

Agenda Item

Subject	Internal Audit Annual Report 2023/24	Status	For Publication
Report to	Audit and Governance Committee	Date	11/07/2024
Report of	Head of Corporate Assurance (Head of Internal Audit)		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	Phone	07795 305846
E Mail	sharonbradley@barnsley.gov.uk		

1. Purpose of the Report

- 1.1 To report on the Corporate Assurance Team's completed assignments relating to the 2023/24 internal audit plan, agreed management actions and also the Head of Corporate Assurance's (as the Head of Internal Audit) assurance opinion based on the work undertaken.

2 Recommendation

- 2.1 *Members are recommended to consider and receive the report.*

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 Corporate Assurance are a key source of assurance contributing to the evidence the Committee receives to assure them that the governance, risk and internal control environment is adequate and operating as intended.

At the end of the financial year, the Head of Corporate Assurance (the designated Head of Internal Audit) produces an Annual Report, which provides an overall opinion on the adequacy of the Authority's governance, risk and internal 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 services provided by the Corporate Assurance 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

Sharon Bradley CMIIA

Head of Corporate Assurance (Head of Internal Audit)

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
Corporate Assurance (Internal Audit)
Annual Report 2023/24**

Audit and Governance Committee

11th July 2024

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.

CORPORATE ASSURANCE (INTERNAL AUDIT) ANNUAL REPORT 2023/24

Purpose of this report

To report on the Corporate Assurance Team's completed internal audit assignments relating to the 2023/24 Plan, agreed management actions and the Head of Corporate Assurance's assurance opinion on the Authority's internal control, risk management and governance arrangements based on the work undertaken.

Background

In accordance with statutory best practice provided by the Public Sector Internal Audit Standards (PSIAS), there is a requirement that the Head of Corporate Assurance (Internal Audit) (HoCA) prepares an annual report to the appropriate member body providing, amongst other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control based on the audit work undertaken. For the Authority, the appropriate member body is the Audit and Governance Committee.

The Accounts and Audit Regulations require all local authorities to publish an Annual Governance Statement (AGS) providing a narrative on the Authority's internal control, risk management and governance framework, the results of the annual review process and detailing any actions to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.

This report provides a summary of key issues arising from the work of Corporate Assurance covered in the 2023/24 Internal Audit Plan and up to the point of preparing this report, which contributes to the overall assurance opinion the HoCA is able to give the Audit and Governance Committee. The work of Corporate Assurance has been undertaken throughout the year with no impairment to our independence or objectivity.

Although providing an important and significant contribution to the assurances the Audit and Governance Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit and Governance Committee will receive the AGS for 2023/24 at the July meeting. The Audit and Governance Committee are therefore encouraged to consider this annual report in the context of broader sources of assurance.

The financial budget for the Internal Audit service provided by the Corporate Assurance Team is clearly set covering the period 1st April to 31st March each year and a plan of the days and where they are planned to be delivered is prepared similarly. However, the actual delivery of internal audit work and the constant review and revision of coverage is on a more rolling basis. In order to align the annual Internal Audit report to the AGS and the signing of the Statement of Accounts it is more appropriate that the Head of Corporate Assurance's opinion is provided reflecting all the work undertaken at the point of the approval of the AGS and Accounts.

Head of Corporate Assurance's Indicative Opinion on the Effectiveness of the Authority's Governance, Risk and Internal Control Environment

The Audit and Governance Committee has received progress reports throughout the year. In each of these reports an indicative **reasonable** annual assurance opinion had been given reflecting on an incremental basis an overall satisfactory level of internal controls and their application and also satisfactory governance and risk arrangements.

Taking the whole year into account, the reviews completed, it is appropriate to give an overall **reasonable** (positive) assurance opinion for the year. The information supporting this opinion is provided below.

The general financial pressures on the public sector, coupled with significant legislative and organisational changes in the pensions arena will in turn place pressure on the capacity of senior management that if not managed effectively could give rise to threats to the effectiveness of the control, risk and governance framework. The Authority's Senior Management Team will need to remain focused on maintaining a sound internal control, risk and governance framework – i.e. 'staying safe' in 2024-25 and beyond. The 2024-25 Internal Audit Plan aims to support the Authority and Senior Management through this period as well as focus on particular areas of activity and responsibility identified as higher risk.

