate report on this agenda addresses the matter of wider organisational assurance, that goes beyond the scope of Internal Audit and looks at other sources when assessing the organisation's objective control compliance.

- 2.11 This Committee may need in the future to consider if they are happy with the level of assurance that is available, or to seek additional resources to gain satisfaction in relation to the control environment.
- 2.12 The 5 yearly external assessment of the Internal Audit function's compliance with the Public Sector Internal Audit Standards is due to take place during 2022/23.

3. Implications for the Council

- 3.1 **Working with People** – None directly
- 3.2 **Working with Partners** – None directly
- 3.3 **Place Based Working** – None directly
- 3.4 **Improving outcomes for children**– None directly
- 3.5 **Climate change and air quality**- None directly
- 3.6 **Other (e.g., Legal/Financial or Human Resources)**- Although each of the sub-categorisations above suggest no direct implications, the work of Internal Audit covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis. The main issues relate to those areas highlighted above - where there are risks associated with basic processing arrangements and delivering sound governance and control.

4. Consultees and their opinions

- 4.1 Not applicable, although senior managers have been consulted on the draft plan.

5. Next steps & Timelines

- 5.1 This report informs the preparation of the Annual Governance Statement for 2021/22.
- 5.2 Audit activity in 2022/23 will concentrate on major areas of risk and control, based on a prioritised risk assessment. Resources will remain available to investigate significant areas of concern on a reactive basis.

6. Officer recommendations and reasons

The Committee is asked to confirm it is content with the:

- (a) Effectiveness of its Internal Audit function, and to note its conformance with Public Sector Internal Audit Standards and Code of Ethics
- (b) Effectiveness of the Council's overall system of internal control
- (c) Effectiveness of the broader control environment, risk management and governance arrangements of the Council (subject to the observations contained within the report).
- (d) 2022/23 Internal Audit Strategy and Charter and approves this document
- (e) The proposed Audit Plans for 2022/23; and
- (f) Give authority for the Head of Internal Audit to vary the proposed audit plan as is considered necessary, subject to reporting back as a part of the quarterly review process

(g) Arrangements for the Public Sector Internal Audit Standards external assessment which will take place in 2022/23.

7. Cabinet portfolio holder recommendation

Not applicable.

8. Contact officer

Martin Dearnley, Head of Risk 01484 221000 (73672)

9. Background Papers and History of Decisions

The Annual Report of Internal Audit 2021/22 is attached.

10. Service Director responsible

Not applicable.

KIRKLEES COUNCIL
CORPORATE SERVICES: RISK SERVICE
INTERNAL AUDIT

ANNUAL REPORT OF INTERNAL AUDIT 2021/22 & ISSUES FOR 2022/23

1. **Introduction**

1.1 This report assesses the adequacy and effectiveness of the Council's governance, risk management and control environment arrangements during 2021/22 and provides a summary of the activities and performance of Internal Audit during the year. The report also recommends a risk-based Audit Plan for 2022/23 and discusses other issues that relate to that year.

2. **About Internal Audit**

2.1 The scope of Internal Audit's activity is established by the Council's Financial Procedure Rules and the Internal Audit Strategy and Charter. These rules include a right for Internal Audit to have free and unrestricted access to carry out work as is considered appropriate by the Head of Internal Audit (the Head of Risk).

2.2 Internal Audit reviews the Council's assurance framework for governance, risk management and business systems and controls. Some assurance is obtained through the work of other agencies - such as the Council's Health and Safety team. (And the Corporate Governance & Audit Committee have considered this wider assurance).

Internal Audit time is spent:

- (a) Assessing arrangements for financial control.
- (b) Assessing arrangements for other business and organisational controls – such as IT.
- (c) Investigating allegations that the Council's business activities may not be operating in the ways intended.
- (d) On work related to contracting strategy and contractor appraisals.
- (e) To a very limited extent on value for money.
- (f) Resolving a range of finance and control related issues (the most significant of which are reported in the Quarterly Reports).
- (g) On aspects of fraud prevention and detection - such as the biennial National Fraud Initiative
- (h) Contributing generally and providing advice to Council wide and Service specific matters related to governance, risk, financial and business control.

