

Public Document Pack



AUDIT & ACCOUNTS COMMITTEE SUPPLEMENT AGENDA

Date: Friday, 17 June 2022

Time: 10.00 am

Venue: The Dove Room, Moorlands House, Stockwell Street, Leek

Please find below additional reports which were unavailable when the agenda was published.

PART 1

8. 2021/2022 Internal Audit Periodic Report (**Pages 3 - 22**)
10. Internal Audit - Annual Audit Plan 2022/2023 (**Pages 23 - 28**)

MARK TRILLO
EXECUTIVE DIRECTOR & MONITORING OFFICER

This page is intentionally left blank

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Audit & Accounts Committee

17 June 2022

TITLE:	2021/22 Internal Audit Periodic Report February 2022 to May 2022
PORTFOLIO HOLDER:	Councillor Michael Worthington – Portfolio Holder for Finance
CONTACT OFFICER:	John Leak - Head of Audit
WARDS INVOLVED:	Non-Specific

Appendices Attached

Appendix 1 Audit Reports Issued Between 1st February 2022 and 31st May 2022

Appendix 2 Internal Audit 2021/22 Progress Information as at 31st May 2022

Appendix 3 2020/21 Audit Recommendations Implementation

1. Reason for the Report

- 1.1 The Accounts and Audit Regulations 2015 requires the Council to “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”. In accordance with the Public Sector Internal Audit Standards, the Audit Manager must report periodically to the Audit Committee on the internal audit activity’s performance relative to its plan.

2. Recommendation

- 2.1 That the committee note the progress information contained within this report.

3. Executive Summary

- 3.1 The purpose of this report is to summarise current year performance information for the Council’s Internal Audit service for the 2021/22 financial year. This includes a breakdown of audits in progress and completed to date, the number and classification of recommendations made, agreed and where applicable, implemented by management.
- 3.2 Due to the diversion of audit resources to support the corporate response to

the administration of the various Government business grants support schemes and a staff secondment, the Audit Plan for 2021/22 has been amended and will take longer to complete than originally planned.

- 3.3 All audit recommendations have been agreed, and to date 90% of 2021/22 audit recommendations that are due have been implemented. Where deficiencies in internal control have been identified and not corrected, Internal Audit are satisfied that they will be resolved in an appropriate manner and they will continue to monitor such cases. It should be noted that it is the responsibility of relevant Managers to implement agreed recommendations.

4. How this report links to Corporate Priorities

- 4.1 The assurance provided by the work of Internal Audit informs the Annual Governance Statement and therefore helps to confirm effective use of financial and other resources to ensure value for money.

5. Alternative Options

- 5.1 There are no options to consider.

ANDREW P STOKES
Chief Executive

Web Links and
Background Papers

None

Contact details

John Leak
Head of Audit
john.leak@staffsmoorlands.gov.uk

6. Detail

6.1 Introduction

6.1.1 The purpose of this report is to summarise current year performance information for the Council's Internal Audit service for the 2021/22 financial year. This includes a breakdown of audits in progress and completed to date, the number and classification of recommendations made, agreed and where applicable, implemented by management.

6.1.2 The work of the internal audit service is primarily based upon an annual risk assessed audit plan, which for the financial year 2021/22 was agreed by this Committee at the 25th June 2021 meeting. The Internal Audit service also carry out work outside of the audit plan for which a contingency is usually built in. This unplanned work consists mainly of internal control consultancy work and special investigations into suspected fraud and irregularity.

6.2 Audits Reports Issued & Status of Agreed Recommendations

6.2.1 A summary of the Audit Reports issued during the period 1st February 2022 to 31st May 2022 is shown in the table below. Further details of these audits outlining key issues and strengths and improvements are shown in **Appendix 1**.

Service	Audit	Recommendations			Assurance
		High Risk	Medium Risk	Low Risk	
Environmental Health	Licensing	0	0	5	Satisfactory
Communities & Climate Change	Strategic Partnerships	0	3	6	Satisfactory
Development Services	Building Control Partnership	0	6	6	Limited
Finance	Sundry Debtors	0	0	1	Substantial
Finance	Treasury Management	0	1	1	Satisfactory
Revenues & Benefits	Council Tax	0	2	1	Satisfactory
Revenues & Benefits	NNDR	0	1	5	Satisfactory
Finance	General Ledger	0	0	1	Substantial
Revenues & Benefits	Recovery	0	1	3	Satisfactory

6.2.2 A further breakdown of all of the audits in progress and completed during the current financial year including the current status of audit recommendations is detailed in **Appendix 2**. All audit recommendations have been agreed, and to date 90% of 2021/22 audit recommendations that are due have been implemented. Where deficiencies in internal control have been identified and not corrected, Internal Audit are satisfied that they will be resolved in an appropriate manner and they will continue to monitor such cases. It should be noted that it is the responsibility of relevant Managers to implement agreed recommendations.

