



Audit and Standards Committee Report

Report of: Senior Finance Manager, Internal Audit

Date: 23rd September 2021

Subject: Internal Audit Annual Report 2020/21

Author of Report: Linda Hunter, Senior Finance Manager, Internal Audit

Summary: The purpose of this annual Internal Audit report to Members is to highlight the work that has been undertaken by Internal Audit during the year and supports the Council's Annual Governance Statement (AGS).

Recommendations:

Members are asked to:

Note the content of the report and the opinion of the Senior Finance Manager.

Background Papers:

Category of Report: Open

* Delete as appropriate

If Closed, the report/appendix is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: L Hunter
Legal implications
YES /NO
Equality of Opportunity implications
YES /NO
Tackling Health Inequalities implications
YES /NO
Human rights implications
YES /NO
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council? YES/NO
Press release
YES /NO

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE

23rd September 2021

Purpose of the Report

1. The purpose of this annual report to Members is to highlight the work that has been undertaken by Internal Audit during the year. The report provides a review of the performance of Internal Audit for the year 2020/21, gives an opinion on the adequacy of the Council's system of internal control, and supports the Council's Annual Governance Statement (AGS).

Introduction

2. It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an annual report is produced on the work undertaken by the Internal Audit section. This report has been prepared by the Council's Senior Finance Manager (Internal Audit).
3. It is not the intention of this report to give a detailed summary of every audit that has been undertaken during the previous year, rather to give a broad review of the control arrangements.
4. The Executive Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Services and Internal Audit assesses the adequacy of these arrangements. Internal Audit provides analyses, appraisals, recommendations, and advice concerning the activities reviewed.

Executive Summary of the Audit Opinion

5. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately.
6. No audit assignments were given an audit opinion of no assurance for the period 2020/21.
7. As a result of the Covid 19 pandemic it has not been possible to deliver the full programme of work set out at the beginning of the year. We prioritised our resources on supporting the Council and concentrating on emerging systems and procedures and risks. Whilst restrictions have been lifted the Council's emergency response arrangements remain in place. Recovering from the pandemic will be a significant challenge for the forthcoming year.
8. From the routine planned internal audit work undertaken and reported upon during 2020/21, management's response to control issues arising from individual reviews has been positive overall, with actions to further

enhance controls being agreed and formally accepted. Implementation of agreed recommendations had generally improved during 2020/21 as reported to the Audit and Standards Committee. However, following the Covid 19 pandemic service area priorities have significantly changed and progress with the implementation of some agreed audit recommendations have been delayed.

9. Internal Audit carried out planned pro-active initiatives in areas of perceived high fraud risk to seek assurance that the selected processes contained robust counter fraud controls, and made recommendations where vulnerability was identified.
10. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office.
11. Internal Audit has investigated or assisted service managers to investigate other allegations of irregularity and associated disciplinary procedures throughout council services (refer to para 42 and 43 for further details).
12. A detailed annual report on fraud and investigations was presented to the Audit and Standards Committee in June 2021.
13. The end of year opinion places reliance on assurance provided from other parties and processes, for example the Annual Governance Statement, Risk Management processes and assurance from the work of the External Auditors. This enables a broader coverage of risks and ensures that the totality of the audit, inspection and control functions deployed across the organisation are properly considered in arriving at the overall opinion.
14. Assurance has been taken from the certification of internal control completed by Directors of Service under the AGS arrangements. Legal Services co-ordinated the compilation of the AGS on behalf of the Council, whilst ensuring that responsibility for items included within the statement lies with the senior management of the Council.
15. The Council's Annual Governance Statement (AGS) to be presented to the Audit and Standards Committee meeting in September 2021 has no areas of significant control weakness. However, there are 5 areas that the Corporate Management Team wished to monitor the arrangements across the Council.
16. As the Senior Finance Manager (Internal Audit) I am not aware of any significant control weaknesses that should have been included within the Council's Annual Governance Statement.

Legislation Surrounding Internal Audit

17. Internal Audit is an independent appraisal function within the Council. The Internal Audit section is part of Finance and Commercial Services, which contributes to satisfying the Executive Director – Resources statutory responsibilities. There are two key pieces of legislation that impact upon Internal Audit in local authorities, these are:

Section 151 of the Local Government Act 1972 requires that “every local authority ... make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs”. The Council has designated the Executive Director - Resources as the Responsible Financial Officer in relation to this section and one of the ways he exercises responsibility for financial administration is through the work of Internal Audit.

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015 which state in respect of Internal Audit that:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices”.

Professional Requirements

18. In addition to legislation, Internal Audit is governed by policies, procedures, rules and regulations established by Sheffield City Council (the Council). These include the Council’s constitution, financial regulations, standing orders, and conditions of service and codes of conduct for members and officers.
19. The Internal Audit section also has to meet the standards laid down by professional bodies such as CIPFA and the Chartered Institute of Internal Auditors (CIIA).
20. The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013, and were updated in 2017. The PSIAS include key principles that public sector internal audit functions must follow, and cover a range of areas including governance, performance standards and reporting requirements. The PSIAS standards are now also supported by a CIPFA statement on the Role of the Head of Internal Audit.
21. PSIAS require that an external assessment of every local authority internal audit section is completed every five years. The opinion provided as part of this external assessment in June 2016 was that the Internal Audit section at SCC ‘generally conforms’, which means the assessor concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects. This is the highest assessment opinion that can be given. A new external assessment, in compliance with the five yearly cycle, is currently being undertaken by

Birmingham City Council's 'chief audit executive' (CAE) and will be reported to the Audit and Standards Committee once the report has been received and finalised.

