

# Audit Services Progress Report 17 September 2024

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# Purpose of the Report

In accordance with the Public Sector Internal Audit Standards (PSIAS) and Internal Audit Charter, the Head of Audit is required to provide a written status report on:

- An update on progress against the annual audit plan;
- A summary of internal audit performance, planning and resourcing issues; and
- A summary of any significant issues that impact on the Chief Internal Auditor's annual opinion.

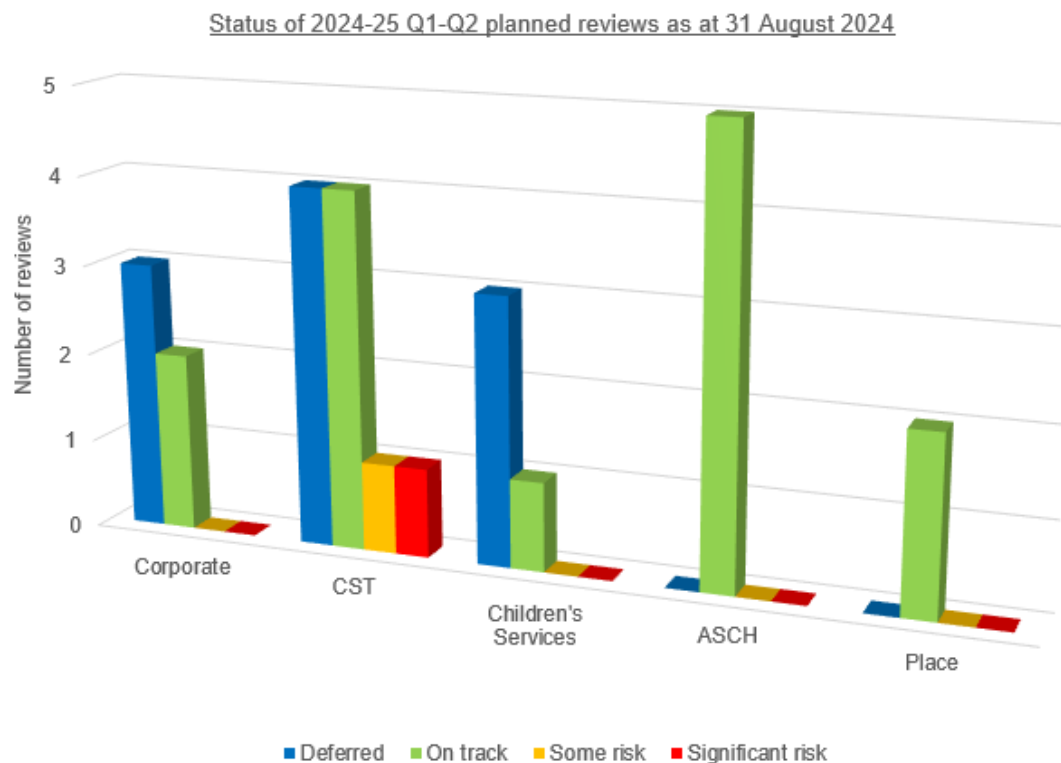
Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Level of Assurance		Explanation and significance
Substantial Assurance		Whilst there is a sound system of governance, risk management and control, minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives have been detected.
Satisfactory Assurance		Whilst there is basically a sound system of governance, risk management and control, some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls or scope for improvement identified, which may put achievement of system/audit area objectives at risk. Should these weaknesses remain unaddressed, they may expose the Council to reputational risk or significant control failure.
Limited Assurance		Significant weaknesses and/or non-compliance have been identified in key areas of the governance, risk management and control system which expose the system/audit area objectives to a high risk of failure, the Council to significant reputational risk and require improvement.
No Assurance		Control has been judged to be inadequate as systems weaknesses, gaps and non-compliance have been identified in numerous key areas. This renders the overall system of governance, risk management and control inadequate to effectively achieve the system/audit area objectives which are open to a significant risk of error, loss, misappropriation or abuse. Immediate remedial action is required.