Whilst Internal Audit work can provide some assurance about business processes, it is not resourced in a way to assess the judgement of other professionals.

2.3 Quarterly Reports on the activities of Internal Audit have been provided to the Corporate Governance and Audit Committee. These reports provide

- (i) an opinion about the level of assurance that can be taken from each planned audit on the arrangements in operation at the time of each audit.
- (ii) an opinion about follow-up of earlier Internal Audit work.
- (iii) information about investigations, and other Internal Audit activity.
Implementation of the agreed recommendations should provide a satisfactory degree of control in all cases.

2.4 These reports during 2021/22 reflected a below normal volume of work, reflecting team size, operational constraints and other priorities sought by the Council (e.g., re Covid related grant oversight, and fraud investigations).

3. **Summary of Audit Work in 2021/22**

3.1 Most audit work concludes with an assurance-based opinion,

ASSURANCE >		Substantial	Adequate	Limited	None
ACTIVITY					
Core Financial Systems & Arrangements		50%	50%	0%	0%
Other Financial & Business Controls		22%	38%	32%	8%
Schools		83%	17%	0%	0%
Follow Up		58%	14%	28%	0%
OVERALL ASSURANCE		59%	26%	13%	2%
Positive assurance		85%			
Negative assurance					15%

The total sample size was 47.

- 3.2 The total volume of work in 2021/22 was 47 planned and unplanned routine audit tasks that resulted in an opinion and 5 investigations. 15% of work concluded with an adverse opinion against a corporate target/long term average of 20%. This was 18% in 2019/20 and 29% in 2020/21 (albeit 2020/21 was abnormal). The sample is quite small, and the substantial assurance is distorted somewhat by a very high score at this level amongst schools.
- 3.3 There were some areas of significant operation about which only limited assurance could be provided this year. These included certain aspects (but not all) of areas including procurement (school meals, construction sub-contractors), building control, schools transport, adults emergency duty. There was one “no assurance rating”, where some aspects of the service delivery suggested neither adequate procurement records nor control arrangements.
- 3.4 Follow up audits in areas found inadequate in the past were also quite positive, all had improved (although in two cases these remained inadequate).
- 3.5 There were several investigations reported during the year, detailed in the quarterly reports, that relate to (various) covid grants, emergency accommodation, aspects of the misuse of transport, staffing in the children’s emergency duty team, and waste related contracts.

- 3.6 Audit time has also been spent on routine projects and activities such as:
- Support to governance and control arrangements generally.
 - Preparation of the Annual Governance Statement, although this year there was no monitoring of progress in relation to the action plan.
 - Monitoring and updating Contract Procedure Rules (CPRs) and Financial Procedure Rules (FPRs).
 - Financial appraisal and scoring of applicants for contracts and other aspects of assessing or approving the Council's contractual arrangements.
 - Support to the Information Governance Board, and implementation of GDPR /Data Protection Act
 - Forming a part of the Whistleblowing assessment process by carrying out initial assessment of whistleblowing to decide on the extent to which an allegation may have sufficient merit to justify further investigation.
 - Verification/certification relating to grants, such as various highways and covid grant regimes.
 - Support to corporate projects (such as waste management, district heating)
 - Troubled Families and Life Chances grant analysis
 - SAP control updates
- 3.7 National and local requirements have continued to require remote working methods, in many cases, which have resulted in a greater use of virtual records and information. Whilst much of this is very powerful, some of the normal forms of information gathering, by direct observation, and sight of paper records have often not been possible, and in some cases sample sizes have also been reduced. This may impact on the quality of the opinion. In addition, this remote working means that some work takes longer. This has contributed to a below typical set of internal audit outputs in 2021/22.
- 3.8 Changes made to the risk management processes, in line with the Risk Management Statement have continued in 2021/22. A more structured approach to Risk Panel meetings and assessments has been followed, and reporting was improved during much of 2021/22, although final reporting on to Leadership Management Team was not consistent, regular interaction has taken place with corporate scrutiny processes. The Corporate Risk Matrix, which lists the "fairly stable" set of risks and threats to the organisation, was amended somewhat to reflect the continuing pandemic, although its contents now reflect again many of the broad, constant themes of the matrix. Good practice expects that any Internal Audit planning will recognise the risk management processes of the organisation. However, where risk management arrangements do not provide an assured picture, audit planning is adjusted to recognise this.
- 3.9 Although the Council used a risk-based audit plan in achieving the coverage of business and activity areas on which this opinion is based, the assurance framework delivered by Internal Audit is necessarily not comprehensive. Whilst coverage of financial (and commercial) business processes and governance is risk based, it does not assess the areas that involve professional judgement, particularly in relation to care related services and some other assessments that relate to individual needs.