22. As part of the standards, Internal Audit is required to undertake regular self-assessments. Following the update of the standards, a self-assessment was completed in May 2019, and the summarised results are reproduced in Appendix A. The revised self-assessment still shows compliance or partial compliance with 95% of the standards, and non-compliance with 2% (3% of the elements are not applicable). The external assessment which is currently being undertaken included a self-assessment (and supporting evidence) and forms a significant part of the current review. Therefore, the assessed results will be reported along with the opinion once the report has been received and finalised.
23. Historically, the main area where Internal Audit differs from the PSIAS relates to the positioning and independent of the service. The PSIAS sets an expectation that the 'chief audit executive' (CAE) will report directly to a member of the management board (EMT).
24. At present the Senior Finance Manager (SFM), who is the designated CAE, reports to the Head of Strategic Finance (Deputy s151 Officer) who reports to the Director of Finance and Commercial Services, who reports to the s151 Officer (Executive Director – Resources). This point has previously been brought to the attention of the Audit and Standards Committee. The SFM does have unrestricted access to other senior officers, including the Chief Executive and to the members of the Audit and Standards Committee, where required.
25. Since the 2016 external inspection, the SFM in IA has been given management oversight of the External Funding Team and Risk Management, within Strategic Finance. The revised standards acknowledge that CAEs are often assigned other management areas, and so adequate safeguards need to be introduced to maintain objectivity and transparency. Arrangements to maintain independence and objectivity have been defined and documented for the Council and include measures such as amending the reporting arrangements for audits of the External Funding Team and the Risk Management function to ensure these audits are not reviewed/overseen by the SFM (designated CAE).
26. It should be noted that both the External Funding Team and the Risk Management team are compliance functions designed to monitor the application of policies and procedures, and so their remit does not conflict with the role of Internal Audit.

Relationship with External Audit

27. The Senior Finance Manager (Internal Audit) has recently reinstated the quarterly liaison meetings with external audit representatives to discuss and share work programmes, progress of work and key findings and recommendations. During the Covid 19 pandemic when these meetings were

not being held Internal Audit exchanged emails with External Audit (when required) and also both parties attended the regular Audit and Standards Meetings and Pre-Meetings. So regular contact was maintained during this period.

Internal Audit Resources

28. Internal Audit had an agreed budget for 2020/21 as outlined in the table below, which also summarises the end of year budget position.

2020/21			
	Outturn	Budget	Variance
Total	463,031	511,933	(48,902)

29. The underspend for the financial year was as a result of a number of vacancies resulting from the delayed arrival of the appointed staff following the MER process.

Structure

30. The current establishment structure of the section (which includes Internal Audit and Risk Management) is shown in Appendix C to this report. The service currently has 11 FTE officers, plus 2 CIPFA trainees (placed with Internal Audit on a rotation basis). A number of these officers have taken advantage of the Employee Led Scheme (ELS), buying additional leave or reducing their contracted hours.
31. The Internal Audit section strives to maintain high professional standards by employing and training appropriately qualified staff who are members of or actively studying for professional qualifications. All of the internal audit team are either professionally qualified or are actively studying for relevant qualifications. The section includes members of the Chartered Institute of Public Finance and Accountancy (CIPFA), Chartered Institute of Management Accountants (CIMA), Chartered Institute of Internal Auditors (CIIA), and Association of Accounting Technicians (AAT).

Planning Processes and Performance Monitoring

32. A report is submitted to the Audit and Standards Committee in April each year to outline how the annual plan is devised. The strategy for Internal Audit work is to focus on areas of high-risk activity in order to provide assurance that risk and internal control systems are being properly managed by Directors in service areas. Covid 19 restrictions have had a significant global impact. During the year it has been necessary to flex and reprioritise work in order to support the Council’s response to the Covid 19 emergency and help ensure

that proportionate controls are built within changing systems and procedures. Inevitably the pandemic has had an adverse impact on the delivery of services and Internal Audit. There is no doubt that the impact of the pandemic will continue to influence how the Council operates and the services it delivers to the communities and citizens of Sheffield for the foreseeable future.