6.2.3 Councillors will note that in addition to every individual audit recommendation being allocated a risk, every audit completed has been given an ‘assurance opinion’ based upon Internal Audit’s assessment of the internal control environment. These assurance opinions inform the annual audit opinion on the overall adequacy and effectiveness of the Council’s internal control environment. The control levels are defined as follows:

Control Level	Definition
Substantial	There is a robust framework of controls designed to achieve the objectives and controls are consistently applied.
Satisfactory	There is a sufficient framework of controls which for the most part, are consistently applied. However, weakness in the design or inconsistent application of controls within a few areas put achievement of particular objectives at risk.
Limited	Weaknesses in the system or the level of non compliance with controls in a number of areas are such to put the system objectives at risk.
Unsatisfactory	There is a significant breakdown in the framework of controls, which leaves the system open to significant abuse or error.

6.2.4 **Appendix 3** is a summary of recommendations made in the previous financial year 2020/21 implemented to date. This information will keep Councillors informed of progress made to ensure that all previous year audit recommendations are implemented. Due dates for implementation of some previous year recommendations will fall into 2021/22 and beyond depending on when the audit was carried out so this appendix will show when those recommendations become due for implementation. In due course, all recommendations will fall due and it will be possible to clearly identify which recommendations have not been implemented.

6.2.5 To date 99% of 2020/21 audit recommendations that are due have been implemented. Where deficiencies in internal control have been identified and not corrected, Internal Audit are satisfied that they will be resolved in an appropriate manner and they will continue to monitor such cases. It should be noted that it is the responsibility of relevant Managers to implement agreed recommendations.

6.3 Audits In Progress

6.3.1 The status of audits that are currently in progress is shown in the table below.

Service	Audit	Status
Finance	Creditor Payments	Audit Complete. Management Response.
Revenues & Benefits	Housing Benefits	Audit Complete. Management Response.
Customer Services	CivicaPay	Audit in Progress.
Finance	Payroll	Audit in Progress.

6.4 Progress against Audit Plan

6.4.1 The 2021/22 financial year has seen slow but steady progress against planned audits and all of the audits in progress or nearing completion as detailed in 6.3 above will be completed soon. Considerable audit resource was diverted throughout 2021/22 to support the corporate response to the administration of the various Government business grants support schemes. In addition audit resources were further reduced from December 2021 due to a staff secondment. As a direct consequence of this, the 2021/22 Audit Plan was amended to take into account the reduction in available audit days and the Audit Plan will take longer to complete than originally planned, with work still ongoing to complete last years planned audits. However this will not affect Internal Audit's ability to provide the annual audit opinion..

6.4.2 Current key progress information is summarised in the following table, excluding unplanned work unless otherwise stated:

Summary Progress Information to 31st May 2022	
Percentage of Audit Plan completed / substantially completed	88%
Percentage of Audit Plan In Progress	8%
Number of recommendations made (including unplanned work)	125
Percentage of recommendations agreed with Service Managers (including unplanned work)	100%
Percentage of recommendations implemented within agreed timescale (including unplanned work)	90%

6.4.3 Should recommendations have not been agreed, compensating controls exist or service managers have accepted the risk / inefficiency of the current system for the benefit of service delivery.

