

Report of:	Head of Internal Audit, Veritau
Submitted to:	Corporate Affairs and Audit Committee, 16 February 2023
Subject:	Internal Audit consultation report

Summary

Proposed decision(s)
<p>That the Committee:</p> <ul style="list-style-type: none"> • Provides comments on risk areas that they consider a priority for audit in 2023/24 to help inform the preparation of the annual internal work programme • Notes the progress on ongoing audit work.

Report for:	Key decision:	Confidential:
Information	No	No

Contribution to delivery of the 2021-24 Strategic Plan		
People	Place	Business
<p>Agreement to note the audit findings or identify where additional assurance is required will help the Committee perform its role. Internal audit work contributes towards achieving the Council's priorities by identifying any potential control issues which may obstruct that achievement.</p>	<p>Internal Audit assists management in delivering their priorities by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the quality of controls, ensure value for money and achieve better outcomes for local people.</p>	<p>Internal Audit assists management in delivering their priorities by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the quality of controls, ensure value for money and achieve better outcomes for local people.</p>

Ward(s) affected
None.

What is the purpose of this report?

1. To seek the initial views of Members on priorities for internal audit work during 2023/24 to help inform the preparation of the annual internal audit work programme.

Why does this report require a Member decision?

2. The Public Sector Internal Audit Standards (PSIAS), and the Council's internal audit charter require internal audit to draw up an indicative programme of work based on an assessment of risk. The standards require internal audit to independently form a view on the risks facing the council. However, they also require the opinions of the Corporate Affairs & Audit Committee and senior council officers to be taken into account when forming that view.

Report Background

3. Internal audit provides independent and objective assurance and advice on the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.

Consultation on 2023/24 internal audit work programme

4. A flexible approach to audit planning has been in place since 2020/21. Under this approach, an indicative long list is developed at the start of the year. The long-list includes all areas that are likely to be important for audit in the year. However, it is over-programmed (it includes more work than it is possible to complete). Actual work to be undertaken is selected from the long list throughout the year based on an ongoing assessment of risks and priorities. This approach allows us to keep upcoming work under review, to ensure we are targeting audit resources to those areas most needed. It also builds in flexibility, by enabling us to respond quickly to emerging issues or to commence work on other areas of importance when risks and priorities change. The long list is also kept under review during the year. Potential audits are added or removed as required
5. The indicative programme is informed by a number of factors such as the Council's risk registers, relevant national issues and our wider audit knowledge, including the results of recent audit work. The Council's external auditors (EY) are also consulted to avoid possible duplication of work programmes and to maximise the overall benefit of audit activity. The draft work programme will be presented to the Corporate Affairs & Audit Committee in June 2023, for approval.
6. Internal audit work programmes cover a range of risk areas to ensure that overall, the work undertaken will enable the service to meet the requirements of the standards to provide an overall opinion on the framework of governance, risk management, and control operating at the Council. We have defined 11 key areas where we require assurance during the course of the year in order to provide that opinion, as follows:
 - Strategic planning
 - Organisational governance
 - Financial governance
 - Risk management
 - Information governance

- Performance management and data quality
- Procurement and contract management
- People management
- Asset management
- Programme and project management
- ICT governance

7. In practice, the indicative programme will be structured into a number of sections, as set out below. In assessing what work is included in each area, consideration is given to the priorities listed at paragraph 6.

- **Strategic / corporate & cross cutting** – to provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the Council.
- **Technical / projects** – to provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the Council as the risks involved could detrimentally affect the delivery of services.
- **Financial systems** – to provide assurance on the key areas of financial risk. This helps provide assurance to the council that risks of loss or error are minimised.
- **Service areas** – to provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the Council if they were to materialise.
- **Other assurance areas** – an allocation of time to allow for continuous audit planning and information gathering, unexpected work, and the follow up of work we have already carried out, ensuring that agreed actions have been implemented by management.
- **Client support, advice & liaison** – work we carry out to support the Council in its functions. This includes the time spent providing support and advice, and liaising with staff.

8. The table at figure 1 below includes some initial ideas on areas for consideration for audit in 2023/24. These are included to prompt discussion and are not intended to be a definitive or complete list of areas that could be reviewed.

9. The committee's views are sought about areas they consider a priority for audit in 2023/24. This may include particular areas listed in figure 1 that they think should be a high priority (or that may be less important) or any other areas which should be considered for audit.