- 3.10 The Corporate Governance & Audit Committee can gain wider governance assurance from some other sources, (E.g., health & safety, information governance and corporate complaints/ombudsman) although this could perhaps be more structured and extensive, (a matter that will be separately reported).
- 3.11 Work continues to be performed for Kirklees Active Leisure (KAL). Outcomes are reported to KAL's own Audit Committee. Audit work is also carried out for West Yorkshire Fire & Rescue Service (WYFRS), who make substantial use of Kirklees financial systems. WYFRS has its own Audit Committee.
- 3.12 There was no working with Calderdale Council's Internal Audit team during the year.
- 3.13 The staffing position in the Internal Audit team was difficult at times, with one member of staff on maternity leave, and three staff leaving. Two additional employees were recruited toward the end of the year.
- 3.14 As noted in 2.1, the Financial Procedure Rules and the Audit Strategy and Charter document allow Internal Audit unrestricted access to consider areas of activity as they see fit in providing this audit opinion. At no point during the year has any Officer or Member sought to influence or restrict the scope or areas of activity of any piece of work.
- 3.15 The conclusions reached in all the work presented are those of Internal Audit.
- 3.16 Internal Audit operates within the Public Sector Internal Audit Standards (PSIAS), which is a derived form of the international internal auditing standards. Internal compliance testing indicates that the operation was in accordance with PSIAS standards during 2021/22. The function was subject to an external assessment at the end of the financial year 2017/18. The assessment concluded that the activity operated at the highest standard – “generally conforms” to the PSIAS and Code of Ethics. Issues raised related to the time devoted by the Head of Internal Audit, the post holder's role in relation to risk management, training and skills, and performance indicators, including customer feedback. A further external assessment will be required during 2022/23. Appendix 2 provides additional information.
- 3.17 During 2021/22 the Head of Audit & Risk carried out some wider organisational duties that might be considered to conflict with the purely independent role of the Head of Internal Audit. These relate to roles in relation to Council corporate risk management processes, supervision of the insurance function, and limited contract and project advice. Any conflicts are handled by independent reporting, and the conflict is stated in any Internal Audit reports- such as the quarterly reports.
- 3.18 The information then exists to reach an opinion on the overall control environment that applied in 2021/22 can be considered to be:
- (1) The assurance work for 2020/21- 85% of which overall was positive, and all the core financial assurance areas were deemed to provide substantial or adequate assurance (although this sample was both small, and addressed some areas

- that were not fundamental – such as business rates, BACS control, housing rents, and accounting transfers from the former subsidiary KNH to the Council)
- (2) Other assurance information provided to the Committee during the year, e.g., from the Investigator of Regulatory Powers, from the external auditor regarding their work on the 2020/21 accounts and internally re Information Governance, Health & Safety and Customer Complaints.
 - (3) The Head of Internal Audit's wider knowledge- heavily subordinate to the other 3 aspects above- about the broad operation of the control environment of the organisation.
- 3.22 From work during 2021/22 85% of the assessments of the Council's governance, risk management, financial and business controls that were examined were sound and effective. There are though areas of operation where procedures can and should be improved.
- 3.23 It is thus concluded that (subject to the observations above) the Council can be considered to have an adequate control environment.