This page is intentionally left blank

AUDIT REPORTS ISSUED BETWEEN 1st FEBRUARY 2022 & 31st MAY 2022

Licensing

Assurance Level

Assurance: SATISFACTORY

It is our opinion that controls currently in place within the system provide satisfactory assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
	<ul style="list-style-type: none"> • Small Society Lotteries procedures have recently been reviewed and improved / standardised. Application, renewal, submission of financial return and payment can now be carried out online. • Joint Enforcement visits with the Police are carried out regularly. • A Street Collection Policy has now been written and is currently in the consultation period.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
Licensing Act 2003 Applications					1	
Disclosure & Barring Service (DBS) Certificates					2	
Complaints Records					1	
Income Reconciliation					1	
Total					5	

Strategic Partnerships

Assurance Level

Assurance: SATISFACTORY

It is our opinion that controls currently in place within the system provide satisfactory assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
<ul style="list-style-type: none"> An up-to-date register of partnerships should be compiled, regularly maintained and made available to all appropriate parties. An independent assessment should be undertaken on a periodic basis to determine whether value for money is being obtained and evidence of outcomes from partnership working towards service and/or corporate objectives can be verified. A review of all partnerships should be undertaken to ensure that the terms, conditions and commitments of each partner are formally documented. 	<ul style="list-style-type: none"> Reports detailing the current level of partnership working and submitting recommendations for developing partnership working within the Council have begun to be submitted to the relevant Committees.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
Partnerships Register			1			
Partnership Reviews			1		1	
Agreements/Terms of Reference			1		3	
Partnership Risks					1	
Training						1
Total			3		5	1

Building Control Partnership

Assurance Level

Assurance: LIMITED

It is our opinion that controls currently in place within the system provide limited assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
<ul style="list-style-type: none"> • A signed copy of the agreement with Derbyshire Building Control Partnership Limited for the provision of Building Control Services should be obtained and securely stored. • Periodic checks should be undertaken by the Alliance to confirm compliance with the terms and conditions within the Services Agreement and achievement against key performance indicators. • Regular operational partnership performance meetings attended by relevant officers from both the Alliance and the service provider should be established. • The Alliance should ensure that they are adequately represented on the shareholders board and regularly attend the shareholders board meetings. • A data sharing agreement should be entered into by the partnership to ensure that adequate controls / processes are in place which comply with the data protection principles. 	<ul style="list-style-type: none"> • The transfer of the service to Derbyshire Building Control Partnership was market tested and adequately approved. • The provision of the service is adequately promoted.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
Risk Register					1	
Building Control Partnership Agreement			1			
Partnership Monitoring			3		1	
Partnership Board			1			
Insurance Policies					1	
Data Security			1		1	
Customer Feedback					1	
Service Charges					1	
Total			6		6	

Sundry Debtors

Assurance Level

Assurance: SUBSTANTIAL

It is our opinion that controls currently in place within the system provide substantial assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
	<ul style="list-style-type: none"> An appropriate segregation of duties is in place between staff responsible for raising debtors and accounting for income. Regular reconciliations are carried out to ensure that income is correctly posted within the financial systems.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
Raising of Invoices					1	
Total					1	

Treasury Management

Assurance Level

Assurance: SATISFACTORY

It is our opinion that controls currently in place within the system provide satisfactory assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
<ul style="list-style-type: none"> The procedure for gaining retrospective authorisation from the Chief Executive for transactions such as investments and interest payments, should be reviewed to ensure compliance with Financial Regulations and Procedure Rule D3.1. 	<ul style="list-style-type: none"> The Treasury Management team has continued to adapt to recent economic challenges in light of the pandemic and Brexit to ensure that the Alliance has operated a balanced budget; cash flow has been adequately planned; and funding has been available for capital plans. Due to the rise in the Bank of England base rate in December 2021, and again in February 2022, investment activity has resumed, albeit, in a reduced capacity compared with pre-pandemic levels.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
Financial Regulations & Procedure Rules					1	
Retrospective Authorisations			1			
Total			1		1	

Council Tax

Assurance Level

Assurance: SATISFACTORY

It is our opinion that controls currently in place within the system provide satisfactory assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
<ul style="list-style-type: none"> A procedure should be developed to ensure that all new build properties are physically inspected and where complete, issued with a Completion Notice and registered with the Valuation Office. The 'VO Notification Statistics' report should be regularly reviewed and appropriately actioned to ensure that all matters reported to the Valuation Office are promptly resolved. 	<ul style="list-style-type: none"> Payments are promptly and accurately posted to customer accounts. Daily reconciliations are carried out between the Income Management System and the Council Tax System. Monthly reconciliations are carried out between the Council Tax System and the Financial Management System.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
VO Notifications			1			
Property Inspections			1			
System Access					1	
Total			2		1	

