

INTERNAL AUDIT PROGRESS REPORT 2021/22

21 September 2021





BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Service's Audit Charter. In accordance with the PSIAS, the Head of Internal Audit is required to report progress to the committee on the programme of internal work to support the annual internal audit opinion, and to highlight any emerging significant risks and/or control issues we have become aware of.
- 2 The proposed 2021/22 areas of work for internal audit, and the approach to flexible audit planning, was summarised in the Internal Audit Plan, which was agreed by this committee in March 2021.
- 3 It is important that audit resources are used effectively and continue to focus on those areas which add the most value. The plan is therefore designed to be flexible so that as new risks are identified or priorities change the audit programme can be updated.



INTERNAL AUDIT PROGRESS

- 4 Since the last committee we have finalised one audit on Human Resources (Discipline and Grievances). A full copy of that report has been circulated separate to this progress report. Work is in progress for three other audits.
- 5 There are no areas of emerging significant risks and/or significant control issues which we have become aware of, that we need to highlight to the committee.
- 6 Further information on the areas of work are included in the appendices to this report. Appendix A provides details of the internal audits currently in progress and the status of each audit. Appendix B provides details of the work scheduled to be started next. Appendix C provides further information on audit opinions and priorities for management actions.



FOLLOW UP OF AGREED ACTIONS

- 7 It is important that agreed actions are followed up to ensure that they have been implemented. Veritau has followed up agreed actions during the year taking account of the timescales previously agreed with management for implementation. There are no significant weaknesses to report to the Committee.

APPENDIX A: INTERNAL AUDIT WORK COMPLETED / IN PROGRESS

Audit	Status	Assurance Level	Reported to committee
Payroll – mandate fraud	Final report issued	No opinion	July 2021
Payroll – controls review	Fieldwork complete	-	
Policies and procedures	Work in progress	-	
Health and Safety	Planning	-	
HR Discipline and Grievance	Final report issued	Reasonable Assurance	September 2021

APPENDIX B: CURRENT PRIORITIES FOR INTERNAL AUDIT

Audit	Status		
	Ongoing	Do next	Do later
Strategic and Corporate risks			
Policies and procedures	✓		
Strategic Service planning		✓	✓
Risk management		✓	
Performance Management			✓
Data quality (provision of accurate and timely data)		✓	
Health and Safety	✓		
Procurement and contract management			✓
Information Governance			
Change Management			✓
Equality, diversity and inclusion			✓
Training and Development		✓	
ICT related areas		✓	
Corporate project management arrangements			✓
Fundamental/Material Systems			
Payroll and Pensions	✓		
Service Related Areas			
Transport and Fleet Management			✓
Other Audit Assurance Areas			
Continuous Audit planning and assurance gathering to support our opinion.	✓	✓	✓
Follow up of management actions	✓	✓	✓

Further explanation on the work status

The programme of work is subject to ongoing review and will be adjusted in response to changes in the Service's activities, risks, operations, systems and controls. During the year, planned work is prioritised on the basis of:

- Do first – work of the highest value, priority, or urgency
- Do next – work to be started after current audit work is completed
- Do later – work to be scheduled for consideration later in the audit year

Changes in the priority and timings of work will be discussed and agreed with officers.

Individual audit assignments can also move between the categories as required. For example an audit scheduled for quarter 3 to minimise the impact on a service area may initially be classed as to "do later", but will become "do now" as we move into quarter 3. Similarly, an audit classed as "do now" because it represents an area of high importance to the Service may move from "do now" to "do next" or "do later", if the project slips or planned work cannot be undertaken until a specific point is reached. Towards the end of the year, some audits classed as "do later" are likely to be deferred until the next year.

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit. Our overall audit opinion is based on 4 grades of opinion.

Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control, to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

*There are circumstances when it is not appropriate to give an opinion/assurance level on completed work, for example on project and other support, consultancy, grant certification and follow up work. When **'no opinion'** is our conclusion this is not to be confused with a no assurance opinion.

Priorities for actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