4. Performance Measures of Internal Audit

- 4.1 There is very little comparative benchmarking available about the costs of Internal Audit. Comparison of staffing numbers locally suggest that taking account of Council (and other) activity, the Kirklees IA team remains smaller than others, some of which have recently looked to strengthen their internal audit coverage.
- 4.2 The continuing somewhat abnormal arrangement means that the usually reported local performance criteria- such as reports completed on time, or within a certain number of days, have not been collated as an appropriate measure for the year. These control measures will be reported again during 2022/23. Otherwise, it may be necessary to reset a reasonable set of benchmarks of performance, by consultation with similar providers.
- 4.3 A quality assessment (13% sample) based on the consistent assessment criteria did find that all the work was compliant with the Standards.

5 Effectiveness of the system of Internal Control

- 5.1 The Accounts & Audit Regulations (England) require an Authority to conduct an annual review of the effectiveness of their system of internal control. An understanding of the arrangements of Internal Audit supports the ability to utilise the opinion of the Head of Internal Audit on the internal control environment as a key source of evidence in the Annual Governance Statement. As noted previously, the systems of assurance about internal control come from a wider source than just Internal Audit, although it is a primary source of assurance.
- 5.2 Financial Procedure Rule 5.6 requires the Head of Audit & Risk to review the systems of Internal Audit on an annual basis. The Public Sector Internal Audit Standards (PSIAS) make it a responsibility of the Head of Internal Audit to carry out periodic internal reviews and every 5 years have an external review of the

Internal Audit function and report these to this Committee. The Standard is complex and the recommended evaluation criteria (as codified by CIPFA) are quite cumbersome, and some are difficult to evaluate. Information about these reviews, finding and actions are provided at Appendix 2 to this report.

- 5.3 Members can gain assurance from several routes including their assessment of this and other reports (particularly the four quarterly reports). They can also gain assurance using factors such as performance indicators, quality assurance and consultation with senior management, although it is acknowledged that for 2021/22, again, this information is very limited.

6. **Internal Audit in 2022/23**

- 6.1 The responsibility for an effective audit function is a shared responsibility between the organisation, and its Head of Internal Audit, with the organisation recognising the importance of adequate and effective arrangements for governance, risk management and internal control, and the Head of Internal Audit ensuring an independent function looking to achieve best practice, that effectively engages with the organisation and the Corporate Governance & Audit Committee.

A risk based draft plan is presented for consideration by this Committee at Appendix 1, which has been subject to consultation with Strategic Directors and their management teams. There are no longer Service specific audit plans, although operational staff, Heads of Service and Directors are still expected to participate in audit planning, delivery, and response to findings.

The performance targets for Internal Audit are at Appendix 3. The schedule of key systems, organisational and business controls is attached as Appendix 4.

- 6.2 Every activity will still – at least theoretically- be in view for Internal Audit, albeit this will be over a timescale of longer than 5 years. Under resourcing for some years, and the very serious impairment to a normal set of assurance reviews for 2020/21, and to a lesser extent 2021/22 means that there is an accumulating list of audits that should be priorities.
- 6.3 The Plan for 2022/23 is prepared around objectives to:
- a) Look at high value or high-risk activity and core systems and basic financial operations, and any that have not been reviewed since 2019/20, and or have been subject to changes in processes or procedures
 - b) Identify and document the wider assurance environment that operates across the organisation and determine if additional processes are needed to achieve a full set of entity control and assurance.
 - c) Ensure basic compliance with processes.
 - d) Have resources to investigate fraud and inappropriate behaviour
 - e) Carry out work contributing to the organisational objective of understanding and improving value for money. and
 - f) Complete the new approach to risk management

- 6.4 The plan is based on a reasonable level of productivity during the year, and no further diversion of resources, or significant impediments to delivery of work. If these cannot be fulfilled, this will impact again on the overall volume of work that can be achieved.

