

Internal Audit Progress Report

To: Audit & Accounts Committee

Meeting Date: 1st December 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 October 2023 and to present a revised Internal Audit Plan 2023/24.

Recommendation: Audit & Accounts Committee is requested to review 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 October 2023.
- 1.2 Audit and 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.

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 96 outstanding audit recommendations as at 31st October 2023. Narrative updates on actions where the current target date is after 31st October 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 the National Fraud Initiative.
- 4.2 Section 9.4 of the report highlights plans for the annual staff whistleblowing survey to be conducted in November/December 2023, in preparation for the

Annual Whistleblowing Report which will go to the next meeting of Audit & Accounts Committee in February.

- 4.3 Additionally, as part of the annual review of the Whistleblowing Policy, Internal Audit has committed to undertake a benchmarking self-assessment exercise with Protect, the whistleblowing charity. This is a self-assessment that the Council can conduct against a detailed set of whistleblowing standards covering Governance, Staff Engagement, and Operations. The Council's responses are then benchmarked against other similar organisations and a report is produced to outline an improvement plan to further strengthen the whistleblowing environment.

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 Audit & Accounts 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 An audit report has now been delivered by West Northamptonshire Council (WNC) on Payroll for 2022/23. The Payroll report gives a 'satisfactory' assurance opinion for both the control environment and compliance with controls for payroll. The report identifies that the most significant factor contributing to this audit opinion related to issues within the processes around payroll control account reconciliations, particularly in relation to standardised operating procedures, record-keeping arrangements, the quality assurance process, and clearance of unreconciled items. A number of key actions to address identified risks were agreed with management following the audit.

- 6.3 It is noted that the compliance opinion provided was based upon a single "walkthrough" test of each key control process within payroll (i.e. starters, leavers, variations, overtime payments 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.

- 6.4 See Section 10 of the report for more information.