33. Management are asked to contribute to the planning process, however the plan and its contents are entirely the responsibility of Internal Audit.
34. The audit plan is discussed with senior managers and ultimately agreed with the Executive Director - Resources.
35. The 2020/21 original plan contained 98 reviews. At the mid-year point 9 reviews were deferred or deleted. As this difference equated to less than 15% of the original plan, this did not constitute as a significant change and therefore was not reported to the Audit and Standards Committee.
36. The Internal Audit service uses a risk based approach to audit; this is now used almost exclusively for our reviews. This requires closer working with management to identify the risks inherent in the council's activities and then to test the controls that are in place to mitigate these risks.
37. The audit plan delivery for 2020/21 is as follows:

Audit Area	Original plan	Revised plan	Completed	Deferred or Work in Progress (WIP)
Corporate	5	5	3	2 WIP
Place	20	19	15	4 deferred
People	32	25	18	5 deferred 2 WIP
Resources & ICT	25	23	21	2 deferred
Main Financial Systems	6	6	5	1 WIP
Benefits / Pro-active Work	10	11	10	1 deferred
Total (Planned Reviews)	98	89	72	17
Investigations undertaken directly			12	
Man't Investigations assisted			23	
Overall Total			107	

38. A total of 72 assurance reviews were completed out of a revised 20/21 plan of 89. The target for the year was to complete 80 reviews, which is the agreed 90% target of the planned 89 reviews. Some reviews were deferred or deleted due to issues that only became apparent towards the end of the year after the mid-year plan had been completed. A further effect on the delivery of the planned audits resulted from the lockdown on the 17th March 2020 due to the Covid 19 pandemic. Engagement of staff during this period has been mixed with conflicting priorities for Portfolio staff. Also 4 deferred pieces of work related to grant work whereby the sign off date was extended by the funder, and therefore out of the control of the Internal Audit Section. Furthermore, after

the mid-year plan had been completed 2 members of staff were seconded to help other sections for a period of time, which had an impact on the delivery of some audits.

39. For the audit plan period 20/21 we currently have higher levels of work in progress compared to previous years due to the longer duration and increased time needed for some audits, and the impact of the Covid 19 pandemic.
40. The Internal Audit Section have been working virtually from home for the entirety of the year being reported upon. This position will continue for some time yet and it is considered highly unlikely that the team will return to the previous way of predominantly office-based working.
41. The 2020/21 allocation of resources for Business Partnering has been successfully utilised, and 21 reviews were undertaken at the request of senior managers from within the Council's Portfolios.
42. Internal Audit conducted 8 re-active investigations and assisted managers with a further 13 re-active investigations which arose in 2020/21. Internal Audit also concluded investigation work on 4 re-active investigations and assisted managers with a further 10 investigations which had originated in 2019/20. These cases were from all Council portfolios and included theft of cash or assets, falsification of mileage claims, excessive use of internet during work time. These investigations led to a number of dismissals and other sanctions. The Police were notified and involved where appropriate. Guidance was also provided to management regarding any control weaknesses identified as present in processes or procedures at the time of the incident. A report of fraud-related activity conducted by Internal Audit was submitted to the Audit and Standards Committee in June 2021.
43. Internal Audit facilitated the distribution and review of data matches received, across numerous service areas, as part of the statutory biennial NFI (National Fraud Initiative) operated by the Cabinet Office. The latest data matches were received in February 2021. There were a number of areas which were insourced to the Council and have required additional support to undertake and record this work. Internal Audit monitored progress on investigating the data matching work, as well as spot checked the validity of the work and outcomes to ensure reasonable completion of the exercise. Additional work was also required to submit additional data sets and undertake checking, related to payments made under Covid 19 grants. Internal Audit will report on the outcomes of the fraud work as part of its annual report in this area.
44. The Internal Audit Section have been involved with a number of Covid 19 grants Post Assurance work (Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and Local Authority Discretionary Grant Fund) . A significant amount of time has been spent in undertaking post payment assurance and anti-fraud checks, along with the completion of the required returns (within defined deadlines). The results so far have been extremely positive, demonstrating robust pre-payment checks to help prevent obvious payments of fraud.

45. The Council's Internal Audit Section is a member of the South and West Yorkshire Internal Audit Groups. This facilitates comparisons and the sharing of best practice and includes groups for Heads of Internal Audit, Investigations, Contracts and Procurement, Children's Services, computer specialists and Adults' Services, all of which have continued to meet virtually over the past 18 months. In addition the Senior Finance Manager (Internal Audit) is also a member of the Core Cities Heads of Internal Audit Group.

Audit Reporting

46. Internal Audit reports are typically made up of a number of findings and recommendations. Dependent upon the nature of these findings, the recommendations are given one of four categories – critical, high, medium or efficiency/effectiveness.
47. All Internal Audit reports are then given an overall opinion as to the likelihood of the service/system under review being able to meet its objectives.
48. The opinions are expressed as:

Overall Audit Assessment	
Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.	
Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.	
Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.	
No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.	

Organisational Impact	
Low	The issues identified have no corporate impact.
Medium	The issues identified have the potential to impact at a corporate level.
High	The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.

