
Audit and Standards Committee – 24th April 2024

Report of the Director of Finance and Legal Services

Internal Audit Plan for 2024/25

Purpose of the Report

1. To inform Members of the proposed Internal Audit Plan for 2024/25.

Recommendations

2. That Members note the content of this report and approve the Internal Audit Plan for 2024/25 (**Appendix A**).

Background

3. The Accounts and Audit Regulations 2015 require the council to undertake:
 - “An effective audit to evaluate the effectiveness of its risk management, control and governance processes;
 - Ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk;
 - Conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement”.

Section 151 of the Local Government Act 1972 requires the council to “make arrangements for the proper administration of their financial affairs”.

4. The work of Audit and Risk Management Services and the fulfilment of the audit plan helps the council to comply with these requirements and enables the Head of Audit and Risk Management Services (as required by the Public Sector Internal Audit Standards) to deliver an internal audit opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
5. Audit and Risk Management Services resources as at the 1st April 2024 are the same as at the 1st April 2023:

Positions	FTE
Head of Audit and Risk Management	1.00
Senior Principal Auditor	1.00
Principal Auditor	1.68
Corporate Fraud Manager	1.00
Senior Systems Auditor	1.00
Senior Auditors	2.12
TOTAL	7.80

6. As mentioned in reports to previous meetings of this Committee, Audit and Risk Management Services have a vacancy for a Principal Auditor and have tried on 4 occasions to fill the post. The last occasion was in August 2022. This post is required to provide more capacity at a senior level to deal with the complexity of work now undertaken by Audit and Risk Management Services including work on risk management. The vacancy has resulted in some work particularly development activity being deprioritised, increased pressure on the achievement of targets and being unable to provide the necessary input into risk management. The Head of Audit and Risk Management considers that current resources are just sufficient for him to deliver his annual opinion as the audit plan is structured in such a way for this to be achieved.
7. In producing the audit plan for 2024/25 the following approach has been undertaken:
 - Ensure the risk/audit universe (list of auditable areas) is complete and includes new functions and services. In order to achieve this the following was reviewed:
 - Council Plan;
 - Director Plans;
 - Council and Directorate priorities;
 - The Borough Vision "Forging a Future for All";
 - Budget Monitoring Reports and the Medium Term Financial Strategy;

- Customised reports from Business World and iTrent systems;
 - Committee and Boards Agendas and Minutes from January 2023 to January 2024;
 - Decision sheets and decision memorandums from January 2023 to January 2024;
 - Corporate Risk Register;
 - Other Council Internal Audit Plans and Risk Registers;
 - Review of projects recorded on the Dudley Portal (Project Management System).
8. Also, a questionnaire was sent out to most Heads of Service asking them to identify any changes to their service area, projects that they are involved with, any emerging risks, any assurance received and suggestions for inclusion in the 2024/25 audit plan.
9. The risks identified on the Corporate Risk Management System (Spectrum) were supplemented with risks identified by Audit and Risk Management Services to form a risk universe and then each risk was linked to a specific audit. Priority was then determined taking account of the risk status, the date of the last internal audit review and any other key assurance received. Audit and Risk Management Services are transitioning to a new system that integrates the Spectrum Risk Management System and Audit Management System (Galileo). This will be completed during 2024/25. Due to transitioning to a new system more manual processes were undertaken in the preparation of the plan. **Appendix C** shows the proposed Audit Plan for 2024/25 against SEB risks.
10. As part of the process, Audit and Risk Management Services met with the Chief Executive, Deputy Chief Executive, Directors and some Heads of Service to understand their current and emerging risks and areas of concern. Also, proposals for inclusion in the Audit Plan were discussed.
11. The draft Internal Audit Plan was issued to the Chief Executive, Deputy Chief Executive, Directors and some Heads of Service for comment. The draft Internal Audit Plan was then discussed and agreed at Strategic Executive Board.
12. The proposed plan should focus Audit and Risk Management Services' finite resources on those areas of greatest risk that require the most pressing need for assurance. The audit plan for 2024/25 is included at **Appendix A**.

