

Birmingham City Council

Audit Committee

29th November



Subject: Internal Audit Recommendation Tracking
Report of: Sarah Dunlavey, Assistant Director Audit and Risk Management
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Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:

1 Executive Summary

1.1 This report summarises the work that is being undertaken to replace the audit management system and the steps that are being taken to implement a central internal audit recommendation tracker and final report repository.

2 Recommendation(s)

2.1 Members are asked to note the steps taken to implement a replacement audit management system and the interim solution that is sought to support the consistent tracking of internal audit recommendations across the Council.

3 Background

3.1 Internal Audit's Public Sector Internal Audit Standards External Quality Assessment flagged that whilst the current model of operating through a network of business partners / audit contacts had numerous and accepted benefits, there were risks of reporting gaps. Therefore, it was recommended that as part of the future operating model that this risk was considered for key elements of the audit process. This included the periodic reporting and monitoring on the implementation of recommendations, over and above the established follow-up process.

3.2 It was identified that the existing audit management system did not fully support the functionality required to help drive the Internal Audit service forward, including allowing management to track and update progress on the implementation of

recommendations online through a single database. A project to replace the existing audit management system was commenced, and is currently being progressed, with the Council's Digital and Technology Services (DTS).

- 3.3 Whilst work is still ongoing it is likely that the replacement system will be built within the Council's existing Microsoft Power Platform allowing the solution to integrate with Microsoft Office 365. This would create a saving on system support, maintenance, and hosting fees for the existing audit management.
- 3.4 As the replacement system, containing the base functionality, is unlikely to be in place until at least April next year an interim central SharePoint recommendation tracking solution is being established.
- 3.5 It is anticipated that the current recommendation trackers maintained at a service level will be imported into this central SharePoint repository.
- 3.6 This interim solution will:
 - 3.6.1 create a consistent central repository of audit recommendations, their status, and implementation progress;
 - 3.6.2 enable action owners to update progress against individual recommendations;
 - 3.6.3 enable directors, who have responsibility for ensuring that agreed audit recommendations are implemented, to track progress;
 - 3.6.4 identify areas where management have accepted risk; and
 - 3.6.5 support progress reporting across the Council as a whole.
- 3.7 Internal Audit will continue to undertake follow up reviews, focusing on high priority rated recommendations, to confirm implementation and assess the effectiveness of the actions taken.
- 3.8 Discussions are currently taking place with directorates to take forward this interim central tracking SharePoint solution.
- 3.9 It is also intended that this SharePoint solution will also be used as a central repository for Internal Audit final reports with access being made available to Audit Committee Members. This will enable Members to easily gain access to the reports that they wish to review.
- 3.10 An update on the central SharePoint repository and the initial recommendation progress monitoring report will be reported at the next Audit Committee meeting in January 2024.

4 Options considered and Recommended Proposal

4.1 This report is for information purposes.

5 Legal Implications

5.1 Section 151 of the Local Government Act requires the Chief Finance Officer (as responsible officer) to ensure proper administration of the Council's financial affairs.

5.2 Under Part 3 of the Accounts and Audit Regulations 2015 a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

6 Financial Implications

6.1 It is intended that the replacement audit management systems will utilise the Council's existing Microsoft Power Platform. Whilst it is anticipated that no additional direct costs will be incurred, Digital and Technical Services are currently investigating the level of Microsoft licence required to support the necessary functionality. If it is identified that a higher level licence is required, the costs will be identified and evaluated.

6.2 The interim SharePoint solution will utilise the Council's existing Microsoft Office 365 environment, no additional direct costs will be incurred.

6.3 Decommissioning the existing audit management system will result in an annual saving in support, maintenance, and hosting fees of just over £14K per annum for the central IT budget.

7 Public Sector Equality Duty

7.1 There are no equality duty or equality analysis issues relating to the proposals set out in this report.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

8.2 Sound internal controls and financial management underpins all the Council's priorities, plans and strategies.

8.3 Public Sector Internal Auditing Standard 2500 requires a system to be in place for monitoring progress with management actions relating to audit findings, to confirm that these have been effectively implemented or, if not, that senior management have accepted the risk of not taking action.

- 8.4 Management is responsible for the implementation of a sound and effective system of internal control to manage risk effectively.
- 8.5 Internal Audit provide independent and objective assurance to management and those charged with governance on the systems of internal control that have been established. This is achieved by examining, evaluating, testing, and reporting on the effectiveness of the system of internal control through a risk-based audit methodology. Where weakness or non-compliance is found, recommendations are made to management to improve the operation of internal controls.
- 8.6 Management is responsible for actioning recommendations to improve internal controls and strengthen risk management arrangements or for accepting the risks.
- 8.7 A key function of the Audit Committee is to help promote the effective use of internal audit within the overall assurance framework, this includes escalating internal audit recommendations where further action is needed and seeking assurance on the effectiveness of the systems of internal control. Reporting on the implementation status and progress of Internal Audit recommendations, together with accepted risks, will assist the Committee in fulfilling this function.

9 Background Papers

- 9.1 None.

10 Appendices

- 10.1 None.