49. The opinions relate to the system at the time of the review and do not take into account the effects of the agreed recommendations. Internal Audit follow-up on the recommendations made, in a process that increases in relation to the significance of the opinion.
50. To give an indication of the risk profile results were:
- | | |
|-----------------------|------------|
| No assurance | 0 reports |
| Limited assurance | 4 reports |
| Moderate assurance | 13 reports |
| Substantial assurance | 17 reports |
51. A dashboard summary of the outcomes from the Main Financial Systems audits has also been produced. Four of the nine systems reviewed were given a substantial assurance, three received a moderate assurance opinion and one (Salary Overpayments and Recovery) received a limited assurance opinion. The Creditors review is currently at the final stages of fieldwork testing and therefore still classed as work in progress. Overall, the dashboard shows that the controls over the majority of the key systems are generally sound (Appendix D).
52. A summary of the key actions arising from all the limited assurance, medium impact reports, including on Salary Overpayments and Recovery, are included in Appendix E, as requested by Members.
53. In addition to the above, Internal Audit undertook 38 pieces of productive work across the Council that did not generate an opinion, and therefore does not appear in the breakdown above. These included 6 pieces of follow-up work, 9 grant sign-offs, 19 consultancy pieces of work/attendance at working groups, 2 National Fraud Initiative (NFI) work including the facilitating the data matching process and data privacy notices, the production of the Fraud E-Learning package and the Statement of Financial Values Standards in schools (SFVS) which were collated during 2020/21.
54. A further 21 pieces of work resulted from the Business Partnering resource. A schedule has been included in Appendix F outlining the work undertaken.
55. It should be noted that although the vast majority of recommendations made by Internal Audit are agreed by management, there are occasions where recommendations are not agreed. In such instances Internal Audit outline the potential risks. A judgement is drawn by senior Internal Audit staff, and where the risk is significant this will always be escalated to senior management to ensure that they are aware of the decisions made. Ultimately non-agreement of recommendations can be reported to the Audit and Standards Committee to enable managers to justify their actions.
56. As the Senior Finance Manager, I am satisfied that the coverage undertaken of the Council's activity by Internal Audit in the past year has been sufficient for me to be able to give an overall opinion on the Council's internal control system/environment.

Annual Governance Statement

57. Under Regulation 4 of the Accounts and Audit (England) Regulations 2011, the Council is required to conduct a yearly review of our system of internal control. This review forms part of the Annual Governance Statement (AGS) that accompanies the accounts each year. Co-ordination of the AGS is undertaken by the Legal and Governance Service; however Internal Audit is actively involved in the review and shortlisting process. This provides an opportunity for the Senior Finance Manager to flag any control non-compliances that may not have been included on the service and portfolio returns.
58. In 2020/21, the AGS stipulated that there were no areas of significant control weakness. However, there are 5 areas that the Corporate Management Team wished to monitor the arrangements across the Council.
59. Action to strengthen controls in these areas have been devised and agreed and the Monitoring Officer will continue to monitor and report on progress to the Leadership Boards and the Audit and Standards Committee.
60. As the Senior Finance Manager, Internal Audit, I am not aware of any significant control weaknesses that should have been included within the Council's Annual Governance Statement.

Reviewing the Service

61. The team has a number of performance indicators (PI's) which are used to monitor the service delivered. These PI's were revised for the 18/19 financial year onwards to more accurately measure the work of the team. The key targets are highlighted within the annual Finance and Commercial Services service plan and are shown below.
62. In order to gauge client satisfaction, all audit reports are issued with a standard questionnaire which requests client feedback on a number of aspects of the audit process including usefulness and conduct of the audit. The questions are analysed and to make service improvements.

63. The achievement of the performance targets is shown in the table below:

	2020/21 Target	2020/21 Achievement	2019/20 Achievement
PERFORMANCE TARGETS			
• % of audit resource spent on productive activities	88%	87%	85%
• No of planned assurance reviews delivered	80	72	59*
• No of days of business partnering activity delivered by year end	442	408	306
• Conduct a minimum of 4 proactive fraud reviews	4	5 complete	6 complete
• Quality measures – average >85% scoring 4 or better on customer questionnaire (1 is poor – 5 is good)	85%	70%	90%

*NB the no of assurance reviews undertaken changes annually to reflect resources available in the plan.

64. The productivity PI shows a slight reduction in productivity due to the impact on staff productivity following the initial lockdown on the 17th March 2020 due to the Covid 19 pandemic, for example the availability of IT kit at first and the supply of appropriate systems and access rights to work remotely. Whilst the team have delivered some different workloads to that planned, it can be seen that the number of chargeable days has been largely maintained.

65. Customer satisfaction questionnaires scores are seen to be acceptable (with the lowest individual score of 3). It should be noted that we have received very few customer feedback responses to date and being conscious of management workloads and capacity, we have not pressed this matter. It could be assumed that the fact we have received no response means that the customers have been satisfied with the work that has been undertaken and informal feedback indicates this is the case. It is intended to step up this area again in the 2021/22 year.

66. Internal Audit managers review the performance indicators on a quarterly basis and determine what action can be taken. The performance indicators are also discussed with all audit staff at quarterly service planning meetings, to help identify ways of improving service delivery and performance targets. They are also discussed during the Performance Development Reviews (PDR's) with individuals.

Chief Audit Executive's (Senior Finance Manager's) Opinion

67. The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
68. With an organisation as large and complex as the Council, some controls will inevitably fail or some risk will materialise which could not reasonably be foreseen. A recent example that impacted on the Council from March 2020 was the Covid 19 pandemic. Auditees and auditors have had to adjust quickly to different working arrangements and the availability of staff and IT kit and connections has been difficult for all staff. This has resulted in some significant delays finalising some audits.
69. As noted elsewhere in the report, despite the challenges and changes to work undertaken by the Internal Audit team, I can confirm sufficient work has been carried out to be able to form an opinion.
70. From the work undertaken by Internal Audit during the year, I am satisfied that the risk management, governance and internal control framework are adequate to allow the Council to conduct its business appropriately.

