

Internal Audit Update Report

16 April 2024



Introduction

1. Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes. Each individual review contributes towards the Chief Audit Executive's overall opinion on systems of risk management, governance and control provided at the end of the year.
2. This report provides Members with an update on internal audit activity, and, most importantly, its outcomes, against the Plan that was agreed by Members of this Committee in March 2023.
3. It also seeks to enable the Committee to discharge its responsibility to provide oversight of the quality and effectiveness of the Internal Audit Partnership. The Key Performance Indicators for Quarter 3 are provided in **Annex A**.

Internal Audit Progress Update

4. Our Trainees have settled in well and have started their apprenticeships with Birmingham City University. In addition to the university study, we are supporting them through mentoring and a gradual introduction to the internal audit process.
5. We have had a Lead Auditor vacancy since May 2023 and several previous recruitment exercises have unfortunately been unsuccessful. We are in consultation with Human Resources to decide on the best way forward with this post in order to provide adequate capacity as well as skills and knowledge within the team.
6. The table below provides the current status of the audits currently underway:

Audit Title	Current Status/Assurance rating
Community Mobilisation (Better Together)	Complete/Substantial
HUG1 grant claim verification	Complete
Revenues & Benefits Discretionary Powers	Complete/Substantial
IT Service Desk	Draft Report
Capital Project Management	Draft Report
Continuous Staff Performance Monitoring	Review
Accounts Payable continuous assurance	Fieldwork
Sencio	Fieldwork
Subject Access Requests	Fieldwork
Disabled Facilities Grant	Fieldwork
Markets	Fieldwork
Household Support Fund	Planning
Health & Safety	Planning

7. Completion of these projects along with the projects completed earlier in the year will provide sufficient coverage to inform the overall opinion which will be brought to Audit Committee in July.

Internal Audit Outcomes

8. Since the last update report in February, we have completed a further 2 audits. I provide the summaries of the completed audits below along with their associated assurance ratings (definitions found at **Annex B**):

Community Mobilisation – Issued March 2024

Substantial

9. The objective of the audit was to review the effectiveness of controls over the governance and administration of the Better Together community hub. We found the controls in place are generally sound. The functionalities of the platform meet the requirements of the Council, as specified in their website specification document, and the tools and resources available from the site to assist residents and organisations are up to date. Our testing found all current content is in line with the terms of service, and there are controls in place to ensure the provider of the platform approves all content before publishing.

Priority Ranking	Number of audit actions	Actions agreed
Low	3	3
Advisory	1	1
Total	4	4

Revenues & Benefits – Discretionary Powers – Issued March 2024

Substantial

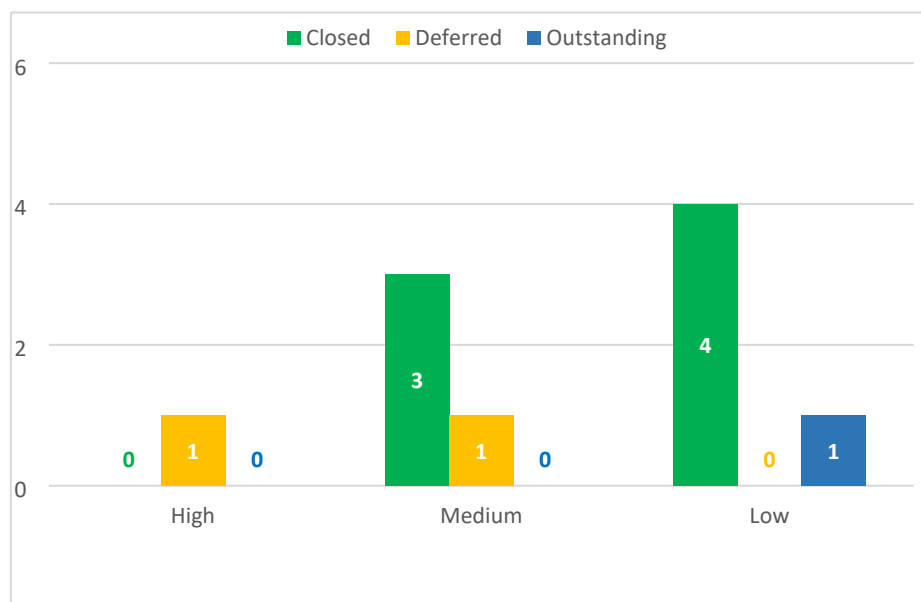
10. The objective of the audit was to seek assurance on the delegation and use of discretionary powers within Revenues & Benefits, particularly in relation to discretionary Housing payments, exceptional hardship payments, discretionary local business rates relief and Council Tax discretionary reduction scheme. We found the processes in place for the Council to exercise its powers and administer discretionary payments is sound. There are well documented policies and procedures in place for managing and handling discretionary payment applications. There is also a robust system of controls in place for processing the applications, which includes verifying claimant income and expenditure, and supplying additional supporting information in order to ensure the applicant meets the qualifying criteria.

