

Internal Audit Progress Report

To: Audit & Accounts Committee

Meeting Date: 28th September 2023

From: Mairead Claydon, Head of Internal Audit and Risk Management

Electoral division(s): All

Outcome: The role of Internal Audit is to provide the Audit & Accounts Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. The outcome of this report is to provide an update on the main areas of audit coverage for the period to 31st August 2023 and to present a revised Internal Audit Plan 2023/24.

Recommendation: Audit & Accounts Committee is requested to review and comment on the proposed revised Internal Audit Plan for 2023/24, outlined at Section 6 of the report.

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1. Purpose

- 1.1 To report on the main areas of audit coverage for the period to 31st August 2023.
- 1.2 CLT is requested to review and comment on the proposed revised Internal Audit Plan for 2023/24, outlined at Section 6 of the report.

2. Background

- 2.1 The role of Internal Audit is to provide the Audit & Accounts Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.2 The annual Audit Plan is split out into two elements: the 'core' plan, comprising key areas of assurance that are reviewed every year and audit support work (e.g. to working parties or panels) which is ongoing throughout the year; and the 'flexible' plan, i.e. the areas of audit coverage that vary from year to year, with planned coverage based on a risk assessment process.
- 2.3 More information on this approach is available at Section 6 of the main report, which presents the proposed flexible Audit Plan for 2023/24.

3. Outstanding Audit Actions

- 3.1 Annex B details all 70 outstanding audit recommendations as at 31st August 2023. Narrative updates on actions where the current target date is after 31st August have not been followed-up by Internal Audit in this reporting cycle and will be reported in the next Progress Report.
- 3.2 There is currently one outstanding 'Essential' recommendation, within IT & Digital Services. This recommendation relates to the Council re-obtaining Public Services Network (PSN) certification.
- 3.3 See Section 7 of the report for more details.

4. Investigations Caseload

- 4.1 Section 9 of the Progress Report summarises the open whistleblowing cases currently under review by the Internal Audit Team, as well as updates on other counter-fraud work and a recent investigation into interims.

5. Audit Forward Planning

- 5.1 Section 6 of the Progress Report provides the revised and updated Internal Audit Plan for 2023/24, for comment and challenge by the Committee. Members of the Committee are invited to review and comment on the proposed plan.

6. Key Financial systems

- 6.1 Section 10 of the Progress Report provides an update on the delivery of the internal audit reviews key financial systems.
- 6.2 Two of the three outstanding 2022/23 Key Financial Systems audits have now been delivered:
- An audit report of ERP Access Controls gave an opinion of “good” assurance for both the control environment and compliance with access controls in the ERP system.
 - An audit report has now been delivered by West Northamptonshire Council (WNC) on the Administration of the Pension Fund for 2022/23. This gave an opinion of “substantial” assurance for both the control environment and compliance, indicating that there are minimal weaknesses that present very low risk to the control environment, and that controls had substantially operated as intended with no notable errors. It is noted that the compliance opinion provided was based upon a single “walkthrough” test of each key control process (i.e. transfers in/out of the scheme, set-up of a dependant’s pension etc.). This restricted sample size reduces the opportunity for the auditors to identify non-compliance or inconsistency in the operation of key controls, and may therefore reduce the amount of reliance that should be placed upon the compliance assurance opinion given.
- 6.3 The Payroll audit, also due to be delivered by West Northamptonshire colleagues, has been delayed due to staff sickness and as yet a confirmed estimated delivery date has not yet been confirmed. However, a copy of a draft payroll report has been provided to the Council.