FINANCIAL IMPLICATIONS

71. There are no direct financial implications arising from the report.

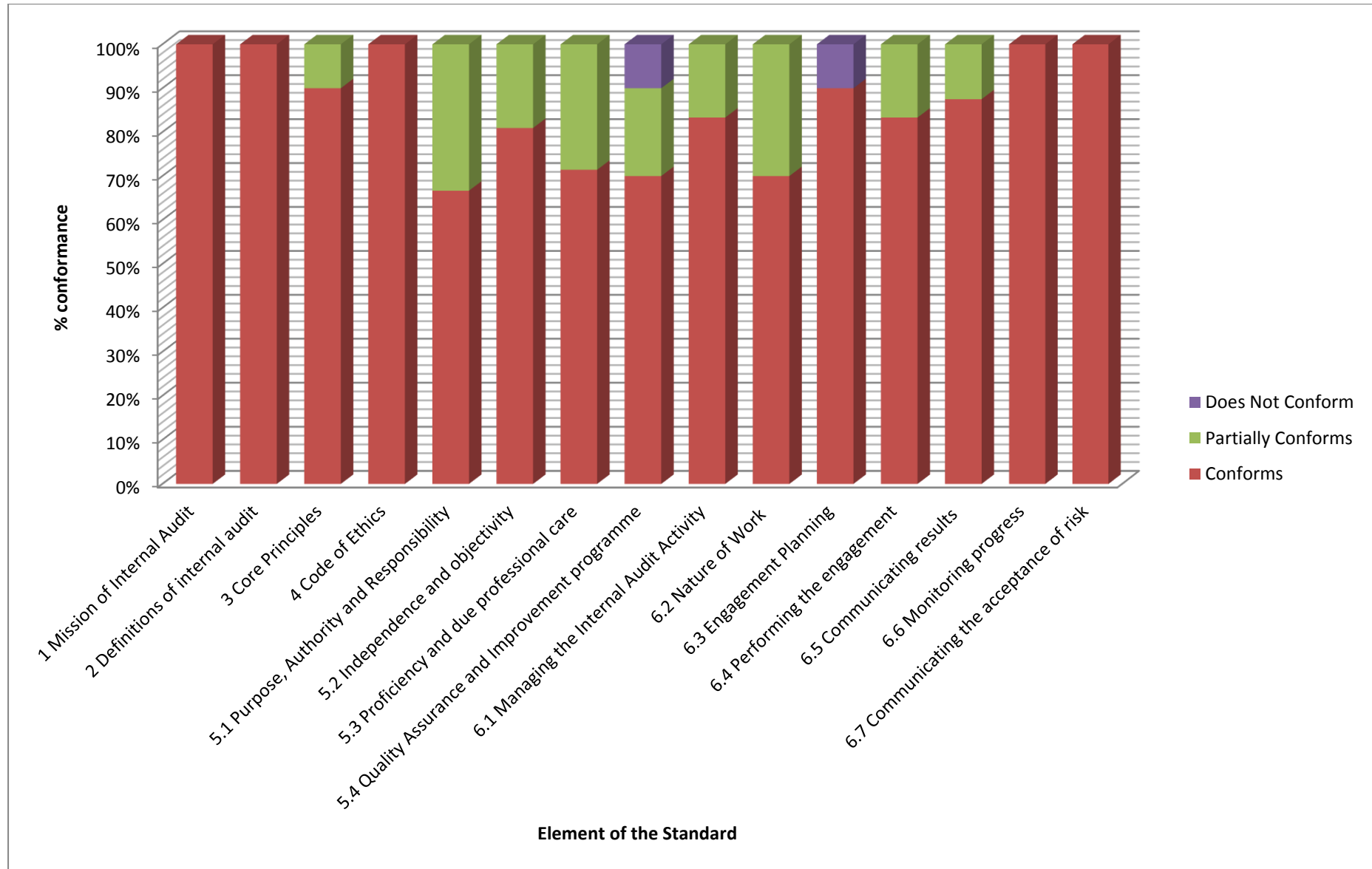
EQUAL OPPORTUNITIES IMPLICATIONS

72. There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

73. That the Audit and Standards Committee notes the content of the report and the opinion of the Senior Finance Manager.

Linda Hunter
Senior Finance Manager



**Sheffield City Council
Internal Audit Quality Assurance & Improvement Programme**

Introduction

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS), definition of internal auditing and code of ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving internal audits' operation.

The Senior Finance Manager, Internal Audit, is ultimately responsible for the QAIP, which covers all types of internal audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least every 5 years.