National Non-Domestic Rates

Assurance Level

Assurance: SATISFACTORY

It is our opinion that controls currently in place within the system provide satisfactory assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
<ul style="list-style-type: none"> A documented procedure for the inspection of business rate properties should be developed and implemented using a risk based methodology. 	<ul style="list-style-type: none"> A sample of reliefs awarded were found to have been correctly applied and where necessary supported by sufficient documentation. Parameters had been correctly set within the system for the 2021/22 billing year. NNDR income is regularly reconciled to the Income Management System, and the Financial Management System.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
Year End Procedure Notes					1	
Valuation Office Reconciliation					1	
Inspection/Review of Business Premises			1			
Refunds						1
Business Rate Relief Policy					2	
Total			1		4	1

General Ledger

Assurance Level

Assurance: SUBSTANTIAL

It is our opinion that controls currently in place within the system provide substantial assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
	<ul style="list-style-type: none"> • The end of year bank reconciliation was carried out accurately and promptly. • Suspense items are cleared promptly. • Allocations from holding accounts are made regularly. • Balances are accurately rolled forward as part of the year end process. • Journal authorisation is now recorded within the Integra system.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
Year End Closedown Timetable					1	
Total					1	

Recovery

Assurance Level

Assurance: SATISFACTORY

It is our opinion that controls currently in place within the system provide satisfactory assurance that risks material to the achievement of the systems objectives outlined in the Scope and Objectives section of this report are adequately managed.

Key Findings

Key Issues	Strengths and Improvements
<ul style="list-style-type: none"> All accounts where recovery has been suppressed should be regularly reviewed to ensure that sufficient action is being taken to recover the debt. 	<ul style="list-style-type: none"> 2021/22 collection rates for Council Tax and Business Rates exceeded the performance targets set. Write offs were adequately authorised with appropriate documentation retained.

Summary of Recommendations

An analysis of the recommendations categorised by risk and classification (regulatory or added value) is shown below:

Description	High		Medium		Low	
	R	A	R	A	R	A
Policies and Procedures					1	
Suppression of Recovery Action			1		1	
Bailiff Services					1	
Total			1		3	

This page is intentionally left blank

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL INTERNAL AUDIT – 2021/22 PROGRESS INFORMATION AS AT 31st MAY 2022

AUDIT	TOTAL RECOMMENDATIONS		HIGH RISK RECOMMENDATIONS			MEDIUM RISK RECOMMENDATIONS			LOW RISK RECOMMENDATIONS			ASSURANCE OPINION / COMMENTS
	Regulatory	Added value	Agreed / (Not Agreed)	Due to date	Actioned to date	Agreed / (Not Agreed)	Due to date	Actioned to date	Agreed / (Not Agreed)	Due to date	Actioned to date	
Housing Agency	8	1	0	0	0	5	5	5	4	4	1	Satisfactory
Safeguarding	4	0	0	0	0	0	0	0	4	4	4	Satisfactory
AES Contract Management	3	0	0	0	0	2	2	2	1	1	1	Satisfactory
Commercial Properties	12	0	0	0	0	1	0	0	11	1	0	Satisfactory
Data Protection/GDPR	16	0	0	0	0	3	2	2	13	0	0	Satisfactory
Land Charges	3	0	0	0	0	0	0	0	3	0	0	Satisfactory
Human Resources	13	3	0	0	0	1	1	1	15	11	11	Satisfactory
Cemeteries	9	0	0	0	0	1	0	0	8	1	1	Satisfactory
Licensing	5	0	0	0	0	0	0	0	5	1	1	Satisfactory
ICT Asset Management	10	0	0	0	0	3	3	3	7	1	1	Satisfactory
Strategic Partnerships	8	1	0	0	0	3	0	0	6	0	0	Satisfactory
Building Control Partnership	12	0	0	0	0	6	0	0	6	0	0	Limited
CivicaPay												Audit in Progress
Sundry Debtors	1	0	0	0	0	0	0	0	1	0	0	Substantial
Budgetary Control	0	0	0	0	0	0	0	0	0	0	0	Substantial
Treasury Management	2	0	0	0	0	1	0	0	1	0	0	Satisfactory
Council Tax	3	0	0	0	0	2	0	0	1	0	0	Satisfactory
NNDR	5	1	0	0	0	1	0	0	5	2	2	Satisfactory
Creditor Payments												Management Response
Housing Benefits												Management Response
General Ledger	1	0	0	0	0	0	0	0	1	0	0	Substantial
Recovery	4	0	0	0	0	1	0	0	3	0	0	Satisfactory
Payroll												Audit in Progress
TOTAL RECOMMENDATIONS	125	0				30			95			
ACTION TAKEN TO DATE				0	0		13	13		26	22	