All work undertaken by Audit Services is conducted in accordance with the standards required by the PSIAS and in conformance with the International Standards for the Professional Practice of Internal Auditing. The work of the Unit complies with the Council's Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

# Performance Dashboard

The Audit Committee approved the Internal Audit Plan for 2024-25 (Q1-Q2) on 19 March 2024. Summarised below is the progress to date in delivering that Plan and an estimate of the forecast position at the end of Q2 (30 September 2024):



Good progress has continued in recent months across ASCH and Place in undertaking 2024-25 Q1-Q2 audits, completing the associated fieldwork and producing reports, a number of which have been issued in draft. A number of Corporate and CST reviews have been deferred to Q3-Q4 and two CST audits which are currently in progress are expected to be completed in Q3-Q4. As reported at the last meeting three planned audits in Children's Services could not be started due to an ongoing SEND review and these have now been deferred to Q3-Q4.

Where reviews have been deferred, Audit Services have attended Children's Services and CST Management Team meetings and alternative reviews have been identified.

## Progress of planned audits

Audit	Current status	RAG rating – on track for 30 Sept 2024	Comments – where there is a risk of non-delivery / delay
<b>Corporate Reviews:</b>			
Workforce Development (Qualifications)	Fieldwork		
Partnership Working	Not Applicable	-	CMT approved a review of partnerships in August 2024. Audit Services will contribute to the central review rather than complete a separate audit to avoid duplication, therefore removed from the plan for now.
Inductions	Not started	-	Deferred to 2024-25 Q3-Q4 at the request of HR.
Contract Management	Draft Report		
Contract Extensions	Not started	-	Audit deferred until after the completion of the Contract Management review, expected to begin in September 2024.
<b>CST Reviews:</b>			
IT Assurance Map	Planning		Work is ongoing - full year audit with target completion date of 31 March 2025.
Shaping Cloud	Not started		Deferred due to the availability of Audit resources.
Cyber Security Assurance Framework	Draft Report		
Data Protection	Planning		Currently in planning stage, report likely to be issued in Q3.
Budget Savings Plans	Not started	-	Deferred to Q3-Q4.
Property Contractor Management	Not started	-	Deferred to Q3-Q4.
Property Valuations	Planning	-	Deferred to Q3-Q4.
Property Maintenance	Draft Report		
Health & Safety	Fieldwork		
Registrar Service	Final Report		

Audit	Current status	RAG rating – on track for 30 Sept 2024	Comments – where there is a risk of non-delivery / delay
Discretionary Grants	Planning	-	
<b>Children's Services Reviews:</b>			
Special Education Needs	Planning	-	Deferred to Q3-Q4.
Personal Budgets	Planning	-	Deferred to Q3-Q4.
Complaints Management	Planning	-	Deferred to Q3-Q4.
Thematic School Reviews – Data Protection	Final Report		5 Reports Issued
<b>Adult Social Care &amp; Health Reviews:</b>			
Mosaic PO Numbers	Fieldwork		
Waiting List Management	Planning		
Peer Group Discussions	Draft Report		
Public Health - Safeguarding	Fieldwork		
Public Health - Substance Misuse Funding	Final Report		
<b>Place Reviews:</b>			
Disposal of Materials	Fieldwork		Audit Services are supporting the Department with additional ongoing work which may delay the fieldwork. Report likely to be issued in Q3.
Review of Waste Management (incl. System)	Fieldwork		
Concessionary Fares	Final Report		
<b>Key:</b>			
On track	Some risk of non-delivery	Significant risk of non-delivery	Not applicable
<b>Ongoing Audit Support:</b>			
Strategic Management (Audit)	Audit Committee & Support		Information Governance Group & Support
National Fraud Initiative and Anti-Fraud Network	Counter Fraud and Audit Investigations		Governance Group & Support
RIPA Management and Administration	Data Protection Group & Support		

## Changes to the approved plan

Whilst every effort has been made to undertake the audits included in the approved Audit Plan 2024-25 (Q1-Q2), in some instances, it has not been possible to do so due to system issues, staff availability or other work pressures. In these cases, management have been asked to identify a replacement review. The following replacement reviews have been identified as at 31 August 2024:

