

Internal Audit Update: January – February 2024

24th April 2024

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1. Background

- 1.1 This report provides an update to the Audit Committee on Internal Audit activity for January and February 2024. It summarises the key findings arising from the Final reports issued. Reports summarising the key findings arising from Internal Audit activity between April – December 2023 have been presented at previous Audit Committee meetings.

2 Internal Audit Final Reports Issued January and February 2024

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

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.

Residual 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.

- 2.2 During January and February 2024 30 final reports have been issued:

	Jan 2024	Feb 2024	Total
Audit Reports	5	6	11
Progress / Follow-up Reviews	5	3	8
School Audits	7	4	11
Total	17	13	30

2.3 The Internal Audit report repository has now been created and populated with the final reports issued in January and February 2024. Access to the repository has been made available to Audit Committee members.

2.4 A summary of the key findings is given below:

Audit Reviews

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
Jan 24	Enforcement - Litter and Fly Tipping	City Operations	Level 3	A lack of any monitoring process or checks within the Waste Enforcement Unit to give assurance that all cases are being consistently and robustly managed. Checks are to be reintroduced.	Medium	Follow up Review
Jan 24	Council Tax Exemptions and Discounts	Council Management	Level 3	No targeted reviews on council tax accounts. Therefore, there is a risk that exemptions, discounts, or disregards are in place that are no longer valid. New revenues recovery teams are being introduced focusing on maximising income recovery and completion of reviews.	Medium	Follow up Review
Jan 24	Management of Adult Social Care (ASC) Debts	Finance / Adult Social Care	Level 3	Robust debt management arrangements for ASC debt were still not in place and there had been no	Medium	Follow up Review

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
				<p>agreement between Accounts Receivable and ASC on the future management arrangements.</p> <p>A decision paper is to be drawn up between Accounts Receivable and ASC to approve how these debts will be managed going forward.</p>		
Jan 24	People Services - Compliance with HR policies Injury Allowance	People Services	Level 3	<p>End dates not entered resulting in minor over payments of allowance.</p> <p>Procedures updated to reduce the risk of end dates not being entered and overpayments being recovered.</p>	Medium	Follow up Review
Feb 24	Hays Pre-employment checks	People Services	Level 3	<p>Pre employment (including DBS) compliance and escalation procedures in place for processing requests and undertaking checks which are followed by Hays.</p> <p>However there remains a risk that managers are not correctly completing resource requests on the portal which</p>	Medium	Follow up Review

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
				<p>could result in checks being missed if there were not identified by Hays.</p> <p>Reminders and training are to be provided to managers using the Hays portal.</p>		
Jan 24	Contract Monitoring Birmingham Childrens Trust (BCT)	Children and Families	Level 2	The contract does not include a requirement for independent quality checks on KPI's produced by BCT. Whilst there is no suggestion that KPI produced are inaccurate, as the commissioner of the service, the Council retains overall responsibility and is therefore exposing itself to additional risks if performance issues do remain undetected.	Medium	Follow up Review
Feb 24	A457 Dudley Rd Improvement Scheme Contract Management	Place Prosperity & Sustainability	Level 3	There were significant delays in the approval of the design by the Technical Approval Authority (this responsibility is held by an officer within City Operations directorate).	Low	Follow up Review

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
				This created a financial and reputational risk for the project; improved collaboration is required going forward to mitigate against the risk on other projects.		
Feb 24	Disabled Facilities Grant Preparation for the new contract	Adult Social Care	Level 2	<p>At the time of our work, we were unable to confirm that the contract had been appropriately agreed and signed off.</p> <p>Following the issue of our report we have obtained confirmation that the contract has been agreed and signed.</p>	Low	
Feb 24	Youth Service Recruitment Processes	Children and Families	Level 2	Birmingham Youth Service has adequate processes in place for recruitment of staff. However, we did identify a risk of inconsistent work practices across youth centres. Consistent practices now being introduced.	Low	
Feb 24	Benefit Service Documented Procedures	Council Management	Level 1	There are comprehensive and up to date procedures in place enabling Benefit Service employees to	Low	

Month issued	Final Report	Directorate	Assurance Level	Issues Identified / Assurance Provided	Residual Risk Rating for Council	Next Steps
				clearly understand the policy and processes, to carry out the tasks required within their service area.		
Feb 24	Benefit Service Non-Dependants	Council Management	Level 1	The Benefit Service have Housing Benefit claims review and monitoring processes in place. A Housing Benefit Award Accuracy exercise has recently been carried out to review non-dependants on nil income. Weekly monitoring of non-dependants is carried out via the Note Pad monitoring report.	Low	

Progress / Follow- Reports

Month issued	Final Report	Directorate	Original Risk Rating	Revised Risk Rating	Issues Identified	Next Steps
Jan-24	Carers Support Pathway Progress Review	Adult Social Care	Medium	Medium	Progress being made with the implementation of the agreed recommendations.	Further Follow up
Jan-24	Transitions and Preparation for Adulthood Service Progress Review	Adult Social Care	Medium	Medium	Progress being made with the implementation of the agreed recommendations.	Further Follow up
Jan-24	Placements, Discharge to Assess, follow up	Adult Social Care	Medium	Medium	Progress being made with the implementation of the agreed recommendations.	Further Follow up
Feb-24	Waste Management	City Operations	Medium	Medium	Limited progress had been made with the	Further Follow up