Key: Risk		Class
High	Significant control weakness / inefficiency exists with a high likelihood of occurring, potentially causing a breach of legislation / legal requirements and/or a substantial loss or damage to Council assets, information and reputation. Considered essential to implement recommendation promptly.	Regulatory To ensure the integrity of internal controls and/or compliance with Regulations / Policies and Procedures.
Medium	Control weakness / inefficiency exists with a moderate likelihood of occurring, potentially causing a breach of organisational policies and procedures, loss or damage to Council assets, information and reputation. Considered essential to implement recommendation to ensure adequate system controls / necessary improvement in service provision.	Added Value Intended as an enhancement to the existing system which may provide a benefit to either the user or the customer.
Low	Minor control weakness / inefficiency exists with a minimal impact on the Council assets, information and reputation. Considered necessary to implement recommendation to provide management with additional assurance regarding the adequacy of system controls / improvement in service provision.	

This page is intentionally left blank

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL INTERNAL AUDIT – YEAR END INFORMATION FOR 2020/21

AUDIT	TOTAL RECOMMENDATIONS		HIGH RISK RECOMMENDATIONS			MEDIUM RISK RECOMMENDATIONS			LOW RISK RECOMMENDATIONS			ASSURANCE OPINION / COMMENTS
	Regulatory	Added value	Agreed / (Not Agreed)	Due to date	Actioned to date	Agreed / (Not Agreed)	Due to date	Actioned to date	Agreed / (Not Agreed)	Due to date	Actioned to date	
Corporate Governance	12	4	0	0	0	4	4	4	12	12	12	Satisfactory
Capital Accounting	0	0	0	0	0	0	0	0	0	0	0	Substantial
Elections	8	0	0	0	0	1	1	1	7	7	7	Satisfactory
Leisure Sports Development	4	0	0	0	0	0	0	0	4	4	4	Satisfactory
Housing Advice	7	2	0	0	0	1	1	1	8	8	8	Satisfactory
Equalities & Diversity	12	2	0	0	0	4	4	4	10	9	8	Limited
Corporate Project Management	7	0	0	0	0	2	2	2	5	5	5	Satisfactory
Performance Management	2	0	0	0	0	0	0	0	2	2	2	Substantial
Regeneration	5	1	0	0	0	1	1	1	5	3	3	Satisfactory
Emergency Planning&Business Cont	2	0	0	0	0	1	1	1	1	1	1	Satisfactory
Risk Management	2	0	0	0	0	0	0	0	2	2	2	Substantial
CCTV	7	0	0	0	0	3	3	3	4	1	1	Satisfactory
Climate Change	7	0	0	0	0	3	2	2	4	4	4	Satisfactory
Council Tax	8	0	0	0	0	2	2	2	6	6	6	Satisfactory
NNDR	6	0	0	0	0	1	1	1	5	5	5	Satisfactory
Sundry Debtors	2	0	0	0	0	0	0	0	2	2	2	Satisfactory
Treasury Management	2	0	0	0	0	1	1	1	1	1	1	Satisfactory
General Ledger	3	0	0	0	0	1	1	1	2	2	2	Satisfactory
Recovery	4	0	0	0	0	0	0	0	4	4	4	Satisfactory
Creditor Payments	5	1	0	0	0	1	1	1	5	5	5	Satisfactory
Budgetary Control	0	0	0	0	0	0	0	0	0	0	0	Substantial
Housing Benefits	8	0	0	0	0	2	2	2	6	6	6	Satisfactory
Payroll	6	0	0	0	0	1	1	1	5	5	5	Satisfactory
TOTAL RECOMMENDATIONS	129	0	0	0	0	29	28	28	100	94	93	
ACTION TAKEN TO DATE				0	0		28	28		94	93	

