Internal Audit Update - October 2023

29th November 2023

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1.   Background

1.1   Internal Audit provide independent and objective assurance to management and those charged with governance on the systems of internal control that have been established, contributing to the overall assurance framework.   This is achieved by systematically 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. Management is responsible for actioning recommendations to improve internal controls and strengthen risk management arrangements or accepting the risks.

1.2   Internal Audit activity is governed by the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. These standards seek to secure 'a professional, independent and objective internal audit by setting out the mission and definition of Internal Auditing, the core principles for professional practice, together with a Code of Ethics. Specific attribute and performance standards provide guidance on how internal auditing should be carried out and the function managed. Guidance on the interpretation of the Standards is set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Local Government Application Note.

1.3   The baseline audit plan for 2023/24, developed following the completion of a risk assessment, was agreed by the Audit Committee at the March meeting. The audit plan is dynamic and is reviewed and updated throughout the year, based on discussions, feedback received, emerging issues, and changing risks. Additionally the views of the Audit Committee are important, any concerns flagged by Members will be fed into the planning process.

1.4   This report provides an update to the Audit Committee on Internal Audit activity for October 2023. It summarises the key findings arising from the work completed and provides a summary of the changes to the 2023/24 Internal Audit plan. A summary of the key findings arising from the work completed between April 2023 – September 2023 was provided at the last Audit Committee meeting.

2. Significant Issues Impacting upon the Organisation

2.1 The Statement of Accounts for the year ending 31st March 2021 and 31st March 2022 are still in draft, ongoing discussions are taking place with the Council's External Auditor.

2.2 The Council is continuing to operate under two section 114 notices and a section 5 notice. Additional financial controls, together with a S151 Spend Control Board, have been introduced to monitor non-essential expenditure. Work on the financial recovery plan and revised budget is ongoing.

2.5 The Council has now agreed job evaluation methodology.

2.6 The Council's External Auditor, Grant Thornton, has issued Statutory Recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act 2014. The response to these recommendations has been accepted by Full Council.

3. Internal Audit Final Reports Issued October 2023

3.1 Audit reports are given risk and assurance ratings to assist in the identification of the level of corporate importance.

Risk Ratings

Low (Green) - Non-material issues

Medium (Amber) - High importance to the business area the report relates to, requiring prompt management attention. Not of corporate significance

High (Red) - Matters which in our view are of high corporate importance, high financial materiality, significant reputation risk, likelihood of generating adverse media attention or of potential of interest to Members etc.

Assurance Ratings

Level 1: Controls evaluated are adequate, appropriate and are operating effectively to ensure that risks are being managed and objectives achieved.

Level 2: Some control weaknesses noted. However, generally the controls evaluated are adequate, appropriate, and effective.

Level 3: Control weaknesses of a significant nature, or the number of minor weaknesses noted was high. Management of risks and achievement of objectives is compromised.

Level 4: Controls not adequate, appropriate, or effective. Risks not adequately managed and achievement of objectives unlikely.

3.2   During October 16 final reports (5 Audit Reports, 3 Follow up Reports, and 8 Schools Reports) have been issued. A summary of the key findings arising from each report is given below:

Audit Reviews

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
Oct 2023	Shared Lives	Medium	Level 3	Processes and procedures require development to ensure that citizens in shared lives placements receive their assessed package of care and support. This includes aligning services with other Adult Social Care Services, placement matching, and ongoing reviews.
Oct 2023	Temporary Accommodation - Income & Expenditure	Medium	Level 3	Despite a range of proposed mitigations, the number of families in Temporary Accommodation has continued to grow well above the national average. Whilst financial monitoring for 2023/24 is challenging, the most recent estimates have forecast an annual budget pressure of around £11m. Processes for managing income and expenditure operationally have been strengthened in some areas since previous reviews. For example, managing and tracking the receipt and verification of all invoices, and ceasing the use of Purchase Cards as a payment method for bed and breakfast. However, at the time of testing there were still no reliable processes in place to undertake targeted visits.
Oct 2023	Waiver and Breach Procedures	Low	Level 3	Our audit identified areas for improvement in the application of the Waiver and Breach procedures and that some amendments are required to the procedures and Waiver Form.