Audit	Current status	RAG rating – on track for 30 Sept 2024	Comments – where there is a risk of non-delivery / delay
<b><u>CST:</u></b>			
SAP Interfaces and Data Exports	Fieldwork		Following the migration of SAP to a cloud platform, a compliance review of the data interfaces was scheduled to assess the control framework around personal and financial data transactions.
Insurance and Risk Management	Draft Report		As part of the Cyber Assurance Framework review, several general control weaknesses within the core Insurance Service operational arrangements were identified. As a result, it was considered appropriate to report these separately, as these fell outside of the Cyber Assurance Framework audit scope.
Partnership Working	Removed		Following planning meetings it was identified a project has been commissioned within this area therefore audit will not commence this audit at this time to avoid duplication.
<b><u>Children's Services:</u></b>			
Management of s.106 income	Fieldwork		This was originally included within the Audit Plan 2024-25 (Q1-Q2) as a reserve review but was commenced due to delays in planned SEND audits.
Link Advisors	Planning		Identified by the Department as a potential replacement to the SEND reviews which were deferred into the next planning period (Oct 24 – Mar 25).
Spend in Residential Homes	Not Started		Identified by the Department as a potential replacement to the Complaints Management review which was deferred into the next planning period (Oct 24 – Mar 25).
<b><u>Place:</u></b>			
Home to School Transport – Root cause analysis	Planning		This review was carried forward from 2023-24. Potential timing and scope of the review was discussed with management. Agreed that it would be undertaken in autumn 2024 to allow resources to be focused on

Audit	Current status	RAG rating – on track for 30 Sept 2024	Comments – where there is a risk of non-delivery / delay	
			addressing identified control weaknesses within home to school transport.	
Home to School Transport – Project Planning	Planning		This review was carried forward from 2023-24. To be completed later in 2024 to allow time for the home to school transport project plan to be embedded.	
<b>Key:</b>				
<b>On track</b>	<b>Some risk of non-delivery</b>		<b>Significant risk of non-delivery</b>	<b>Not applicable</b>

### **Continuous Auditing**

The Unit has completed the first of four phases of the continuous auditing work which involved the identification of ‘priority areas’ for review (Payroll, Exchequer Services, IT Security & Governance, Financial Accounts, Procurement and Treasury Management), identification of the associated key risks and management controls and determination of the review frequency. Over the next five months, the Unit will look to complete the other three phases, to enable reporting to senior management and the Audit Committee in early 2025.

Phase Two – Walkthrough of the priority areas with the relevant service to obtain a detailed understanding of the operational procedures and control frameworks on which the continuous auditing process will draw its assurance.

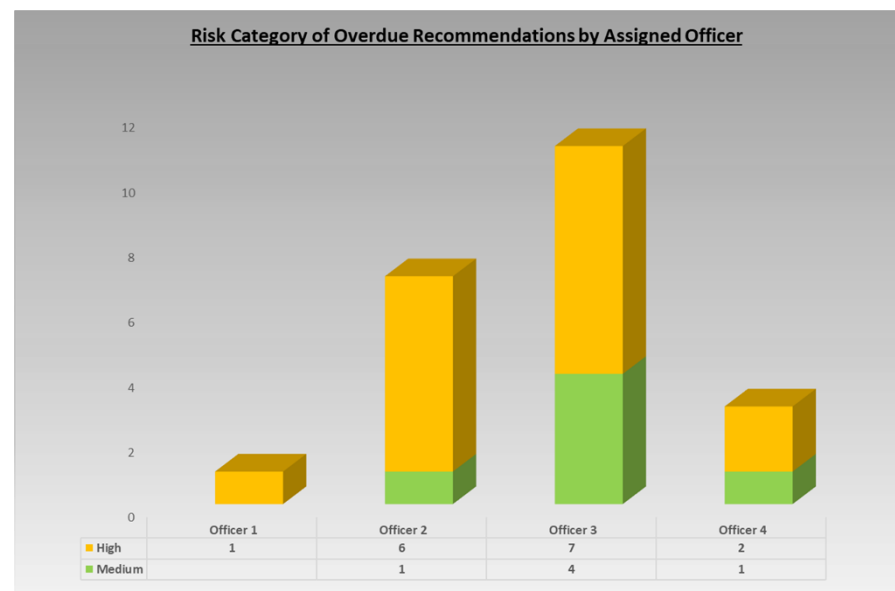
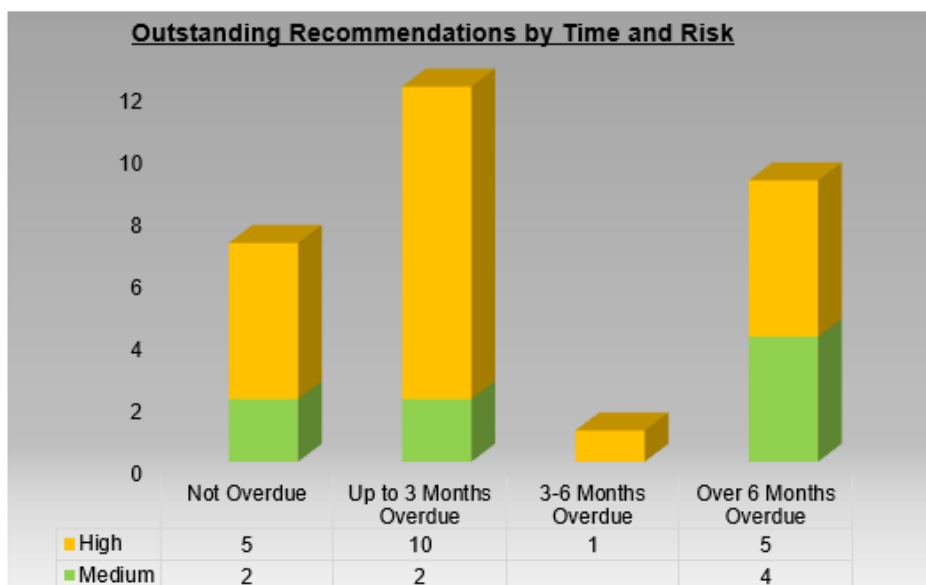
Phase Three – Run the continuous auditing in ‘test mode’ to ensure that the outcomes from the priority areas are in line with senior management and audit expectations. Identify and refine any areas of duplication, changes in control frameworks or priority areas that may require reclassification.