The Head of Corporate Assurance is conscious of the extent and nature of overall scrutiny, oversight and challenge the Authority is subject to. Of particular importance is the good and effective working relationship between the Corporate Assurance Team and senior management and other managers, to ensure an efficient review is delivered and resources are directed to the most important areas of risk.

Although review work aims to cover a broad range of services, systems and areas of Authority activity, it needs to be recognised that coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly, the assurance opinion provided is based on reasonable coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Director regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas.

To remind the Committee, assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial Assurance	A robust framework of controls exists that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable Assurance	A sufficient framework of key controls exists 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 Assurance	Risk exists of objectives not being achieved due to the absence of key controls in the system.	A significant breakdown in the application of key controls.
	No Assurance	A significant risk exists of objectives not being achieved due to the absence of controls in the system.	A fundamental breakdown in the application of all or most controls.

The Corporate Assurance Team seeks to work closely as appropriate with other auditors, most significantly External Audit. However, for 2023-24, no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this annual assurance opinion.

Summary of the Corporate Assurance Team’s Internal Audit Work and Coverage 2023-24

The Corporate Assurance Team aims to utilise a risk-informed approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by the work undertaken. The Corporate Assurance Team was able to use the Strategic and Operational Risk Registers to contribute to the planning of coverage. The planning process and details of the 2023-24 Plan were reported to the Audit Committee in the March 2023 meeting.

The Audit and Governance Committee has received reports at each meeting that incorporate the results of review work and management’s response on a continuous basis. A summary of the finalised reports for 2023-24 is at Appendix A.

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

It should also be noted that internal audit work is variable both in its nature and timing. The risk-informed approach aims to ensure the highest priority work is undertaken. As with all plans, the Plan was determined at a particular point in time (March 2023) utilising information available and has been subject to changes in certain areas. The Audit and Governance Committee should be assured that within the finite resources available to Corporate Assurance, the key risks identified have either received attention during the year or are reflected in the plan for 2024-25.

2023-24 Internal Audit Plan Progress

The following table shows the delivery of the corporate assurance planned days for 2023-24 (incl. days spent on completing 2022-23 work in Q1 of the financial year), with a breakdown per Service Area. A further table confirms the number of planned assignments for the 2023-24 planned days and those completed at the time of drafting this report.

As at financial year end, we had delivered 82% of the planned days (14% of the planned days remained in contingency i.e. unallocated at year end). A total of 14 formal reports have now been completed (as in previous years, a small number of reviews were finalised during Q1 of 2024-25). One report is currently in draft stage for discussion and agreement with management (Data Protection /UK GDPR Data Breaches & DPIA’s). The majority of work was scheduled to be undertaken towards the end of the financial year and Corporate Assurance profiled their resources accordingly.

Three reviews were deferred into 2024-25, these being a review of the Authority’s Risk Management and Business Continuity Planning arrangements and the provision of advice / support to management during the design and implementation of the new Staff Payroll and HR System.

Delivery of 2023-24 Plan – Days Delivered as at 31st March 2024

	Original plan days	Revised plan days	Actual days (% of revised days)
Finance	92	92	88.8 (97%)
Pensions Administration	18	18	19.6 (109%)
Investment Strategy	10	10	9.2 (92%)
Authority Wide	89	69	56.9 (82%)

	Original plan days	Revised plan days	Actual days (% of revised days)
Corporate Services	20	10	15.5 (155%)
Contingency	2	32	0
Chargeable Planned Days	231	231	190 (82%)

Delivery of 2023/24 Plan – Planned Assignments Delivered as at 9th June 2024

	Planned Assignments	Actual Assignments Completed
Finance	8	8
Pensions Administration	2	2
Investment Strategy	1	1
Corporate Services	1	1
Authority Wide	3	2*
	15	14

* At the time of this review, one of the planned assignments was at draft report stage for discussion and agreement with management (Data Protection / UK GDPR Data Breaches & DPIA's).

Summary of Governance, Risk and Internal Control Issues Arising from Corporate Assurance's Internal Audit Work in 2023-24

Corporate Assurance has completed 14 individual reviews of aspects of the Authority's governance, risk and internal control framework during 2023-24 that resulted in a formal report. These reviews sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control.

A summary of the assurance opinions given for the 14 reports issued, where an assurance opinion was provided, are shown below together with a comparison to 2022/23 and 2021/22.