Key:		Class	
Risk		Regulatory	
High	Significant control weakness / inefficiency exists with a high likelihood of occurring, potentially causing a breach of legislation / legal requirements and/or a substantial loss or damage to Council assets, information and reputation. Considered essential to implement recommendation promptly.	To ensure the integrity of internal controls and/or compliance with Regulations / Policies and Procedures.	
Medium	Control weakness / inefficiency exists with a moderate likelihood of occurring, potentially causing a breach of organisational policies and procedures, loss or damage to Council assets, information and reputation. Considered essential to implement recommendation to ensure adequate system controls / necessary improvement in service provision.	Added Value	Intended as an enhancement to the existing system which may provide a benefit to either the user or the customer.
Low	Minor control weakness / inefficiency exists with a minimal impact on the Council assets, information and reputation. Considered necessary to implement recommendation to provide management with additional assurance regarding the adequacy of system controls / improvement in service provision.		

This page is intentionally left blank

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Audit & Accounts Committee

17 June 2022

TITLE:	Internal Audit Annual Audit Plan 2022/23
PORTFOLIO HOLDER:	Councillor Michael Worthington – Portfolio Holder for Finance
CONTACT OFFICER:	John Leak - Head of Audit
WARDS INVOLVED:	Non-Specific

Appendices Attached – Appendix 1 High Peak BC / Staffordshire Moorlands DC Internal Audit - Audit Plan 2022/23

1. Reason for the Report

- 1.1 The Accounts and Audit Regulations 2015 requires the Council to “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”. In accordance with Public Sector Internal Audit Standards, the Audit Manager should establish a risk based audit plan to determine the priorities of the internal audit activity, consistent with the Council’s goals. The audit plan must be based on a documented risk assessment undertaken at least annually.

2. Recommendation

- 2.1 That the committee approve the Council’s annual Internal Audit Plan for 2022/23.

3. Executive Summary

- 3.1 The Public Sector Internal Audit Standards state that the Audit Plan must be based on a documented risk assessment undertaken at least annually and it needs to be flexible in response to changes in the Council’s business, risks, operations, programs, systems and controls. Furthermore, the Standard states that the Audit Manager must communicate the internal audit activity’s plans and resource requirements to senior management and the Audit Committee for review and approval. The Audit Manager must also communicate the impact of resource limitations. This report seeks to address these requirements.

- 3.2 Considerable audit resource was diverted throughout 2021/22 to support the corporate response to the administration of the various Government business grants support schemes and audit resources were further reduced due to a staff secondment. As a direct consequence of this, work has continued into April and May 2022 to complete last years planned audits. The staff secondment has since been extended for a further 3 months. As a result the Audit Plan for 2022/23 will therefore be reduced accordingly and based on a full complement of staff from September onwards and will aim to cover the Council's key risks and systems.
- 3.3 The annual audit plan for 2022/23 has been created and is attached as **Appendix 1**. This involved a review of the risk scores in accordance with the Audit Service's established risk assessment methodology to ensure that the most recent changes affecting risk are taken into account. The Internal Audit Plan is a joint Alliance plan designed to make the best use of Alliance resources and to reflect the nature of Council services.
- 3.4 Should any amendments to the audit plan be necessary during the year, these will be reported to Councillors at future Audit & Accounts Committee meetings.

4. **How this report links to Corporate Priorities**

- 4.1 The assurance provided by the work of Internal Audit informs the Annual Governance Statement and therefore helps to confirm effective use of financial and other resources to ensure value for money.

5. **Alternative Options**

- 5.1 Approve the 2022/23 Audit Plan (*Recommended*). The Council will have an achievable risk based internal audit plan which is designed to provide assurance that the control environment is effective in achieving the Council's objectives and is in accordance with Public Sector Internal Audit Standards, and therefore the Accounts and Audit Regulations 2015.
- 5.2 Do not approve the 2022/23 Audit Plan (*Not Recommended*). The Council will not be complying with the Accounts and Audit Regulations 2015 requirement to "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".

ANDREW P STOKES
Chief Executive

Web Links and Background Papers

None

Contact details

John Leak
Head of Audit
john.leak@staffs Moorlands.gov.uk

6. Detail

6.1 The audit plan must be based on a documented risk assessment undertaken at least annually, in accordance with the requirements of the Public Sector Internal Audit Standards. However the audit plan needs to be flexible to be able to reflect the changing risks and priorities of the Council so the entire scope of audits will receive ongoing consideration and attention to ensure that appropriate audit coverage is achieved.