Month issued	Final Report	Directorate	Original Risk Rating	Revised Risk Rating	Issues Identified	Next Steps
	Performance Reporting - Follow Up				<p>implementation of our original recommendations. There were still a number of issues with the reliability of reported data and whether current performance measures provide meaningful results.</p> <p>We have since received update agreed action and revised target completion dates.</p>	
Feb-24	GDPR Compliance Adults Follow Up	Adult Social Care	Medium	Low	<p>Progress has been made with recommendations being implemented. However, there remains a need to complete the review of Data Protection Impact Assessments and record the data within the Information asset register to ensure all information risks are being managed.</p>	Completed
Feb-24	GDPR Compliance Children and Families Follow Up	Children and Families	Medium	Low	<p>Whilst progress is now being made there remains a need to complete the amalgamation and update of the Information assets registers to ensure that information assets are known and protected.</p>	Completed
Jan-24	Logotech Treasury Management Follow Up	Finance	Low	Low	<p>Progress made with the implementation of agreed recommendation. However, due to the impact Oracle delays and work for S114 recommendation there has been a delay in documenting security procedures.</p>	Completed
Jan-24	IT Procurement 2nd Follow Up	Strategy Equalities & Partnerships	Medium	Low	<p>There have been significant changes to how the service operates following the 'Shaping the Future' programme addressed the identified risk. New processes are now embedding.</p>	Completed

School Audit Reports

- 2.5 Schools received confirmation of their final carry forward balances (CFB) figures in March 2024. This late confirmation of CFB has added to schools' challenges to make informed decisions on, and effectively monitor, budgets, however the audits completed in January and February 2024 indicate improved compliance in relation to budgeting.
- 2.6 The school audit reports finalised in January and February 2024 again show similar trends to those seen throughout the year, and therefore these are generally reflective of the findings for the financial year. In the main we found good systems and controls in place to ensure compliance and that Governors and Senior Leadership teams had confidence in each other. There is firm evidence that schools are taking the financial challenges seriously and there is a focus on maintaining or bringing about financial stability. This does continue to be affected by falling pupil numbers due to demographics and where schools are supporting a high proportion of pupils with SEND, and in some cases the schools are receiving intensive support through the Local Authority (LA) to bring about required change. Operationally we have continued to see a need to further strengthen compliance and controls in relation to the accuracy and consistency in delegation frameworks, and in particular purchasing, including the required monitoring of purchase cards, evidence of monitoring cumulative expenditure, and approval of spend before purchases are made although this spend is relatively low value. Our follow up work identified that progress had been slower than expected, and as a result is likely to lead to full audit reviews being undertaken within 12 months because this will be factored into the school's risk-based audit planning.
- 2.7 Our risk-based planning invariably means the audits are focused on those schools facing greater financial challenges. Where there are significant financial concerns identified during the audit this is raised with the LA, and when appropriate, multi-disciplinary project boards are established by the LA to support the schools in addressing any deficit and to bring about financial stability.

3. Other / Advisory work

- 3.1 In addition to the ongoing audit assurance reviews, work is ongoing to support management. Whilst this work does not ultimately result in the provision of assurance it is considered to be key in supporting the organisation. A brief outline of this ongoing work is provided below:
- **Oracle:** Supporting Oracle Security and Access (ORC) Workstream. A remediation plan has been designed to address the segregation of duty conflicts identified and the removal of inactive users and roles. Work is on role redesign is ongoing. On going attendance at key meetings including:
 - Oracle Weekly Workstream Delivery meeting
 - Daily Security ORC sprint meeting
 - Oracle Weekly Access Authority
 - Weekly TRP Update

- Weekly Oracle Design and Change and Release Board
- Weekly Oracle PMO Security & Access (ORC) Update
- **Pay compliance:** Continuing to attend and contribute at pay compliance meetings. Undertaking additional timesheet compliance testing to ensure appropriate working practices are consistently adopted.
- **Grant Certification:** Completion of grant certifications in line with award conditions
- **Ledger Controls:** We used KPMG's Financial Controls and Planning Framework to complete a high-level controls assessment to support the development of controls. This identified areas that needed to be addressed with journal, control accounts, and reconciliations.
- **Central Recommendation Tracker:** A central audit recommendation tracker has now been developed and is being piloted within Digital and Technical Services. A feedback session has been scheduled to capture any lessons to improve the solution.
- **Audit Committee Report Repository:** A central Internal Audit report repository has now been created and populated with the final reports issued in January and February 2024. Access to the repository has been made available to Audit Committee members.
- **Audit Management System:** The options for replacing the current audit management continue to be explored. This includes exploring the availability of integrated risk and audit systems to drive a risk based audit plan.

4. Internal Audit Plan

- 4.1 As at the end of March 2024 94.4% of the 2023/24 plan has been completed to draft report stage, excluding deferred reviews.
- 4.2 The 2024/25 Internal Audit Plan, together with the update Internal Audit Charter, has been submitted to the Audit Committee for approval. The plan has been developed in line with the agreed methodology and recognises the serious financial and governance issues faced by the Council together with the significant risk profile arising from the challenging transformation and savings programme alongside addressing Oracle and Equal Pay issues. In order for Internal Audit activity to remain fluid and dynamic to respond to emerging issues and risks an initial plan has been set covering a six-month period. The plan remains dynamic and will be updated based on emerging risks. The plan will be reported to Audit Committee on a regular basis.

5. Emerging Issues

New Global Internal Audit Standards

- 5.1 In the January 2024 update it was reported that the new Global Internal Audit Standards have been released by the International Internal Audit Standards Board and become effective from 9th January 2025. Whilst the UK Public Sector Internal Audit Standards Advisory Board (IASAB) are still reviewing the standards it is understood that an announcement on the future of the Public Sector Internal Audit Standards (PSIAS) is due imminently. We continue to maintain a close watching brief on the development and revision of the PSIAS and will report back on the implications once the guidance is published.
- 5.2 The Institute of Internal Auditors UK are due to release guidance on the implementation of the new Standards together with a self-assessment toolkit. A copy of this guidance and toolkit will be obtained and used once it becomes available.