

Report to Regulation, Audit and Accounts Committee

21 September 2023

Update on Internal Audit Progress Report - August 2023

Report by Director of Finance and Support Services

Summary

This Committee has responsibility for oversight of the Council's Internal Audit Function. During the year, the Committee receives quarterly updates on progress with audit reviews undertaken in the year and at the end of the year an overall Annual Internal Audit Report and Opinion.

The latest progress report by the Southern Internal Audit Partnership as at the end of August is included as Appendix A.

At the end of August 2023, there is one completed review to report that has 'limited assurance, of which there are 11 management actions. Further details are set out in Section 2 of this report with a summary of the management response.

The Appendix A by Southern Internal Audit Partnership also sets out the progress against outstanding management actions from previous internal audit reports. In total, there are 58 outstanding actions – 10 considered low risk, 36 medium risk and 12 high risk. For outstanding actions of high risk, detailed updates are provided within Appendix A.

Recommendations

- (1) The Committee is asked to review the information detailed in the report, read in conjunction with Appendix A by the Southern Internal Audit Partnership and provide comment, as necessary.

1 Background and Context

- 1.1 Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising of risk management, control and governance, in support of the objectives of the Council.
- 1.2 The annual audit plan is prepared to take into account key areas of risk and is approved each quarter by the Regulation, Audit & Accounts Committee (RAAC) and delivered in accordance with the Public Sector

Internal Audit Standards (PSIAS). This report relates to reviews completed as at the end of August 2023.

- 1.3 Audit work has been undertaken to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective.

2 Progress Against 'Limited Assurance' Reviews

- 2.1 The one internal audit review completed with limited assurance relates to the Council's SmartCore Programme which is a programme to replace the current finance, HR and payroll systems. A summary of the findings of the internal audit review are set out in Section 5 of the report.
- 2.2 There are 11 management actions which focus on programme governance, reporting to Members and payments to external providers. A summary of actions in response to the findings is below.
- 2.3 A review of governance arrangements has been undertaken and identified a need to clarify roles and responsibilities, escalation routes for issues and decision making. Clearer programme documentation and regular reporting is being put in place and will include the programme risk register which will be reviewed at every Programme Board.
- 2.4 The delivery of the programme will be included on both the Finance and Support Services and HR and Organisational Development departmental risk registers and risk management actions monitored accordingly.
- 2.5 Regular briefings for the Leader of the Council and Cabinet Member for Support Services and Economic Development have taken place and will continue. Although there has been no formal reporting to Members since Autumn 2022, scrutiny committee members have been briefed on developments with the programme and there will be more regular formal reporting to Members in future, including Performance and Finance Scrutiny Committee and Cabinet.
- 2.6 In relation to payments to suppliers during the contract 'pause' period in November 2022 many of the Council's internal activities continued and were supported by the external contractors as part of the programme team. Payments were made in accordance with the contract's continuation during the pause to some activity.

3 Outstanding Management Actions

- 3.1 At the end of August 2023, there were 58 management actions from previous internal audit reviews that remain outstanding. The separate report from the Southern Internal Audit Partnership includes more detailed responses to the 12 management actions categorised as high risk that are outstanding.
- 3.2 The updates for high risk actions show that actions have either now been completed or a revised 'due date' has been agreed. Where the 'due date' has been delayed, this is largely due to system changes that are needed, delay in the implementation of the ERP system and changes needed in

internal processes. Revised due dates have been agreed for all outstanding actions and progress will continue to be monitored.

- 3.3 In relation to low and medium risk action, all due dates have been reviewed and extended where appropriate.
- 3.4 A further update will be provided at the next Regulation, Audit and Account Committee meeting on 1 December 2023.

4 Risk Implications and Mitigations

Risk	Mitigating Action
Services not addressing key management actions arising from the audit findings	Good progress has been made but follow up will be undertaken to ensure that agreed management actions from the audit reviews have been implemented. A report detailing progress will be presented to RAAC by the Director of Finance and Support Services at each meeting.

Taryn Eves
Director of Finance and Support Services