11. Our sample testing of 80 cases from across both Councils showed compliance with the documented procedures.

Priority Ranking	Number of audit actions
Advisory	2
Total	2

Follow Up

12. Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. The below table shows the results of our follow up process for actions due in Quarter 3 this financial year.



13. There were five high priority actions from the Procurement audit, which fell due during this period, three of these have been implemented, the remaining two have been deferred. The deferred actions include reviewing the resources and structures to support procurement within the Council and the other is to review supplier spend.

14. Both actions have made progress, with responsibility for procurement support being integrated into an amended post, which will be advertised shortly. Initial analysis has been completed in relation to supplier spend, though there is more work to be done to gain the most value from that exercise. An additional two actions which were not due to be followed up until April have also been implemented ahead of schedule.

Internal Audit Performance

15. **Annex A** contains the results of our Performance Indicators (PIs) for Quarter 3 (October - December). Our PIs indicate an improvement in some areas, though there is still some

work to be done in relation to timeliness of audit delivery. Ensuring that our 3 new members of the team have been properly supported as they settle into their roles and gain experience required to undertake audits continues to have an impact on our performance as reported.

Conclusion

16. While slower than desired, completion of prior year's audit work is almost complete. Work on the 2023/24 audit plan is progressing and I anticipate there will be sufficient audit coverage to inform the Chief Audit Executive Annual Opinion in July 2024.
17. We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work.

Jennifer Warrillow

Audit Manager

Annex A – Key Performance Indicators for Q3 (October to December 2023)

Finance: Associated performance indicators	Q3 2023	Internal processes: Associated performance indicators	Q3 2023
<p>F1: Percentage of budgeted days taken to complete projects – <i>Target 110%</i> Reported on a cumulative basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	131%	<p>I1: Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported quarterly</p> <p>Indicator measures the efficiency of our audit work and effective engagement between auditors and clients</p>	0%
<p>F2: Chargeable days – <i>Target 65%</i> Reported on a quarterly basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	60%	<p>I2: Average time taken between issue of the DRAFT report and FINAL report – <i>Target 15 working days</i> Reported quarterly</p> <p>Indicator measures the effectiveness of our process to finalise audit reports and currency of reporting</p>	34.5 days
Client satisfaction: Associated performance indicators	Q3 2023	Learning & Development: Associated performance indicators	Q3 2023
<p>C1: Percentage of audits with real time service improvements – <i>Information only.</i> Reported quarterly</p> <p>Indicator measures percentage of audits which result in service improvements identified and actioned during the audit process and not included in management action plans</p>	0%	<p>L1: Audit actions fully implemented within agreed timescales – <i>Target 80%</i> Reported quarterly</p> <p>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	68%
<p>C2: Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	86%	<p>L2: Number of audits using data analytics tools – <i>Target 60%</i> Reported quarterly</p> <p>Indicator measures our development of the use of data analytics to enable greater assurance to be provided.</p>	33%

Annex B - Definitions of Assurance ratings:

OPINION	DEFINITIONS
<p>Substantial Assurance</p>	<p>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.</p>
<p>Reasonable Assurance</p>	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
<p>Limited Assurance</p>	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>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.</p>
<p>No Assurance</p>	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>