Internal Assessments

Internal assessments are made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:

- Supervision of each audit assignment;
- Regular, documented review of working papers during assignments by appropriate internal audit staff;
- Review of procedures used for each assignment to ensure compliance with the applicable planning, fieldwork and reporting standards as outlined in the quality procedures manual;
- Feedback from customer surveys on individual assignments;
- Analysis of key KPI's established to improve internal audit effectiveness and efficiency.
- Review and approval of all no assurance opinion draft and final reports by the Senior Finance Manager;
- Review and approval of all limited, moderate and substantial opinion draft reports by the Finance Managers.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, the Definition of Internal Auditing, the Code of Ethics and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Period assessments will be conducted through:

- Quality audits undertaken on a scheduled basis for performance in accordance with Internal Audit's Quality Procedures Manual;

- Review of internal audit performance KPI's by the Audit Management Team on a quarterly basis;
- Quarterly performance reporting to the Director of Finance and Commercial Services and annual reporting to the Audit and Standards Committee;
- Annual benchmarking exercise with core city authorities on cost and productivity;
- Annual self-reviews of conformance with the Public Sector Internal Auditing Standards.

Any resultant action plans will be monitored by the Senior Finance Manager (Internal Audit) on a quarterly basis.

External Assessment

External assessments will appraise and express a judgement about Internal Audits' conformance with the standards, definition of internal auditing and include action for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the council. The assessment will be in the form of a self-assessment with independent external validation. The format of the external assessment will be discussed with the Audit and Standards Committee.

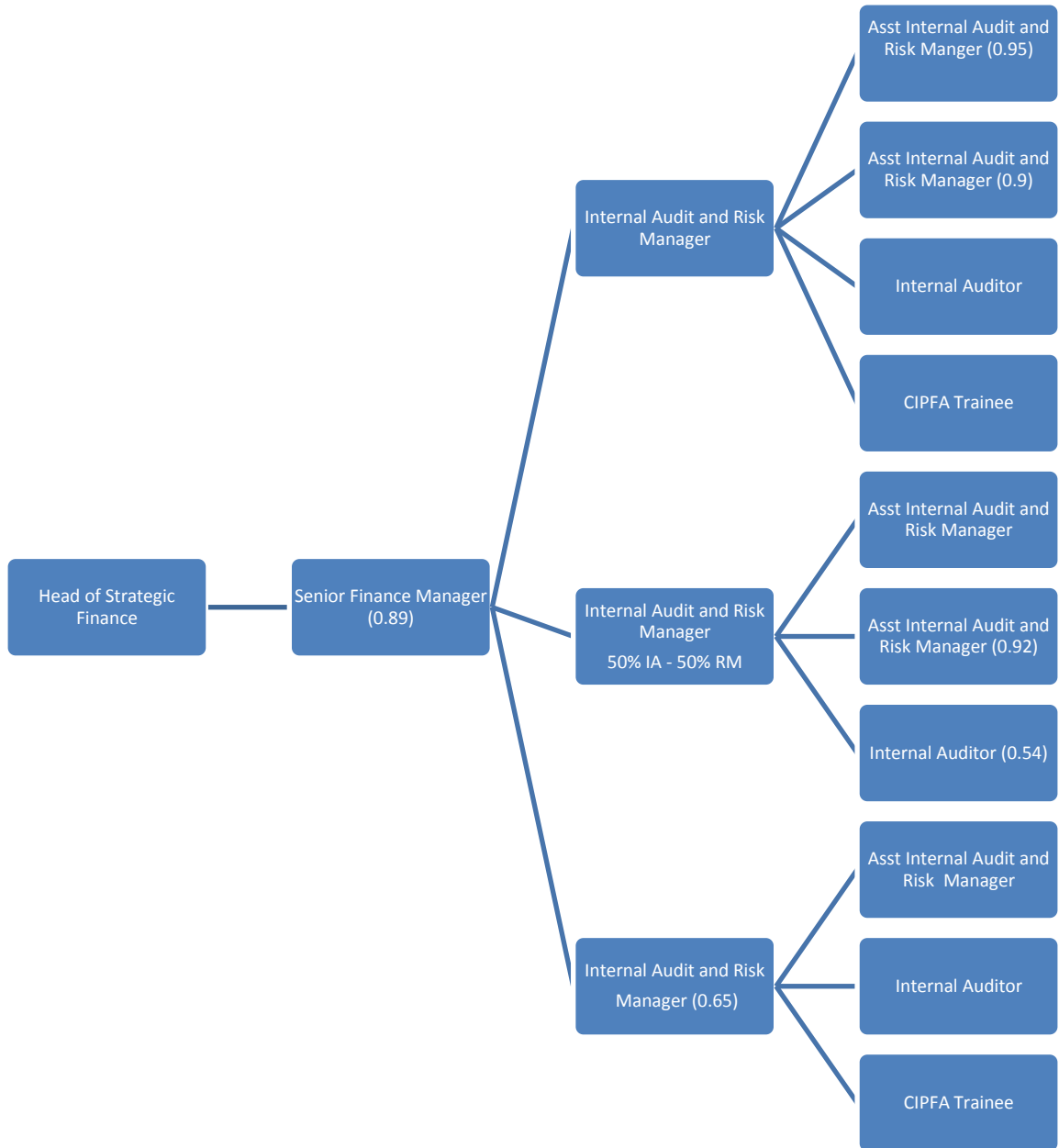
Reporting

Internal assessments – reports on performance will be made to the Audit and Standards Committee on an annual basis.

External assessments – results of external assessments will be reported to the Audit and Standards Committee and Section 151 Officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by an action plan in response to any significant findings and recommendations contained in the report.