It is hoped that the whole draft plan, or a substantial part of it will be delivered. There must be a recognition of the need for flexibility, and to provide the Head of Internal Audit with authority to flex the plan to meet organisational needs in relation to assurance that processes being operated are sound and free from inappropriate actions or influences.

- 6.5 During 2021/22 a review of the Council's customer fraud risk arrangement - the Welfare and Exchequer Service "Fraud Team"- concluded that the service should be transferred to the Risk Service, to work more closely with Internal Audit on fraud investigation. This reflected a practice developed during 2021/22 when the Fraud team and IA team members were jointly investigating suspected cases of covid business grant fraud. The team has otherwise latterly focused on right to buy, tenancy and blue badge fraud, which will continue during 2022/23. However, the overall Council approach to fraud - awareness and prevention, as well as investigation -will need further attention in 2022/23, to ensure that the Council's arrangements are both effective and efficient. A further report will follow.
- 6.6 Risk management has been substantially operated by the Head of Risk and Internal Audit for some time. As noted in the section relating to 2021/22, there has been continued action to try to improve risk management arrangements, such as more regular consideration of risk and reporting. A new employee has been appointed, who will take up the role of ensuring sound risk management across the organisation. This will be by coordinating the work of the risk panel, ensuring adequate engagement of strategic and service directors and senior managers in risk identification, understanding, managing and reporting and carrying out additional challenge.
- 6.7 Audit work will be performed in accordance with the Audit Strategy and Charter, the 2022 version is shown at Appendix 6 for approval. (Substantial changes are shown by "track" marking).
- 6.8 The Council's Internal Audit function must operate within the International Internal Audit Standard, codified for UK public sector operations by the Public Sector Internal Audit Standards (PSIAS). The international and national standards require an external assessment be conducted every 5 years, which for Kirklees is by 31st March 2023. This external review must be by a competent independent person, who can be a contractor, or by way of peer review. Joining peer review arrangements requires coordination (as some authorities undertook their previous reviews in 2015 or 2016). Under PSIAS requirements, it is the responsibility of the Head of Internal Audit to make external review arrangements under the instruction/guidance of the Chair of the Audit Committee. The Head of Internal Audit consulted the previous Chair of this Committee in 2019/20 about the choices of joining a peer group or seeking a contractor and the choice made at that time was to join a peer arrangement. As

peer arrangements involve providing a service to another authority, which cannot be the same authority as that which carries out the review, Kirklees reviewed Calderdale Council in 2021, and the Head of Internal Audit at Doncaster Council will carry out a review of Kirklees during 2022/23. It is expected that the review will be carried out in Autumn 2022, with a report back early in 2023. The Chair of the Committee will be kept informed during the process.

7. Conclusions

- 7.1 This report has summarised the activities of Internal Audit during 2021/22. Detailed information has been provided to Corporate Governance & Audit Committee during the year.
- 7.2 Despite some continuing difficulties during the year, there is evidence to demonstrate that the Council's system of governance, risk management and internal control is effective and that the opinion of the Head of Internal Audit on the internal control environment can be relied upon as a key source of evidence in the compilation of the Annual Governance Statement, although there are caveats:
- (a) That the assurance coverage is risk based and not absolute across the entire range of organisational activity and
 - (b) Other matters as described in this report.
- 7.3 The proportion of audit work which resulted in an assessment providing at least adequate assurance is 85%. The remaining 15% consists of "limited assurance", with one (2%) "no assurance" this year.
- 7.4 There are no areas where, following audit recommendations, management have formally chosen to refuse to implement recommendations for action (and accordingly overtly accepted the potential consequences as a risk).
- 7.5 The opinion from the work performed - the scope of which does not cover every area of entity risk - is that, although there are some weaknesses in some systems of control, the overall framework of the Council's governance, risk, business and financial systems, processes, controls, and its management of assets, is sound.
- 7.6 It is concluded that, overall, the Council has an adequate and effective control environment.

