

<b>Subject</b>	<b>Internal Audit Progress Report 2021/22</b>	<b>Status</b>	For Publication
<b>Report to</b>	<b>Audit Committee</b>	<b>Date</b>	<b>21/10/2021</b>
<b>Report of</b>	Head of Internal Audit, Anti-Fraud and Assurance		
<b>Equality Impact Assessment</b>	Not Required		
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## 1. Purpose of the Report

- 1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 12<sup>th</sup> July 2021 to 26<sup>th</sup> September 2021.
- 1.2 To provide information regarding the performance of the Internal Audit function during the period.

## 2 Recommendation

- 2.1 It is recommended that Members consider the report and as necessary request further information and/or explanations from Internal Audit or Management.**

## 3 Background Information

- 3.1 The Audit Committee has responsibility for reviewing the adequacy of the Authority's corporate governance arrangements, including those relating to internal control and risk management. The reports issued by Internal Audit are a key source of assurance contributing to the evidence the Committee receives to assure them that the internal control environment is operating as intended.
- 3.2 At the end of the financial year, the Head of Internal Audit will produce his Annual Report, which will provide his overall opinion on the adequacy of the Authority's control environment and compliance with it during the year.

## 4. Implications

- 4.1 The proposals outlined in this report have the following implications:

Financial	The cost of the services of the Internal Audit Team is contained within the budget and is periodically invoiced.
Human Resources	n/a
ICT	n/a
Legal	Section 73 of the Local Government Act 1985 requires the Authority to make arrangements for the proper administration of its financial affairs; and Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to maintain an

	adequate and effective system of Internal Audit of its accounting records and of its system of internal control. This report does not contain any information which is exempt under the Freedom of Information Act 2000.
Procurement	n/a

**Rob Winter FCPFA**  
**Head of Internal Audit, Anti-Fraud and Assurance**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Background papers and other sources of reference include: Internal Audit Charter 2021-24, Annual Plan 2021-22, Individual Internal Audit Reports, MK Insight (Audit Management System), Public Sector Internal Audit Standards 2017	Barnsley Metropolitan Borough Council, Westgate Plaza, Barnsley.

# **South Yorkshire Pensions Authority**

## **Internal Audit Progress Report**

**Audit Committee**

**21<sup>st</sup> October 2021**

The matters arising in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

## INTERNAL AUDIT PROGRESS REPORT 2021/22 12<sup>th</sup> July to 26<sup>th</sup> September 2021

### Purpose of this report

This report has been prepared to update the Committee on our activity for the period 12<sup>th</sup> July 2021 to 26<sup>th</sup> September 2021, bringing to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

The report also provides information regarding the performance of the Internal Audit function during the period.

### Internal Audit Plan Progress

The following table shows the progress of the internal audit plan up to the 26<sup>th</sup> September 2021, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 14.3% of the planned days. The 2021/22 plan (as in previous years) is profiled more heavily towards the end of the financial year and Internal Audit has profiled its resources accordingly. As in previous years, there are likely to be a number of pieces of work that will be completed in the new financial year.

### Position as at 26<sup>th</sup> September 2021 - Plan Days Delivered

2021/22 Plan (incl. c/fwd)	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	82.5	112.5	3.9
Pensions Admin	37.5	37.5	13.4
Investments	0	0	0
Authority Wide	87	76	10.4
Corporate Services	30	15	6.8
Contingency	4	0	0
<b>Chargeable Planned Days</b>	<b>241</b>	<b>241</b>	<b>34.5</b>

### Position as at 26<sup>th</sup> September 2021 – Planned Assignments With Report

	Planned assignments in year	Assignments to be completed in period	Actual assignments completed in period
<b>Finance</b>	8*	0	0
<b>Pensions Admin</b>	6	1	1
<b>Investments</b>	0	0	0
<b>Corporate Services</b>	1	0	0
<b>Authority Wide</b>	4*	1	0
<b>Total</b>	<b>19</b>	<b>2</b>	<b>1</b>

\* The 2021/22 DPO assurance coverage has now been agreed with the Head of Pensions Admin and the Financial Systems coverage agreed with the Head of Finance and Corporate Services.

## Changes to the 2021/22 Internal Audit Plan

At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.

There have been a number of plan changes during the period, agreed during the consultation with regards to coverage of DPO assurance areas and also financial systems.

New:

DPO - Information Sharing Agreements;  
 DPO - Cybersecurity;  
 DPO - DPIAs;  
 DPO - Data Retention Policy;  
 Fin System – Main Accounting;  
 Fin System – UPM Payroll;  
 Fin System – Staff Payroll;  
 Fin System – Investment Income;  
 Fin System – Fund Contributions and Rechargeable Pensions;  
 Fin System – Accounts Payable.