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
				In our sample testing, we identified instances where the Waiver Form (which is used for both waivers and breaches) was not properly authorised. We have recommended that management explore the automation of this process to avoid this risk, and to make the process more efficient.
Oct 2023	Ladywood Regeneration Competitive Dialogue - Final Tender Stage	Low	Level 2	This audit focussed on the final tender stage of the competitive dialogue exercise for the procurement of a partner in delivering the Ladywood Regeneration Scheme. Testing confirmed that the specific rules around conducting a competitive dialogue exercise, within Public Contracts Regulations 2015, have been complied with.
Oct 2023	Corporate Starters and Leavers	Low	Level 2	Our testing identified that new starters and leavers had all the required documents and checks carried out to support the recruitment and leaving process. However, we did find that some of the required documentation was not available in the employee Document of Records at the time of the review. These documents have since been located.

Follow-up Reports

Month issued	Final Report	Original Risk Rating	Revised Risk Rating	Issues Identified
Oct 2023	Information Governance - Data Breach Travel Assist Follow Up	Medium	Medium	This follow up review found that the previously provided responsible officers are no longer Council employees, and it has proven difficult to determine progress against the actions. The actions have now been reassigned.
Oct 2023	Impulse IT Audit	Medium	Medium	Progression of the actions was slow to start until the Assistant Director for - Strategy, Commissioning and Transformation for Education and Skills chaired a group to set ownership, responsibility, and revised implementation dates. At that time, implementation of our audit actions was factored into the Children and Families Directorate Improvement Plan. This has established some momentum and progress with the actions.

Month issued	Final Report	Original Risk Rating	Revised Risk Rating	Issues Identified
Oct 2023	Information Governance GDPR Compliance City Housing	Medium	Medium	Action to progress implementation of the previously agreed recommendations has been taken since the previous review. The more significant actions continue to be progressed, particularly to review information asset registers and access to information assets.

School Audit Reports

3.3 For the school audit reviews completed in October overall we found good systems and controls in place to ensure compliance and that Governors and Senior Leadership teams had confidence in each other. Financial challenges remain, especially where there are falling pupil numbers due to demographics and where schools are supporting a high proportion of pupils with SEND. School budgets are stretched with risk of deficits both in current year and future years. Operationally we have continued so see a need to further strengthen compliance and controls in relation to purchasing. Whilst our follow up work identified that, in the main, there had been positive progress this had been slower than expected, and as a result is likely to lead to full audit reviews being undertaken within 12 months.

3.4 A large proportion of schools have not received confirmation of their Carry Forward Balances from the Local Authority, and this has impacted on their ability to establish their financial position and plan accordingly, we understand that these will be available early November. Coupled with this schools are clearing a back log of reconciliation files from the Oracle system. This has meant that schools have found providing meaningful financial reports to their Governing Boards difficult. These challenges have been considered during our work and we have not penalised the school for any issues that are out of the school's control.

4.   Other work

4.1   In addition to the completion of audit review work is currently ongoing to support management. Whilst this work does not ultimate result in the provision of assurance it is considered to key in supporting the organisation. A brief outline of this ongoing work is provided below:

- **Oracle:** We are continuing to attend bronze task groups providing proactive advice and guidance. We are supporting the implementation of Oracle Risk Management Cloud Oracle to assist the ongoing review of segregation of duties and the implementation of proactive compliance testing.

- **Pay compliance:** Providing ongoing support and data analysis to support the Council pay compliance group. Ongoing timesheet compliance testing is also being undertaken to ensure appropriate working practices are consistently adopted.

- **Grant Certification:** Completion of grant certification work.

5.   Internal Audit Plan

5.1   A summary of the changes to the 2023/24 audit plan is detailed below.

5.2   As at the end of October 2023 41% of the 2023/24 plan has been completed to draft report stage, this is just slightly below our 50% target. Our target for the year is to complete 95% of the plan to draft report stage.

5.3   The plan remains dynamic and under reviewed. The plan continues to be assessed and reprioritised based on emerging issues and demands.

Summary of Changes to the Internal Audit Plan

Jobs added to the Plan	Objective
Section 114 Spend Controls	To provide assurance on: a) the operation of the spend control process and consistency and transparency of decision making; and b) compliance with the spend controls.
Management and control of seized items	Provide assurance on the management and control of items seized during enforcement activities.

Jobs removed from the Plan	Comments
Stock Condition Data 2024 – City Housing	Ongoing external assurance and oversight