Assurance Opinion		2023/24 Completed		2022/23		2021/22	
		No.	%	No.	%	No.	%
Positive Opinions	Substantial	8	57%	3	27%	5	50%
	Reasonable	5	36%	8	73%	5	50%
Negative Opinions	Limited	1	7%	0	0%	0	0%
	No Assurance	0	0%	0	0%	0	0%
TOTAL		14	100%	11	100%	10	100%

Across the various completed pieces of work 18 implications were reported and management actions agreed. These are summarised below:

	2023/24		2022/23		2021/22	
AMA Category	No.	%	No.	%	No.	%
High	0	0%	1	4%	1	6%
Medium	9	50%	14	58%	9	50%
Low	9	50%	9	38%	8	44%
Total	18	100%	24	100%	18	100%

Nine medium (50%) and nine low (50%) categorised management actions were made in relation to reviews completed during 2023/24. In all cases, management have agreed to implement the required actions and set timescales for implementation. There were no high categorised management actions identified from any of the reviews and, although there was one review resulting in a negative opinion, actions on the implications were already in progress and / or quickly followed through to address the findings raised.

Although there has been significant pressure on management throughout the year and across all services, Corporate Assurance has continued to get good co-operation from management across the Authority and at various levels.

Details of the key issues arising from these reviews have been presented to the Audit and Governance Committee in the progress reports at each meeting.

As stated in the progress reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential/risk* that losses or inefficiencies could occur.

An important part of Corporate Assurance's assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority, seven out of eight of which resulted in substantial assurance in 2023/24.

Corporate Assurance monitors the implementation of management actions. The progress is reported to the Audit and Governance Committee via the internal audit progress reports. These include the priority level and status of newly added management actions. As at 9th June 2024, there were three management actions that remained outstanding six months after the original agreed implementation date and/or that had 3 revisions to the original agreed implementation date. Refer to Appendix B.

The timeliness of when management implement their agreed actions has been generally satisfactory throughout the year, with reasons provided where original agreed dates have not been met and revised dates provided.

Other Corporate Assurance work undertaken

Corporate Assurance undertake work in other areas that doesn't necessarily produce a report or a specific opinion. However, all corporate assurance work is considered in the preparation of this annual report. The table below shows the areas of other Corporate Assurance activity.

Corporate Assurance (Internal Audit) Activity	Description
Follow-up of Agreed Management Actions	Regular work undertaken to follow-up of agreed management actions.
Liaison, Planning and Feedback	Meeting with Senior Management regarding progress of corporate assurance work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance matters.
Advice – DPO Assurance	A review of documentation (where required).
Advice – Programme / Project Management	Provision of advice during the review and establishment of policies, systems and processes.
Audit and Governance Committee Support	Time taken in the preparation of Committee reports, Member training (where required), general support and development.
NFI	Time allocated to undertake the National Fraud Initiative data matching exercise.
Advice - Data Protection / UK GDPR	Provision of independent assurance that the Authority is complying with the Data Protection and UK GDPR regulatory requirements.
Advice – Pentana Risk Management System	Provision of advice, support and guidance during the design and implementation stages of the internal control framework for the risk management system.

Appendix A

Summary of Corporate Assurance (Internal Audit) Reports 2023-24

Assignment	Assurance Opinion	Number of implications raised:			Total	Agreed
		High	Medium	Low		
Authority Wide: Procurement Compliance	Limited	0	3	1	4	4
Pensions Admin: Actuarial Transition	Reasonable	0	1	1	2	2
Authority Wide: Cybersecurity	Reasonable	0	0	2	2	2
Pensions Admin: Customer Services including Contact Centre	Reasonable	0	1	2	3	3
Finance: Purchase to Pay	Substantial	0	0	2	2	2
Finance: Main Accounting	Substantial	0	0	0	0	N/A
Finance: Accounts Receivable	Reasonable	0	1	0	1	1
Finance: UPM Payroll	Substantial	0	0	0	0	N/A
Finance: Authority Staff Payroll	Substantial	0	0	0	0	N/A
Finance: Investment Income	Substantial	0	0	0	0	N/A
Finance; Accounting for Deals	Substantial	0	0	0	0	N/A
Finance: Fund Contributions	Substantial	0	0	0	0	N/A
Corporate Services: HR - Training & Development – Appraisal Process	Reasonable	0	3	1	4	4
Investment Strategy: Border to Coast	Substantial	0	0	0	0	N/A
Total		0	9	9	18	18