Phase Four – Report the continuous auditing results as part of the current departmental and corporate management team audit progress information packs and include within the 2025 Audit Committee Progress reports.

# Progress of implementation of recommendations

## Current Status

Since July all departments have been provided with a monthly audit progress information pack, which includes a summary of the progress of audit work against the Audit Plan agreed by the Audit Committee. As part of this process, a detailed breakdown of the current level of outstanding recommendations by period, assigned officer and priority level (**edited examples** shown below) can be visualised.



Throughout this period, Audit Services have attended the various departmental senior management team meetings to discuss the current recommendation tracking process and provide support where necessary. As this process has become embedded and initial queries/ system flaws addressed, departments have been made aware that the summary reports will be included within the Audit Progress report scheduled to be presented at the Audit Committee meeting on 3 December 2024.



## Reports issued since the previous Progress Report on 16 July 2024

Audit name	Audit Plan Year	Assurance	Recommendations				Recommendations driving a limited assurance opinion
			Critical	High	Medium	Low	
<b>2023/24 Audit Plan</b>							
Registration Service	2023-24	Substantial	0	0	2	0	N/A
Audit Investigation – School*	2023-24	Limited	0	5	3	2	
Audit Investigation – Home for Older People*	2023-24	Limited	1	5	0	0	
Review of Traded Services (Educational Psychologists)*	2023-24	Limited	0	3	1	0	
<b>2024/25 Audit Plan</b>							
Concessionary Fares	2024-25	Substantial	0	0	1	2	N/A
School Thematic Information Security Review – Park House Primary	2024-25	Satisfactory	0	1	0	0	N/A
Contract Management*	2024-25	Limited	0	3	2	0	
Cyber Security Assurance Framework*	2024-25	Limited	1	11	18	0	
Insurance and Risk Management*	2024-25	Limited	0	4	2	0	
Peer Group Discussions*	2024-25	Limited	0	2	1	0	
Property Maintenance*	2024-25	Limited	3	6	3	0	
School Thematic Data Protection Review – Charlesworth Primary	2024-25	Limited	0	2	1	0	<ul style="list-style-type: none"> <li>Action the findings of Data Protection Audits.</li> <li>Update Data Protection Policy and deliver training.</li> <li>Complete Data Protection Impact Assessments.</li> </ul>