13. Within the audit plan there are allocations for Contingency and Advice and Support. These allocations are to assist Directors in managing changes to their services/functions to ensure effective controls are in place and risks are being managed appropriately. It will also be used to contribute to the Fit for the Future Programme.
14. It has been made clear to Directors that if a significant risk emerges during the year that was not considered within the audit planning process, then the plan may have to be adjusted to take this into account. This may mean audits that were in the initial plan being postponed. This would also be the case if there was an influx of fraud/irregularity cases that required urgent professional input.
15. There are times when something happens that was not envisaged when the audit plan was agreed that makes it impractical to carry out the planned audit. In these circumstances an audit will be selected from the Reserve List that has been notified to Directors. This would include audits that should ideally have been undertaken by now. Please see **Appendix B**.
16. If any changes are required to the Audit Plan (new audits/cancellations) these will be notified to the Audit and Standards Committee as soon as possible via Interim Performance Reports.
17. The time allocated to each audit is based on past experience of auditing that area. Where an area has not been reviewed previously then professional judgement was used. These allocations can only ever be indicative as it is difficult to predict what may be found/encountered during an audit.
18. Due to the current financial situation facing the Council, a decision was made to undertake more audits in relation to the budget management Very High Net Risk (R.392).
19. An overview of the proposed audit plan for 2024/25 is shown below:

AREA	2023-24		2024-25	
	Days	%	Days	%
Children's Services	50	3.80	38	2.90
Adult Social Care	54	4.00	40	3.10
Public Health and Wellbeing	12	0.90	15	1.10
Finance and Legal Services	57	4.30	73	5.60

People and Inclusion	25	1.80	25	1.90
Chief Executive Office	30	2.20	15	1.10
Communication and Public Affairs	12	0.90	0	0
Chief Executive's Total	240	17.90		
Housing and Community Services	51	3.80	40	3.10
Regeneration and Enterprise	40	3.00	35	2.70
Environment	27	2.10	35	2.70
Digital, Customer and Commercial Services	62	4.70	38	2.90
Deputy Chief Executive's Directorate	180	13.60		
School Audits	70	5.20	74	5.60
Fraud Action Plan	260	19.10	260	19.80
Honorary Audits	20	1.50	20	1.50
Follow Up	88	6.50	68	5.20
Contingency and Advice and Support	108	8.00	145	11.1
Income Generation Work -Academies -Schools Financial Value Standard Assessments (Approx 40) -Value For Money	95	7.00	105	8.00
Audit Management	124	9.20	124	9.40
Prior Year Work	30	2.20	30	2.30
Corporate Governance	10	0.80	10	0.80
Risk Management	120	9.00	120	9.20
TOTAL	1345	100.00	1310	100.00

20. Audit and Risk Management Services has an income target of approximately £71,000 for 2024/25. Audit and Risk Management Services currently carries out traded services work by undertaking School Financial Value Standard reviews and work with a Multi-Academy Trust to generate income.
21. The table above shows that approximately 8% of the plan is devoted to income generation work, approximately 20% to fraud related work and approximately 9% in relation to risk management.

Finance

22. There are no direct financial implications arising from this report. The cost of Audit and Risk Management Services is met from within the base budget of the council.

Law

23. The council has a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. This includes a duty to have effective controls and procedures in place to prevent, detect and investigate fraud.
24. The Account and Audit Regulations 2015 includes a requirement for the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

Risk Management

25. The proposals contained within this report do not raise any “material” risks. The Audit Plan takes account of the risks faced by council services.

Equality Impact

26. This report does not raise any equal opportunities issues.
27. The work included in the Internal Audit Plan will help to protect the interests of children and young people, albeit they were not consulted on, or involved, with the development of the plan.

Human Resources/Organisational Development

28. There are no human resources/organisational development implications relating to this report.

Commercial/Procurement

29. Audit and Risk Management Services generate income by providing a traded service to schools and academies.

Environment/Climate Change

30. There are no direct environmental implications within this report impacting on the Council's work to address Climate Change and achieve our Net Zero target by 2030.

Council Priorities and Projects

31. The work undertaken by Audit and Risk Management Services helps to ensure Council priorities are achieved by ensuring the Council has an effective framework of governance, risk management and internal control.