Defer:

Procurement Compliance – Covid19 pandemic has impacted on implementation of AMAs;  
 Staff Payroll and HR System – Design and Implementation – Procurement delayed due to Covid19 pandemic impact on internal resources.

## Final Internal Audit Reports

The following reports have been issued during the period.

Audit Assignment	Assurance Opinion	Number of recommendations raised:			Total	Agreed
		High	Medium	Low		
DPO – Customer Contact Centre	Substantial	0	0	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Other Internal Audit work undertaken

Audit Activity	Description
Annual Governance Review / Statement	Advice and challenge in relation to the annual governance review process and also draft annual governance statement 2020-21.
Financial Management and Investment Systems - Design and Implementation	Independent advice, support and challenge to the Project Manager during the design stage. Included training session attendance.
Pensions Administration System – Design & Implementation	Independent advice, support and challenge to the Project Manager during the identification and assessment of gaps in current service provision against the new contract Specification of Requirements (to start next year) and liaison with the supplier to agree required actions.

Audit Activity	Description
Follow-up of Agreed Management Actions (AMAs)	Regular work undertaken to follow-up agreed management actions.
Liaison, Planning and Feedback	Meeting and corresponding with Senior Management regarding progress of audit work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training (as required), general support and development.
NFI	Time allocated to undertake the National Fraud Initiative data matching exercise. Head of Pensions Admin has been provided with an update regarding the Datasets and Timescales for 2021/22.

### Work in Progress

The following table provides a summary of the audits in progress at the time of producing this report:

Directorate- Audit Assignment	Audit Planning	Work in Progress	Draft Report
Pensions Admin: Data Quality Improvement Plan			✓
Corporate Services: HR Governance		✓	
Authority Wide: Business Continuity Planning	✓		
Financial Systems x 6	✓		
DPO Assurance x 4	✓		

### Follow-up of Internal Audit Report Management Actions

The following table shows the status of internal audit management actions due for completion during the period:

Management Action Classification	Followed up	Closed - Implemented	Revised target date agreed	Awaiting Update From Mgt
<b>High</b>	0	0	0	0
<b>Medium</b>	1	0	0	1
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

Internal Audit continues to get good co-operation from management including the Senior Management Team (SMT) and as such is able to closely monitor any implications that may arise from a delay in the implementation of management actions.

## Internal Audit performance indicators and performance feedback for 2021/22 (Quarter 2)

Internal Audit's performance against a number of indicators is summarised below. The Service uses a range of performance indicators to monitor operational efficiency. Quarterly performance of the function is satisfactory and all PIs for the year are either on or exceed target levels.

Ref.	Indicator	Frequency of Report	Target 2021/22	This Period	Year to Date
<b>1.</b>	<b><u>Customer Perspective:</u></b>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	N/A	100%
<b>2.</b>	<b><u>Business Process Perspective:</u></b>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	70%	70%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	0.4 days	0.4 days
<b>3.</b>	<b><u>Continuous Improvement Perspective:</u></b>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
<b>4.</b>	<b><u>Financial Perspective:</u></b>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within budget	Yes	Yes



## Performance indicator definitions and supporting information

PI Ref	Indicator	Comments
1.1	Percentage of favourable auditee questionnaire responses received (noted "good" or "very good") relating to work concluding with an audit report.	Audit Sponsor and Operational Lead Questionnaires are circulated at the end of each piece of work. The questionnaires asks specific questions covering the effectiveness of audit planning, communication, timing and quality of the audit report/output. An overall assessment is sought as to the overall value of the work. This is the answer used for this PI. All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of Senior Internal Audit staff to clear the report and any issues the Service's quality assessment process highlights along with the availability of the auditee.
2.2	Percentage of chargeable time against total available.	A key operational measure of the 'productivity' of Audit staff taking into account allowances for administration, general management, training and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	IA place a high level of importance on staff training and continuous development and are committed to ensure all staff have their own training plans derived from the personal development plan process.
4.1	Total Internal Audit costs v budget.	This is a simple overall measure to note whether the Service's expenditure for the year has been kept within the budget.

### Head of Internal Audit's Assurance Opinion

The Head of Internal Audit, Anti-Fraud and Assurance must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

At this point in the audit year, based on work completed to date, it is anticipated that a **Reasonable** (positive) overall assurance opinion will be provided.

### Audit Contacts

Contact	Title	Contact Details
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## KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF IMPLICATIONS

### 1. Classification of Implications (impact)

<b>High</b>	Requires immediate action – imperative to ensuring the objectives of the system under review are met.
<b>Medium</b>	Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
<b>Low</b>	Action is advised to enhance control or improve operational efficiency.

### 2. Assurance Opinions

	Level	Control Adequacy	Control Application
<b>POSITIVE OPINIONS</b>	<b>Substantial</b>	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	<b>Reasonable</b>	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
<b>NEGATIVE OPINIONS</b>	<b>Limited</b>	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	<b>None</b>	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.