

Finance, Risk, Audit and Standards Committee

Membership, including Ex-officio Chair and Deputy Chair of the Authority

-	Sec of State	Sec of State Parish	R&CBC	NYC
Names	Patrick James Christine Robertson	Bob Marley Colin Williamson		David Jeffels Clive Pearson Heather Moorhouse John Ritchie George Jabbour
Number of members	4		5	
Total membership	9			
Quorum	5 (includes at least one Sec of State and one Local Authority Member)			

ANNUAL HEAD OF INTERNAL AUDIT REPORT 2023/24

20 May 2024



CONTENTS



Background 4



Internal audit
work carried out 4



Professional standards 4



Opinion of the Head of Internal Audit 5

Appendix A
2023/24 internal audit work 7

Appendix B
Summary of Findings 8

Appendix C
Audit opinions and priorities for actions 13



Katie Barnard
Internal Audit Manager



Max Thomas
Head of Internal Audit

Circulation list: Members of the Finance, Risk, Audit and Standards Committee



BACKGROUND

1. The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Authority's audit charter. These require the Head of Internal Audit to present an annual report to the Finance, Audit, Risk and Standards Committee. The report must include an opinion on the adequacy and effectiveness of the Authority's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



INTERNAL AUDIT WORK CARRIED OUT IN 2023/24

2. During 2023/24, internal audit work was carried out across a range of the activities of the Authority as agreed by the Finance, Audit, Risk and Standards Committee on 29 August 2023.
3. Appendix A summarises the internal audit work carried out during the year and the opinion given for each report. Appendix B provides details of the key findings arising from our internal audit work and appendix C provides an explanation of our assurance levels and priorities for management action.



PROFESSIONAL STANDARDS

4. In order to comply with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Finance, Audit, Risk and Standards Committee along with any areas of non-conformance with the standards. The QAIP consists of various elements, including:
 - a. maintenance of a detailed audit procedures manual and standard operating practices;
 - b. ongoing performance monitoring of internal audit activity;
 - c. regular customer feedback;
 - d. training plans and associated training and development activities;

- e. periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).
5. The standards also require external assessment of internal audit practices at least once every five years. An external assessment of Veritau's internal audit working practices was undertaken between June and August 2023, by the Chartered Institute of Internal Auditors.
 6. The report concluded that Veritau's internal audit activity generally conforms to the PSIAS¹ and, overall, the findings were very positive.
 7. The feedback included comments that the internal audit service was highly valued by Veritau's clients. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engaged flexibly with our clients throughout the internal audit process, at both strategic and operational levels.
 8. The report concluded that Veritau generally conforms to 59 of the 60 applicable principles. One area for improvement was highlighted relating to assurance mapping. The recommendation and our response are included in the table below:

Recommendation	Response and Action Date
The CAE should continue to develop a proportionate, formal approach to assurance mapping, coordination and where appropriate, reliance, to enhance the function's risk-based planning, delivery and the effectiveness of assurance provided to key stakeholders.	Agreed – we will develop our approach to assurance mapping and working with other internal and external assurance provision. The approach will be flexible to reflect the different sectors and clients we provide internal audit services to. Target implementation date 31 March 2024

9. A further self-assessment against the standards is currently in progress. This will be used, in conjunction with the outcomes from the external assessment, to update the QAIP for 2024. Further details of the QAIP will be provided to the committee when prepared.



OPINION OF THE HEAD OF INTERNAL AUDIT

10. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Authority is that it provides **Substantial Assurance**. No reliance was placed on the work of other assurance providers in reaching this, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.

¹ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

11. The opinion given is based on work that has been undertaken directly by internal audit, and on cumulative knowledge gained through our ongoing liaison and planning with officers.