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List of Background Papers:

Public Sector Internal Audit Standards

Appendix A Audit Plan 2024/25

Appendix B Audit Plan Reserve List

Appendix C Audit Plan 2024/25 against SEB risks

APPENDIX A

Audit Plan 2024-25 DRAFT	DAYS	QTR1	QTR2	QTR3	QTR4	Corporate Audit	Main Purpose
							Assurance (A), Consultancy (C), Other (O)
Children's Services							
Payment Processes	15	15				No	(A) - To provide assurance that payments that are administered through the Controcc System and other electronic systems (excluding Unit 4) are controlled and approved in line with Financial Regulations.
Family Hubs and Start for Life Programme	15		15			No	(A) - To provide assurance that there is effective governance to deliver the objectives of the programme and ensure relevant grant terms and conditions are complied with.
Supporting Families Grant Claim	8	2	2	2	2	No	(O) - To ensure Department for Levelling Up, Housing & Communities requirements are adhered to.
Total	38	17	17	2	2		
Adult Social Care							
Dudley Disability Service	15				15	No	(A) - To provide assurance that the increase in demand for service is being managed with a focus on Waiting Lists, Placements, Assessments, Reviews, Case Management, Quality and Performance.

ASC Learning and Development	10			10			No	(A) -To provide assurance that staff are provided with training and development that allows them to effectively undertake their roles and meet any regulatory requirements.
ASC Commissioning - Contract Management	15		15				No	(A) - To provide assurance that there is an effective risk based approach to the management of Adult Social Care contracts.
Total	40	0	15	10	15			

Public Health and Wellbeing

Emergency Planning	15		15				Yes	(A) - To provide assurance that Dudley has an effective framework setting out the Council's response and management arrangements to a major emergency affecting the Borough, which meets all the requirements and responsibilities detailed within the Civil Contingencies Act 2004. This will include learning from the Covid-19 pandemic.
Total	15	0	15	0	0			

Finance and Legal Services

Creditor Payments	15		15				Yes	(A) - To provide assurance that Dudley's payment processes are effective.
Spending Controls	16	4	4	4	4		Yes	(A) - To provide assurance that the Spending Controls that have been agreed are consistently followed by all directorates (discretionary spend).

General Ledger	12				12	No	(A) - To provide assurance that the Council's accounting procedures are effective. The brief will ensure that this complements rather than duplicates the work of the External Auditor.
Council Tax	15			15		No	(A) - To provide assurance that accurate and timely Council Tax bills are raised and there are effective recovery procedures in place.
Benefits	15				15	No	(A) - To provide assurance that benefit is paid correctly and minimising the risk of fraud.
Total	73	4	19	19	31		

People and Inclusion

Payroll	15			15		Yes	(A) - To provide assurance that payroll processes are effective and minimising the risk of fraud.
Time Recording	10	10				Yes	(A) - To provide assurance that the recently introduced time recording system is being used appropriately by staff.
Total	25	10	0	15	0		

Chief Executive's Office

Project and Programme Management Assurance	15				15	Yes	(A) - To provide assurance that the governance established over Council Projects and Programmes including the use of the Dudley Portal (Verto) is effective.
Total	15	0	0	0	15		

Chief Executive Total	206	31	66	46	63		
Digital, Customer and Commercial Services							
MyDudley (Digital Platform)	15			15		Yes	(A) - To provide assurance that the objectives of the project have been achieved and it is realising improvements in service delivery for the Council and residents.
External Business/Cloud Systems	15		15			Yes	(A) - To provide assurance on the implementation of Cloud Systems ensuring key risks have been identified and appropriately mitigated. One system will be selected for review.
Provide consultancy support on the implementation of Cloud Systems	8	2	2	2	2	Yes	(C) - To support the implementation of Unit 4 (Agresso Business World) and Alemba Cloud Systems and ensure previously raised Audit Actions are taken into account.
Total	38	2	17	17	2		
Housing and Community Services							
Disabled Facilities/Home Assistance Grants	20	20				No	(A) - To provide assurance that there are efficient and effective systems in place to provide grants that minimise the risk of fraud.