8. Annual Governance Statement

- 8.1 Information generated by Internal Audit forms a key part of the Council's assessment of the quality of its organisational and business controls and the degree of assurance that can be placed upon their operational effectiveness. This information is used in preparing the Council's Annual Governance Statement which accompanies the Statement of Accounts.

8.2 The positive opinion that the Council's arrangements provide an adequate and effective control environment needs to be considered in the context of the breadth of assurance provided by Internal Audit, and the comments contained in this report. There are several areas that might appropriately be escalated to the Annual Statement of Governance, and these are covered in a separate report to be considered by the Committee in due course.

Contact Officer

M E Dearnley – Head of Internal Audit; (Head of Risk) – 01484 221000 - x 73672

Appendix 1

DRAFT INTERNAL AUDIT PLAN 2022/23

Follows after this report as a separate document

Notes

- Given the continuing constraint on resources, and operating methods, the audits listed above are the proposed core menu from which a priority list of work based on capacity and skills will be drawn.
- The draft plan has been prepared in accordance with the Public Sector Internal Audit Standards.
- Follow up audits relate to audits in 2021/22 which produced a *Limited Assurance* opinion.
- The audit planning process is risk based and attributes a score to each activity in the audit universe. Whilst most audits proposed above have a high “risk” score some lower risk audits have been scheduled to give a broader picture of the control environment across the organisation.

Appendix 2

Recommendations from the External Assessment of Internal Audit 2018

Actions linked to these matters were reported to Corporate Governance & Audit Committee on 25th January 2019

	Recommendations	Progress
1	Time devoted by the head of internal audit to the strategic and operational management of the function.	See table that follows
2	Promoting a split between the creation and management of risk information, and the separate roles of internal audit in challenging entity risk identification and assessment and supporting this Committee in its role in overseeing risk arrangements.	Head of Risk continues to have role in risk management. There is a clearer set of activities re Risk Management, such as the risk panel. A new member of staff has been appointed to take responsibility for risk oversight and coordination.
3	Accessing the skills necessary to address speciality work areas (e.g., cyber-IT) and more generally to secure a sustainable workforce. (2.1).	Recognition that super-speciality skills not practically available, but as a recognition of workforce development trainee accountants recruited in last few years, who will spend some time in Internal Audit
4	Increasing the number of performance measures that are used to assess the effectiveness of internal audit (3.1)	Some additional information provided for those charged with governance. Monitoring targets/comparatives are not valid or appropriate for 2021/22, but new comparators need to be sought.
5	The need to improve feedback/ client engagement information (4.2)	There is equally an absence of any adverse commentary, and attempts to improve feedback have proved challenging (the last 2 years of different pressures have perhaps not helped)
6	Making sure that process documentation is fully completed. (8.1)	Ongoing supervisions and quality checking.

Time spent analysis by Head of Audit & Risk		2021/22 % all year	2020/21 % all year
Specific IA projects, investigations		9	8
General Advice	Childrens	4	1
	Adults	6	5
(#) advice includes corporate projects	Environment & Regeneration	25#	21#
	Corporate	9	10
	Housing	3	6
Procurement & FPRs & CPRs		5	13
Risk Management		6	7
Trust Funds		14	10
CGAC advice		6	5
Management & Supervision		13	14

