

Subject	Internal Audit Progress Report	Status	For Publication
Report to	Audit and Governance Committee	Date	14/12/2023
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 4th September 2023 to 26th November 2023.
- 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 and Governance 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 The Head of Internal Audit, Anti-Fraud and Assurance produces an Annual Report (reported into the July Committee meeting), which provides 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 2023-24, 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 and Governance Committee

14th December 2023

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

4th September 2023 to 26th November 2023

Purpose of this report

This report has been prepared to update the Committee on our activity for the period 4th September 2023 to 26th November 2023, bringing to your attention matters that are relevant to your responsibilities as members of the Authority's Audit and Governance 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 26th November 2023, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 49% of the total planned days (57% of the planned days not incl. contingency). The 2023/24 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 26th November 2023 - Plan Days Delivered

2023/24 Plan	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	92	92	48.3 (43%)
Pensions Admin	18	18	19.6 (17%)
Authority Wide	89	69	28.5 (26%)
Investments	10	10	7 (6%)
Corporate Services	20	10	9.4 (8%)
Contingency	2	32*	0 (0%)
Chargeable Planned Days	231	231	112.8 (49%)

* Refer to plan changes below.

Position as at 26th November 2023 – 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 & Resources	8	4	3*	3
Pensions Admin	3	1	1	3
Investments	1	1	1	0
Corporate Services	1	0	0	0
Service Wide	3	1	0**	1
Total	16	7	5	7

* The Fund Contributions review is currently at draft report stage, for discussion and agreement with management.

** The Training & Development Appraisal Process review is currently in progress, with testing being completed on site.

Changes to the 2023/24 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 three plan changes during the period:-

- Deferred - Authority's Risk Management arrangements – a compliance review was planned but the system will not have been implemented and embedded sufficiently in this financial year to enable that review to be undertaken.
- Deferred - Business Continuity Planning (BCP) – a compliance review was planned but the BCP needs to be revised and implemented by Management and then embedded to enable this review to be undertaken.
- Deferred - Staff Payroll & HR System – Design & Implementation – delays in procuring the system.

Final Internal Audit Reports

The following report has been issued during the period.

Audit Assignment	Assurance Opinion	Number of recommendations raised:			Total	Agreed
		High	Medium	Low		
Pensions Admin: Customer Contact Centre	Reasonable	0	1	2	3	3
Finance: Authority Staff Payroll	Substantial	0	0	0	N/A	N/A
Finance: Accounts Receivable	Reasonable	0	1	0	1	1
Finance: Main Accounting	Substantial	0	0	0	N/A	N/A
Investments: Border to Coast	Substantial	0	0	0	N/A	N/A
Total		0	2	2	4	4

Other Internal Audit work undertaken

Audit Activity	Description
Follow-up of Agreed Management Actions (AMAs)	Regular work undertaken to follow-up agreed management actions.
Planning, Liaison 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 and Governance Committee Support	Time taken in the preparation of Audit and Governance Committee reports, Member training (as required), general support and development.
National Fraud Initiative	Time allocated to provide assurance that the NFI data matching exercises have been undertaken.
Pentana Risk System – Design & Implementation	Time allocated to provide advice, support and guidance to management during the design and implementation stages of the internal control framework for the risk management system.

Audit Activity	Description
Data Protection / UK GDPR – Advisory	To provide advice in a critical friend role that the Authority is complying with the Data Protection and UK GDPR regulatory requirements.
Performance Management Framework	To provide advice, support and guidance to management during the design and implementation of the Performance Management Framework.
Project / Programme Management	To provide advice, support and guidance to the newly appointed Project Manager, during the development and implementation of a project / project management framework and to provide assurance with regards to the project management arrangements of one project to be delivered during 2023/24 to ensure lessons learned are identified and considered for future projects.

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: Fund Contributions			✓
Finance: Accounting for Deals		✓	
Finance: UPM Payroll		✓	
Finance: Investment Income		✓	
Service Wide: Training & Development Appraisal Process		✓	

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	Not Yet Due	Closed - Implemented	Revised target date agreed	Awaiting Update From Mgt
High	0	0	0	0	0
Medium	9	7	2	0	0
TOTAL	9	7	2	0	0

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 2023/24 (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 2023/24	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%	100%	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%	66%	64%*
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	2.29 days	5.66 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

* The chargeable time indicator in Q1 & Q2 has been impacted upon by the profile of annual and statutory leave, which will level out throughout the year and the impact of sickness absences. These absences have not impacted on the delivery of the South Yorkshire Pensions Authority Plan.

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,

PI Ref	Indicator	Comments
		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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Changes in Service and Personnel

Following a zero-based Transformation Review, the Service will become Corporate Assurance from 1st January 2024, with Sharon Bradley appointed as the Head of Corporate Assurance. Rob Winter leaves his post as Head of Internal Audit, Anti-Fraud and Assurance on 31st December 2023. A presentation is included on this meeting agenda to brief Members of the Committee.

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.