Follow-up – the Senior Finance Manager, Internal Audit will implement appropriate follow-up actions to ensure that recommendations made in the report and actions plans developed are implemented in a reasonable timeframe.

Updated August 2021



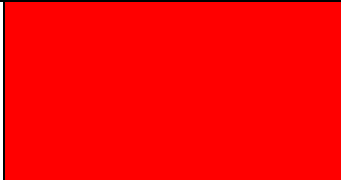


Main Financial Systems Dashboard

Activity Title	Scope	Assurance Opinion	Organisational Impact
Debtor Controls	Raising accounts, aged debt reduction and dispute resolution and write off processes.	✓ ✓ ✓	Medium
Council Tax	Liability, collections, billings and recovery process.	✓ ✓ ✓ ✓	Low
Payroll	Bona fide transactions (starters and leavers) and reconciliation process.	✓ ✓ ✓ ✓	Medium
Business Rates	Bill calculations, dispatch and collection, exemptions/reliefs and refunds.	✓ ✓ ✓ ✓	Low
People Financial Reporting	Budget setting, budget monitoring controls and reporting arrangements.	✓ ✓ ✓ ✓	Medium
Absence recording and monitoring for Covid 19	Reporting, communication, compliance to Corporate Policies and risk management	✓ ✓ ✓	Low
Salary Overpayments and Write offs	Process, reporting, recovery and training	✓ ✓	Medium
Bank and Control Account Reconciliations	Process, reconciliation, separation of duties and training	✓ ✓ ✓	Medium

Opinion

<p>No Assurance - There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.</p>	<p>✓</p>
<p>Limited Assurance - The system of internal control in place has some major weaknesses which may put the achievement of the Service objectives at risk. Issues therefore require prompt management attention.</p>	<p>✓ ✓</p>
<p>Moderate Assurance - There is a sound system of internal control in place with some weaknesses being present which may put some of the Service objectives at risk. Issues require management attention.</p>	<p>✓ ✓ ✓</p>
<p>Substantial Assurance - There is an effective system of internal control in place designed to achieve the Service objectives with only minor issues being identified which require improvement.</p>	<p>✓ ✓ ✓ ✓</p>

Organisational Impact Statement

<p>High - The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.</p>	
<p>Medium - The issues identified have the potential to impact at a corporate level.</p>	
<p>Low - The issues identified have no corporate impact.</p>	

Summary of the key actions arising from Limited Assurance reports issued in 2020/21

Resources

Salary Overpayments and Recovery (Limited Assurance, Medium Impact)

Executive Summary

The review was instigated at the request of Human Resources (HR) and Payroll management. Concerns were raised about a lack of robust procedure in relation to salary overpayments and write-offs. The HR and Payroll services were previously contracted out and came back in-house in October 2017. Staff and existing contractor procedures were transferred. A number of processes have been under review since the service came back in-house.

During the audit, it was identified that in addition to the agreed scope, there was a potential issue with historic salary overpayment debt and as such, an additional risk was added.

Engagement with HR, Payroll and Income Collection and Management Team (ICAM) had been positive throughout the audit, and we are confident that they will work together to ensure an effective end-to-end process is established.

High Priority Recommendations:

- Procedure and processes for salary overpayments should be documented.
- Salary overpayments should be allocated to trained staff.
- Effective reporting to senior management regarding salary overpayment levels is required.
- Payroll recovery action should be documented.
- Sufficient and meaningful information regarding salary overpayments should be provided to ICAM.
- ICAM to provide clear information to Payroll when returning unrecovered debt.
- Training to be provided to services where errors resulting in a salary overpayment are identified.
- Changes for responsibility for debt write-off should be considered.
- Historic debt should be reviewed and where appropriate written off.

Public Services Network (PSN) - NHS Toolkit - Data Security and Protection Toolkit (Limited Assurance, High Impact)

Executive Summary

When the audit work was initially scoped, it was agreed that the work would take the form of a gap analysis to determine the Council's current level of compliance with the toolkit, and to identify the activity required to ensure that the mandatory elements of the toolkit

would be met by the submission deadline of 30th September 2020. This was detailed in the terms of reference at the outset of the work in June 2020.

Internal Audit was requested to give an update to the Information Governance Board (IGB) on the findings of the audit work on 30th July 2020. A briefing paper was prepared and presented by Internal Audit. The audit report reflected the findings and recommendations detailed within the briefing paper. The agreed actions detailed within the audit report reflect the discussions and actions agreed at the IGB on 30th July 2020. The detailed findings at the time, are summarised in the following paragraphs.

Internal Audit reviewed the Council's current position via the on-line toolkit and considered this year's submission only. Only the mandatory elements of the toolkit were considered. As the testing commenced, it was clear that the majority of the evidence items provided for the assertions had been rolled forward from the previous year and so needed updating for the current year to 30th September 2020. Therefore, although Internal Audit undertaken audit testing in line with NHS Digital's guidance for independent auditors, as the toolkit submission for the year to 30th September 2020 was not complete, the testing could not be fully completed. However, Internal Audit identified to the Information Management Team where mandatory evidence items had not yet been detailed, where the evidence provided from last year needed updating and discussed the areas that the team feel will be particularly challenging to meet.

