

Subject	Internal Audit Progress Report 2021/22	Status	For Publication
Report to	Audit Committee	Date	03/03/2022
Report of	Head of Internal Audit, Anti-Fraud and Assurance		
Equality Impact Assessment	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 27th September 2021 to 13th February 2022.
- 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

Background Papers	
Document	Place of Inspection
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

3rd March 2022

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 27th September 2021 to 13th February 2022

Purpose of this report

This report has been prepared to update the Committee on our activity for the period 27th September 2021 to 13th February 2022, 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 13th February 2022, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 57% 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 13th February 2022 - Plan Days Delivered

2021/22 Plan (incl. c/fwd)	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	82.5	114.5	61 (53%)
Pensions Admin	37.5	28.5	22 (77%)
Investments	0	0	0
Authority Wide	87	61	33 (54%)
Corporate Services	30	20	22 (110%)
Contingency	4	17	0
Chargeable Planned Days	241	241	138 (57%)

Position as at 13th February 2022 – Planned Assignments With Report

	Planned assignments in year	Assignments to be completed in period	Actual assignments completed in period	Actual assignments completed to date
Finance	8	3	2*	3
Pensions Admin	5	1	1	4
Investments	0	0	0	0
Corporate Services	1	1	1	1
Authority Wide (DPO Assurance)	3	0	0	0
Total	17	5	4	8

* The Financial Systems Investment Income Review is almost completed, with a meeting scheduled to discuss and agree the draft report with management.

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 2 plan changes during the period, following consultation with management, with both pieces of work being deferred into 2022-23:-

- Pensions Admin System Follow Up – delayed action plan agreement with supplier for new contract;
- Business Continuity Planning – delayed office move.

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		
Pensions Admin: Data Quality Improvement Plan	Reasonable	1	1	0	2	2
Finance: Fund Contributions & Rechargeable Pensions	Substantial	0	0	0	0	N/A
Corporate Services: HR Governance	Reasonable	0	4	0	4	4
Finance: Staff Payroll	Substantial	0	0	1	1	1
Total		1	5	1	7	7

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 developing governance assurance framework.
Financial Management and Investment Systems - Design and Implementation	Independent advice, support and challenge to the Project Manager during the design and implementation stage, including user acceptance testing and attendance at training sessions.
Pensions Administration System – Design & Implementation	Independent advice, support and challenge to the Project Manager during the identification / assessment of gaps in current service provision against the new specification of requirements.
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 provide assurance that the National Fraud Initiative data matching exercises have been undertaken.

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
Finance: Investment Income			✓
Finance: UPM Payroll		✓	
Finance: Main Accounting		✓	
Finance: Accounts Payable		✓	
Pensions Admin: On-line Retirement Tool		✓	
Authority Wide (DPO Assurance): Information Sharing		✓	
Authority Wide (DPO Assurance): Cybersecurity		✓	
Authority Wide (DPO Assurance): DPIAs		✓	
Authority Wide (DPO Assurance): Data Retention Policy (advisory)		✓	
Finance: Financial Management and Investment Systems - Post Implementation Review	✓		

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
High	2	0	0	2
Medium	15	2	4	9
TOTAL	17	2	4	11

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 3)

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, bearing in mind the time of year for chargeable time (i.e. impact of profiling of annual leave).

Ref.	Indicator	Frequency of Report	Target 2021/22	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	N/A	100%
2.	<u>Business Process Perspective:</u>				
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%	71%	70%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	0.69 days	1.07 days
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<u>Financial Perspective:</u>				
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.	Sponsor and Operational Lead Questionnaires are circulated at the end of each piece of work. The questionnaires ask 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	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.

PI Ref	Indicator	Comments
	audit report.	
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

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KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF IMPLICATIONS

1. **Classification of Implications (impact)**

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

2. **Assurance Opinions**

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable	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.
NEGATIVE OPINIONS	Limited	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.
	None	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.