6.2 The Audit Plan has been developed using a comprehensive risk assessment framework which is designed to assess all areas of the Council's services and thereby examine and evaluate the whole system of internal controls (both financial and non-financial) established by management. This risk assessment allows the Audit Plan to be focused, concentrating resources on the areas of greatest need and where there will be the best use of audit resources. The work is designed to appraise and review :

- the completeness, reliability and integrity of information, both financial and operational;
- the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the Council, or externally;
- the means of safeguarding assets;
- the economy, efficiency and effectiveness with which resources are employed, and whether operations are being carried out as planned and objectives and goals are being met.

6.3 The risk based planning methodology utilised to prepare the audit plan assesses each system on eight risk elements :

- Monetary / financial value;
- Volume of transactions;
- System factors – stability / type of processing application / complexity of regulations and / or processing;
- Managerial and control environment / previous assurance;
- Incidence / risk of fraud;
- Sensitivity;
- Corporate risks; and
- Time since previous audit.

This approach is linked to a mapping exercise whereby strategic risks are mapped to the Audit Plan to ensure they are adequately considered during the audit lifecycle.

6.4 Considerable audit resource was diverted throughout 2021/22 to support the corporate response to the administration of the various Government business grants support schemes. In addition audit resources were further reduced from December 2021 due to a staff secondment. As a direct consequence of this, the 2021/22 Audit Plan was amended to take into account the reduction in available audit days and work has continued into April and May 2022 to

complete last years planned audits. The staff secondment has since been extended for a further 3 months. As a result the Audit Plan for 2022/23 will therefore be reduced accordingly and based on a full complement of staff from September onwards and will aim to cover the Council's key risks and systems. Should the staff secondment continue beyond September the Audit Plan will have to be amended to reflect the reduction in available audit days. In addition the plan will have to be flexible to reflect the changing risks and priorities of the Council as the recovery phase progresses following the pandemic.

- 6.5 The annual audit plan for 2022/23 has therefore been created and is attached as **Appendix 1**. As the Internal Audit service is a joint resource across both Alliance Councils, and all Alliance services are joint, the most efficient method of auditing to take advantage of economies of scale is to undertake audits covering both Alliance Councils. However there will still be occasions when audits only cover one of the Alliance Councils and this is reflected within the Audit Plan. The future audit approach to potential challenges to the internal control environment will need to be adapted as the delivery of Council services continue to be developed.
- 6.6 It is planned to supplement the annual audit plan if required during 2022/23 with the purchase of a specialist ICT audit resource to focus on technical ICT risks. An initial needs assessment to facilitate the prioritisation of future ICT audits was undertaken previously and where considered appropriate ICT audits arising from this assessment and from any additional risks highlighted since will be planned and undertaken during 2022/23 and future years utilising available budget(s).

**HIGH PEAK BC / STAFFORDSHIRE MOORLANDS DC
INTERNAL AUDIT – AUDIT PLAN 2022/23**

AUDIT	SMDC	HPBC	ALLIANCE	TOTAL
Key Financial Systems				
Budgetary Control			10	10
Council Tax			15	15
Creditor Payments			10	10
Housing Benefits			15	15
Housing Rents		15		15
General Ledger			10	10
Non-Domestic Rates			15	15
Payroll			15	15
Recovery			15	15
Sundry Debtors			10	10
Treasury Management			10	10
TOTAL – KEY FINANCIAL SYSTEMS	0	15	125	140
Audits inc. Strategic Risks				
Alliance Norse Contract Management			15	15
Alliance Norse Governance			10	10
Asset Stock Management			10	10
Climate Change			10	10
Housing Strategy			15	15
Human Resources Agile Working			10	10
ICT Contract Management			15	15
Leisure Contract Management			15	15
Media & Communications			10	10
Pollution & Noise Control			10	10
Regeneration			15	15
TOTAL – STRATEGIC RISKS	0	0	135	135
Other Audits				
Conservation			10	10
Development Control S106			10	10
Enforcement			10	10
Markets			10	10
Housing Carelink		15		15
Housing Right to Buy		10		10
Parks & Open Spaces			10	10
Pest Control			10	10
VAT			10	10
TOTAL – OTHER AUDITS	0	25	70	95
TOTAL PLANNED DAYS	0	40	330	370

This page is intentionally left blank