

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Audit & Accounts Committee

25 June 2021

TITLE:	2020/21 Internal Audit Periodic Report February 2021 to May 2021
PORTFOLIO HOLDER:	Councillor Sybil Ralphs - Council Leader SMDC
CONTACT OFFICER:	John Leak - Head of Audit
WARDS INVOLVED:	Non Specific

Appendices Attached:

Appendix 1 Audit Reports Issued Between 1st February 2021 and 31st May 2021

Appendix 2 Internal Audit 2020/21 Progress Information as at 31st May 2021

Appendix 3 2019/20 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 2020/21 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 All audit recommendations have been agreed, and to date 91% 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.

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

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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 2020/21 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 2020/21 was agreed by this Committee at the 3rd July 2020 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 2021 to 31st May 2021 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	
Health & Safety	Emergency Planning & BC	0	1	1	Satisfactory
Democratic & Community Services	CCTV	0	3	4	Satisfactory
Democratic & Community Services	Climate Change	0	3	4	Satisfactory
Revenues & Benefits	Council Tax	0	2	6	Satisfactory
Revenues & Benefits	NNDR	0	1	5	Satisfactory
Finance & Customer Services	Sundry Debtors	0	0	2	Satisfactory
Finance & Customer Services	Treasury Management	0	1	1	Satisfactory
Finance & Customer Services	General Ledger	0	1	2	Satisfactory
Finance & Customer Services	Recovery	0	0	4	Satisfactory
Service	Audit	Recommendations			Assurance
		High Risk	Medium Risk	Low Risk	
Finance &	Creditor	0	1	5	Satisfactory

Customer Services	Payments				
Finance & Customer Services	Budgetary Control	0	0	0	Substantial

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 91% 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.

6.2.3 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 2019/20 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 2020/21 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 91% of 2019/20 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
Legal & Election Services	Elections	Audit Complete. Management Response.
Revenues & Benefits	Housing Benefits	Audit in Progress.
Finance & Customer Services	Payroll	Audit in Progress.

6.4 Progress against Audit Plan

6.4.1 The 2020/21 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. Internal Audit resources in the first quarter of 2020/21 were diverted to support the corporate response to the administration of the Government's various business grants support schemes and this support has been ongoing since the 2020/21 audit plan was commenced in July 2020 due to the introduction of further Government grant schemes. It is therefore likely that the percentage of the audit plan completed may be adversely affected, however this should 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 31 st May 2021	
Percentage of Audit Plan completed / substantially completed	75%
Percentage of Audit Plan In Progress	11%
Number of recommendations made (including unplanned work)	107
Percentage of recommendations agreed with Service Managers (including unplanned work)	100%
Percentage of recommendations implemented within agreed timescale (including unplanned work)	91%

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.