APPENDIX A: 2023/24 INTERNAL AUDIT WORK

Audit	Status	Assurance Level
Payroll and Pensions	Completed	Substantial Assurance
Procurement	Completed	Reasonable Assurance
Budgeting	Completed	Substantial Assurance
Transparency Data	Completed	Limited Assurance

APPENDIX B: SUMMARY OF FINDINGS

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Payroll and Pensions	Substantial Assurance	The audit reviewed the controls in place for making payments to employees; that pension contributions are accurate and processed appropriately; and that the auto enrolment process for pensions is operating as intended.	February 2024	<p>Strengths</p> <p>All payslips included within the sample were processed accurately in a timely way, with appropriate separation of duties in place.</p> <p>Appropriate processes are in place for adding new starters to the payroll, with effective communication between HR and payroll to ensure details are accurate.</p> <p>Leavers are promptly removed from the system, and all final payments assessed were accurate.</p> <p>The process in place for auto enrolment to the pension scheme, and the processes for payment of pension contributions were working effectively. Reviews are carried out by the Finance Officer on a three yearly basis.</p> <p>Areas for Improvement</p> <p>The Finance Officer does not retain evidence of their review of the pay</p>	Arrange for exception reports to be run for each payroll – these will be signed off by both the Finance Officer and Director of Corporate Services.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				run, and no additional exception reporting is carried out to ensure individuals' pay is accurate.	
Procurement	Reasonable Assurance	The audit reviewed the processes in place to ensure that procurement exercises comply with the Authority's procurement policies and financial regulations; that there is a contract register which is accurate, up to date and complete; and that the authority's procurement activities ensure best value.	February 2024	<p>Strengths</p> <p>Procurement rules are set out in the Authority's Financial regulations. The Regulations covered the areas expected and were up to date.</p> <p>In house training on procurement is delivered as part of the induction of new starters</p> <p>Waivers are approved accordingly and reported as required by the Financial regulations.</p> <p>Areas for Improvement</p> <p>Evidence to demonstrate that procurement exercises were carried out in line with the Financial regulations was not available for all cases reviewed.</p> <p>There is no centralised register of contracts in place.</p>	<p>All staff to be reminded of the requirements of Financial regulations and training undertaken as appropriate. Specific guidance to be developed on the procurement requirements for good/services bought via externally funded projects.</p> <p>Contract register to be set up and all staff instructed to complete basic details when they let any contract above £10,000.</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				<p>A central register of waivers is not maintained as required by the financial regulations.</p> <p>Monitoring and management of aggregated spend of suppliers is not being performed.</p>	<p>Establish a mechanism to ensure that all correspondence regarding waiver requests are properly collated and recorded.</p> <p>Using the contract register, establish a mechanism to report quarterly to SLT on multiple use of the same contractor. This will be used to establish where there are likely to be future savings by combining contracts.</p>
Budgeting	Substantial Assurance	The audit reviewed the controls in place to ensure that there is a robust budget setting procedure in place, that budgets are	February 2024	<p>Strengths</p> <p>The Authority has a robust budget setting procedure which</p>	A budget timetable will be introduced in advance of the

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		monitored regularly and effectively, and budget information is regularly produced and reported to the relevant stakeholders.		<p>documented in the Financial regulations.</p> <p>Budget monitoring arrangements are effective. Oversight is provided through monthly Senior Leadership Team meetings.</p> <p>The Authority's budget position and variances are reported to FRASC in accordance with the Financial regulations.</p> <p>Areas for improvement</p> <p>A formal timetable for budget setting is not in place</p>	2025/26 budget process.
Transparency Data	Limited Assurance	<p>The audit reviewed the controls in place to ensure that the data requirements specified by the Local Government Transparency Code are being complied with, and the data is published in an accessible format.</p> <p>The Authority was aware of issues with compliance with the Code and requested an audit to</p>	February 2024	<p>Strengths</p> <p>The Authority had published some information in 5 of the 9 categories required by the Transparency code (the information published was the responsibility of the Finance Team).</p> <p>Areas for Improvement</p> <p>No overall responsibility for monitoring compliance with the requirements of the Code has been assigned. In addition, responsibility has not been</p>	<p>Responsibility for each data set will be assigned to named officers. They will be responsible for updating and publishing information on the website in accordance with required reporting cycles.</p> <p>A review of the website will be</p>

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		support improvements to processes.		<p>assigned for preparation and publication of all of the individual data sets required.</p> <p>Some areas of data required by the Transparency Code have not been published. Some compulsory areas of data have not been published in line with the required timescales set by the Transparency Code</p> <p>Not all information required by the Code is clearly accessible from a single location, and some information on the website is unclear or out of date</p>	undertaken to ensure that all transparency data is easily accessible.

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	Assessment of internal control
Substantial assurance	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.
Reasonable assurance	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.
Limited assurance	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.
No assurance	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.

Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.