Audit name	Audit Plan Year	Assurance	Recommendations				Recommendations driving a limited assurance opinion
			Critical	High	Medium	Low	
<b>School Thematic Data Protection Review – Eyam Primary</b>	2024-25	Limited	0	2	2	0	<ul style="list-style-type: none"> <li>• Appoint a Data Protection Officer.</li> <li>• Introduce a data protection and information governance training programme.</li> </ul>
<b>School Thematic Data Protection Review – Norbriggs Primary</b>	2024-25	Limited	0	2	1	0	<ul style="list-style-type: none"> <li>• Provide training to staff and governors and update induction process.</li> <li>• Update privacy notices.</li> <li>• Ensure third-party contracts are in place to comply with data protection.</li> <li>• Complete Data Protection Impact Assessments.</li> </ul>
<b>School Thematic Data Protection Review – Palterton Primary</b>	2024-25	Limited	0	2	0	0	<ul style="list-style-type: none"> <li>• Update Data Protection Policy and deliver training.</li> <li>• Complete Data Protection Impact Assessments.</li> </ul>
<b>Audit Investigation – External Appointments</b>	2024-25	N/A	0	4	0	0	<ul style="list-style-type: none"> <li>• Recommendations made to management</li> </ul>

\* Draft Report Issued – To be finalised and recommendations agreed with management, therefore subject to change before finalisation.

Where 2024-25 Audit reviews are issued with a 'Limited' or 'No' assurance opinion, the executive summary from the relevant Audit Report will be included within the next Progress Report issued to the Audit Committee. This will provide transparency to the Committee on the particular control weaknesses identified that are driving the opinion. As at 31<sup>st</sup> August 2024 the only final report that has been issued received a substantial assurance.

### Classification of audit recommendations

Audit recommendations are classified as critical, high, medium or low priority as defined below:

Level	Category	Explanation and significance
1	Critical	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	High	The absence of, significant weakness in, or inadequate internal controls over the operation of key systems or processes which compromise the integrity/probity of the client's operations. These would result in a potential significant increase in the level of risk exposure which may be financial, reputational or take the form of an increased risk of litigation.
3	Medium	Findings which identify poor working practices or non-compliance with established systems or procedures which result in increased risk of loss/inefficient operation and which expose the client to an increased level of risk.
4	Low	General housekeeping issues which require consideration and a planned implementation date within the medium term.

# Audit Resources and Performance

The structure of Audit Services changed slightly since the Audit Plan 2024-25 (Q1-Q2) was approved by the Audit Committee on 19 March 2024 with a reduction of 0.6FTE due to a staff leaver and this was reported in July. At this stage, this continues to be monitored but audit resources are considered to be sufficient to deliver the Audit Plan 2024-25.

## Key Performance Indicators for 2024-25

Ref	Indicator	Target	July 24	August 24	Comments
KPI01	Percentage of Approved Audits on track for delivery Delivered	95%	77%	89%	15 out of 28 Audits (54%), although 10 reviews have been deferred (89%)
KPI02	Percentage of Audit Reviews Completed within the planned time budget (within 10% variance)	90%	0%	50%	Six reports issued
KPI03	Percentage of Audit Reviews that delivered draft report in line with agreed Terms of Reference	90%	50%	50%	Six reports issued
KPI04	Percentage of management responses to draft audit reports received within 20 working days	90%	n/a	100%	2 final reports issued
KPI05	Percentage of audit recommendations implemented on time	90%	n/a	15%	31 out of 211 recommendations implemented
KPI06	Client Satisfaction – Percentage of questionnaire responses rating the Audit as good or very good	90%	n/a	100%	3 responses since 1 April 2024

### Explanation on inclusion of new indicators

KPI01 – Demonstrates the effectiveness of the Audit Services team in delivering the audits approved. Other factors affect this KPI such as management engagement which is highlighted in the Performance Dashboard Section.

KPI02 – Demonstrates the efficiency of the Audit Services team in completing audit work within agreed time budget.

KPI03 – Demonstrates the efficiency of the Audit Services team in completing and issuing audit reports in line with agreed timescales.

KPI04 – Demonstrates if management are engaging with Audit Services to provide management comments post issue of draft report.

KPI05 – Demonstrates if management are implementing previous audit recommendations in line with agreed timescales, more details will be provided around this KPI in future Progress Reports.

KPI06 – Demonstrates client satisfaction levels from management on Audit Services engagements.