

**STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL**

**Audit & Accounts Committee**

**23 June 2023**

<b>TITLE:</b>	<b>2022/23 Internal Audit Periodic Report February 2023 to May 2023</b>
<b>PORTFOLIO HOLDER:</b>	<b>Councillor Chris Wood - Portfolio Holder for Finance</b>
<b>CONTACT OFFICER:</b>	<b>John Leak - Head of Audit</b>
<b>WARDS INVOLVED:</b>	<b>Non-Specific</b>

**Appendices Attached – Appendix 1 Audit Reports Issued Between 1<sup>st</sup>  
February 2023 and 31<sup>st</sup> May 2023  
Appendix 2 Internal Audit 2022/23 Progress  
Information as at 31<sup>st</sup> May 2023  
Appendix 3 2021/22 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 performance information for the Council’s Internal Audit service for the 2022/23 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 The Audit Plan for 2022/23 was based on reduced resources due to the secondment and subsequent departure of an Auditor. As a consequence of this reduction in resources, work to complete the 2022/23 Audit Plan has continued during the first quarter of 2023.

3.3 All audit recommendations have been agreed, and to date 75% of 2022/23 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**

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## 6. Detail

### 6.1 Introduction

6.1.1 The purpose of this report is to summarise performance information for the Council's Internal Audit service for the 2022/23 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 2022/23 was agreed by this Committee at the 17<sup>th</sup> June 2022 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 1<sup>st</sup> February 2023 to 31<sup>st</sup> May 2023 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	
Assets	Asset Stock Management	0	3	5	Satisfactory
Assets	Alliance Norse Governance	0	4	4	Limited
OD & Transformation	ICT Contract Management	0	1	3	Satisfactory
Development Services	Development Control S106	0	1	5	Satisfactory
Regeneration	Regeneration	0	1	7	Satisfactory
Finance	Treasury Management	0	1	1	Satisfactory
Revenues & Benefits	Council Tax	0	2	5	Satisfactory
Revenues & Benefits	NNDR	0	2	4	Satisfactory

Service	Audit	Recommendations			Assurance
		High Risk	Medium Risk	Low Risk	
Revenues & Benefits	Recovery	0	3	4	Satisfactory
Finance	Payroll	0	1	3	Satisfactory
Finance	Creditor Payments	0	1	4	Satisfactory
Finance	General Ledger	0	2	2	Satisfactory
Revenues & Benefits	Housing Benefits	0	3	6	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 75% of 2022/23 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 2021/22 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 2022/23 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 92% 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.

### 6.3 Audits In Progress

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

Service	Audit	Status
OD & Transformation	HR Agile Working	Audit Complete. Management Response.

### 6.4 Progress against Audit Plan

6.4.1 The 2022/23 financial year has seen 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. The Audit Plan for 2022/23 was based on reduced resources due to the secondment and subsequent departure of an Auditor. As a consequence of this reduction in resources, work to complete the 2022/23 Audit Plan has continued during the first quarter of 2023. 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 31 <sup>st</sup> May 2023	
Percentage of Audit Plan completed / substantially completed	96%
Percentage of Audit Plan In Progress	0%
Number of recommendations made (including unplanned work)	150
Percentage of recommendations agreed with Service Managers (including unplanned work)	100%
Percentage of recommendations implemented within agreed timescale (including unplanned work)	75%

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.