The position at the time of the audit review was that only three of the 30 mandatory assertions were signed off for this year's submission. As such and in light of the fact that the submission was due on the 30th September 2020, the audit opinion must be limited assurance at this stage. This does however come against the backdrop of a particularly challenging time for the team. The Council's Senior Information Management Officer/Data Protection Officer who has previously led on the toolkit submission left the Council in May 2020. Recruitment to this role was successful and the position filled, however, this officer has subsequently left the post and the position has only recently been filled again (as at September 2021). The Council has also come out of a contract for the provision of its IT services which will have a significant impact on the toolkit in terms of the revisions required. The Covid 19 pandemic has also had a significant impact across the whole of the Council and has impacted the Information Management Team's workloads and working arrangements. However, despite this, there is clear commitment from Senior Management and the Information Management Team to meeting the standards of the toolkit as quickly as possible and prioritising the work required to do this.

It is hoped that the recommendations made in this report, if fully actioned, will allow the team to meet the standards of the toolkit as quickly as possible and will ensure that going forward the submission of the toolkit becomes an on-going process, rather than a one-off annual event.

Critical Priority Recommendations:

- Establish a task and finish group/dedicated resource with responsibility for completing the toolkit. Review all mandatory evidence items and update the toolkit, signing off the assertions wherever possible.
- Establish the evidence items that cannot be delivered by 30th September 2020 and the impact of a 'Standards not Met' submission. Develop a clear action plan for the delivery of these items.

High Priority Recommendations:

- Include responsibility for completion of the toolkit in the job description/person specification of the newly appointed Senior Information Management Officer/Data Protection Officer.
- Develop a working group to ensure ongoing compliance with the toolkit.
- Identify all key stakeholders as part of setting up the working group.
- Document and escalate appropriately the risks associated with the toolkit.

Place

Automatic Number Plate Recognition system – governance controls (ANPR) (Limited Assurance, High Impact)

High Priority Recommendations:

- Data sharing agreement with South Yorkshire Police requires a review and update.
- Data breach guidance and action notes are required for staff and should be produced as a matter of urgency.
- Governance arrangements for the team to be documented.
- ANPR system to come under corporate BCIS control.
- South Yorkshire partnership agreement to be reviewed and updated.
- Supplier contract and an SLA to be developed.

People

Safeguarding (Limited Assurance, High Impact)

Executive Summary

This assurance review was limited in scope and the assurance provided only extends as far as the risks agreed per the Terms of Reference.

The audit found that there was good partnership governance through the Adults Safeguarding Partnership Board. The internal process for Safeguarding referrals has been reviewed and strengthened in recent years, and this is evident from clear processes, delivery of staff training and advice and training made available to partners and providers. There is a clear focus on customer outcomes and the safeguarding practice development team demonstrate a good ethos of continuous improvement.

The Service has recently carried out its own review into Safeguarding and the findings are broadly consistent. As a result, additional staff resources have already been put in place to reduce backlogs. It has been agreed that the Director of Adult Health and Social Care will bring back a report to EMT/ Performance Board looking at organisational wide adult safeguarding position and key recommendations for action and milestones. An Adult MASH has also been initiated and there is multi-agency sign up to support a new city wide model that generates a shift to early intervention and prevention.

There are some critical and high priority recommendations made within the report. There are 5 critical recommendations where there is a risk to the safety of individuals and the reputation of the Council, although 4 of these relate to an underlying process around triaging referrals within 48 hours. There are also 5 high priority recommendations, and 3 of these relate to the Council's oversight of the safeguarding element of the Mental Health contract.

Critical Priority Recommendations:

- Triaging of referrals within 48 hours.
- Delays in opening a safeguarding case.

High Priority Recommendations:

- Oversight of the Mental Health Contract.
- Establish a Risk Register and a process for regular reviews.
- That the Service establish a routine process to quality assess performance using a risk-based approach as to the volume and specific cases to be reviewed.

Business Partnering Activities

Incident Management Group
Automatic Number Plate Recognition system (ANPR) Governance Controls
Stocksbridge Town Fund
Debt Panel
Infection Control Fund - Support Package for Care Homes
Support and advice to the Financial and Commercial project groups
Overview of the managements arrangements for IT
Non SCC Volunteer Expenses Process
Salary Overpayments and Recovery
Discretionary Grants Process
Equipment Rollout in relation to 'working from home'
IT assets
Test, Trace and Isolate Support Payments
Acquisition and disposal of kit
Strategic Finance Service Plan
Finance Design Assurance (FDA) - Market Vouchers
FDA – Fixed Penalty Notices Covid
FDA - Launderette Lady
FDA – Cards
Management Info
Local Assistance Scheme - Trusted Assessor – Citizens Advice Bureau

Grants/Account sign-off

Lord Majors Charity Account
Crystal Peaks Market Service Charge Review
Lower Don Valley Flood Defence Charges
Compliance and Enforcement
Local Authority Bus Subsidy Grant sign-off
Building Successful Families (BSF)
PTE – LTP (2 separate pieces of work)
Disabled Facilities Grant sign-off
Schools Financial Value Standards (SFVS)

Investigations

Investigation Advice to Management
Fraud Report