Figure 1: possible areas for audit in 2023/24

Area	Possible Work
Strategic / corporate & cross-cutting	<ul style="list-style-type: none"> • Medium term financial planning and budgeting, budget management, savings plans, commercialisation and investment strategy, commercial property management, financial resilience; • Areas of the Council’s corporate governance framework (e.g. schemes of delegation, constitution, complaints process, standards); • Strategic Planning (e.g. policies and procedures, the Council Plan); • Risk management, business continuity, disaster recovery plans and insurance arrangements; • Performance management and data quality; • Partnership working; • Procurement and contract management (including supply chain resilience third party risk, due diligence, Modern Slavery Act compliance); • Training and development; • HR and organisational development / workforce planning (e.g., homeworking arrangements, management and supervision of remote teams, staff wellbeing, succession planning); • Information governance and data protection – compliance, management of information assets, data breach management, data sharing agreements, data storage arrangements, training; • Environment, climate change and waste – air pollution, carbon footprint, energy reduction, recycling, electric vehicle usage; • Health and safety.
Technical / projects	<ul style="list-style-type: none"> • Overall corporate arrangements; • Review of specific key projects; • IT Strategy & Governance (such as information security policies, IT risk management, supporting service development and roles and responsibilities); • IT Information security (such as server configuration, patch management and operating system configuration); • IT Services (such as help desk, incident management and network availability); • Cyber security; • Digitalisation / automation.
Financial systems	<ul style="list-style-type: none"> • Payroll/personnel; • General ledger, debtors (including debt recovery and enforcement practice), creditors, cash income; • Capital accounting and assets; • Council Tax/ NNDR & benefits; • Treasury management.

Service areas	<ul style="list-style-type: none"> • Adult and children’s social care – budget management, workforce planning, case management, placements, referrals and assessments, recruitment & retention, procurement, quality assurance, capacity, contract monitoring, deprivation of liberties, direct payments; • Special Education Needs and Disability (SEND) – EHC plans (processes), planning, working with partners, funding; • Public health including management of contracts • Housing strategy, use of temporary accommodation and homelessness; • Other risks relating to specific service areas (such as schools, planning, local plan strategy, estates, leisure services, waste collection and recycling, licensing, community safety, environmental health, economic development, domestic violence strategies).
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Ongoing internal audit work

10. Ongoing work continues in a number of audit areas following the last progress report to this committee in December 2022. In particular, our audits on senior management reviews and the Middlesbrough Development Company are nearing conclusion.
11. An initial draft audit report has been shared with officers on senior management reviews which outlines our findings. We are awaiting a management response before we can finalise this work.
12. We provided a summary of the issues identified as part of our audit of the governance arrangements in place for the Middlesbrough Development Company, to officers in November 2022. Work has continued since and at the time of writing we are expecting to issue a draft report to officers imminently.
13. We will provide a verbal update at the committee meeting and expect to be able to report the outcomes of both audits to the next committee meeting in March 2023.
14. We have made mixed progress towards completing two audits within Children’s Services which we were expecting to report to the March committee. An audit of commissioning has proven difficult to complete due to officer availability although we hope to be able to produce a draft report in the near future. Similarly, an audit of demand management (incorporating budget management) has been difficult to progress due to a number of officer changes in the relevant service area. We are now hoping to agree a specification with the new officers in the coming weeks.

What decision(s) are being asked for?

15. That the committee:

- Provides comments on risk areas that they consider a priority for audit in 2023/24 to help inform the preparation of the annual internal audit work programme.
- Notes the progress on ongoing audit work.

Why is this being recommended?

16. Internal audit professional standards require internal audit to consult with the committee when developing work programmes.

Other potential decisions and why these have not been recommended

17. This report is for information. There are no other options available.

Impact(s) of recommended decision(s)

18. There are no implications to this report in relation to:

- *Legal*
- *Financial*
- *Policy Framework*
- *Equality and Diversity*
- *Risk*

19. The Council will fail to comply with proper practice for internal audit if Members are not consulted on the content of audit plans.

Actions to be taken to implement the decision(s)

20. Any views expressed by Committee members will be considered when preparing the 2023/24 internal audit work programme.

Appendices

None

Background papers

No background papers were used in the preparation of this report

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