Annual Review of Internal Audit – 2021- Action

	Recommendations	Actions	Update
1	Explore potential for more rotation of assignments to avoid over familiarity (1130 Impairment)	To be considered on a personal basis based on skill and knowledge	Some staff rotation to new duties/areas, plus new staff appointed
2	Explore further options to obtain customer feedback (1311 assessment)	Consider other options	Not successfully progressed, though more engagement with senior management on planning
3	Is there an adequate audit brief for each audit? (6.3/2200 Engagement Planning)	To consider if client and auditor are clear about objectives, scope etc of each audit	Some greater briefing achieved
4	Potential concern that skill mix does not match workload and aspirations (1200 Proficiency)	Assess skills and options and report back	New staff appointed should widen skill mix
5	Improve corporate reporting to senior management (20101 Planning/ 2060 Reporting)	Agree with Chief Executive what reporting should be provided to ET	Interlinks with corporate assurance and risk reporting
6	Additional work required on "other assurance" sources (2050 Coordination)	Additional work required on "other assurance"	Progressed to reporting stage

Annual Review of Internal Audit - 2022

	Recommendations	Actions	Update
1	Some elements of the Strategy and Charter do not align with recommended practice	Amend Charter/Strategy	April 2022
2	Explore further options to obtain customer feedback (1311 assessment) (from 2021)	Consider other options	Summer 2022
3	Potential concern that skill mix does not match workload and aspirations (1200 Proficiency) (from 2021)	Assess skills -especially of new staff- and options and report back	Autumn 2022
4	Ensure full involvement of senior management in processes (20101 Planning/ 2060 Reporting)	Share charter with senior management	April 2022
5	Progress work on wider "other assurance" sources (2050 Coordination)	Determine if additional work still required on "other assurance"	Summer 2022

Appendix 3

INTERNAL AUDIT PERFORMANCE TARGETS 2022/23

The operating methods did not make pursuing these targets practical in 2020/21, or 2021/22.

They will be reintroduced for 2022/23

<u>Objectives</u>	<u>Performance Measures</u>
Achieve planned audit work as adjusted	80% of planned audits achieved
Achieve each planned audit within budgeted time allowed	80% of planned work achieved within initial time budget
Achieve high level of work quality and customer satisfaction	90% good or better responses to customer questionnaires
Delivery of completed audit work	85% of draft reports issued within 10 days of completion of site work

Appendix 4

KEY CORPORATE SYSTEMS 2022/23

Financial Systems & Controls

Payroll (SAP)
Debtors (SAP)
Procurement / Creditors (SAP)
Council Tax
Business Rates
Council Tax Reduction Scheme (residual Benefits)
Housing Rents
Treasury Management
Payments for Social Care
School Payments
Internal Recharging

Key Organisation & Business Controls

Code of Corporate Governance
Contract Procedure Rules
Financial Procedure Rules
Contract Management
HR Operations
Risk Management
IT Controls
Performance Management Systems
Partnership Governance
Emergency & Business Continuity Planning
Information Security
Health & Safety
Fraud, Bribery & Corruption Risk
Corporate Complaints
Whistleblowing

Appendix 5

DETAILED PERFORMANCE STATISTICS FOR 5 YEARS

	2021/22	2020/21	2019/20	2018/19	2017/18
Number of days spent on planned and unplanned audit work	957	1,195	1,376	894	976
Number of financial processes and systems examined	11	14	32	11	16
Percentage offering limited assurance.	36%	36%	16%	27%	44%
Number of location/ establishment audits undertaken.	0	0	0	0	3
Percentage offering limited assurance			n/a	n/a	0%
Number of school audits undertaken	23	12	29	34	35
Percentage offering limited assurance	0%	0%	10%	6%	3%
Follow up audit work carried out	5	12	13	9	18
Percentage offering limited assurance	28%		31%	55%	44%
Number of business control audits undertaken	6		15	14	12
Percentage offering limited assurance	17%	50%	27%	36%	18%
Number of investigations into irregularity	6	0	7	2	5
Number of managements, governance or value for money studies	0	5	3	0	4
Number of grant audits, consultancy, projects	15	17#	13	19	11
Completed formal tasks	68	43	112	89	104
Overall percentage of reported audits providing only limited assurance/ *unsatisfactory (Corporate target 20%)	15%	29%	18%	22%	22%

included “non audit/ assurance” tasks