Repairs Management	15			15		No	(A) - To provide assurance that there is effective management of the internal repairs service (excluding external repairs contracts).
Grant Claims	5		5			No	(O) - To ensure that grant terms and conditions are adhered to.
Total	40	20	5	15	0		

Regeneration and Enterprise

UK Shared Prosperity Fund Programme	15		15			No	(A) - To provide assurance that there is effective governance to deliver the objectives of the programme and ensure relevant grant terms and conditions are complied with.
Property Income (leased property portfolio)	15				15	No	(A) - To provide assurance that charges are being raised correctly, regularly reviewed and recovered. Also, to include the management of void property and lease stipulations.
Grant Claims	5		5			No	(O) - To ensure that grant terms and conditions are adhered to.
Total	35	0	20	0	15		

Environment

Health and Safety Management	15		15			No	(A) - To provide assurance that there are effective processes within the directorate to manage health and safety risks.
Waste Contract Management	15				15	No	(A) - To provide assurance that the Energy from Waste contracts are being managed effectively.

Grant Claims	5		5			No	(O) - To ensure that grant terms and conditions are adhered to.
Total	35	0	20	0	15		
Deputy Chief Executive Total	148	22	62	32	32		
Other							
Follow Up - MINIMALS	28	7	7	7	7	N/A	To follow up previous audits as agreed with Audit and Standards Committee to include: Children's Services Contract Management, Property Maintenance Contract Payments, Early Years Funding and Childcare Sufficiency, Children in Care Sufficiency Strategy.
Follow Up - HIGHS	40	10	10	10	10	N/A	To follow up High priority findings in accordance with the process agreed with Audit and Standards Committee.
Advice and Support	40	10	10	10	10	N/A	To provide day to day support to the Council.
Contingency	105	10	15	40	40	N/A	To support the Improvement and Sustainability Programme in relation to Governance, Risk Management and Internal Control. To provide contingency in case any significant risks that require immediate assurance or support to establish the necessary controls are identified during the year.
Total	213	37	42	67	67		
Schools							

School Audits	50	36		14		N/A	To provide assurance on the effectiveness of governance and financial management processes within 12 schools.
Advice and Support	16	4	4	4	4	N/A	To provide day to day support to Schools.
Follow Up	8	2	2	2	2	N/A	To follow up Minimal assurance audit reports and High priority findings.
Total	74	42	6	20	6		
Directorates and Schools Total	641	132	176	165	168		
Audit Management	124	34	25	25	40	N/A	Preparation of reports and attendance at Audit and Standards Committee and Strategic Executive Board, annual and strategic audit planning, quality control and development.
Prior Year Work	30	30				N/A	Completion of the 2023/2024 Audit Plan.
Income Generation - Schools Financial Value Standard (SFVS)	50			30	20	N/A	To ensure Schools are adhering to the requirements of the SFVS (approximately 40 Schools).
Value for Money	30			15	15	N/A	Additional work undertaken to achieve Audit and Risk Management Services' income target.
Fraud	260	65	65	65	65	N/A	To undertake prevent, detect, investigate and resolve in accordance with the Fraud Action Plan.
Honorary	20	10	10			N/A	To complete external review of a number of honorary accounts.

External Contracts	25	15	10			N/A	Contract with Academy Trust.
Corporate Governance	10	10				Yes	To facilitate a self assessment of the Council's governance processes against best practice guidance and update the Code of Corporate Governance. To facilitate the production of the Annual Governance Statement.
Risk Management	120	30	30	30	30	N/A	To embed and administer the Council's risk management framework. Support Managers in the recording of assurance information.
Total	669	194	140	165	170		
TOTAL DAYS	1310	326	316	330	338		

Appendix B

Audit Plan Reserve List

<p><u>Digital, Customer and Commercial Services</u> Dudley Council Plus Information at Work System ICT Configuration Management Liquid Logic Portals M3 System ICT Infrastructure Commercial Strategy Cheque Process iTrent System Tribepad System Dudley Town Hall Bar and Bistro</p>	<p><u>Adult Social Care</u> Adult Social Care Income Telecare Adults at Risk Team Community Equipment Service Preparing for Adulthood Deprivation of Liberty Standards Occupational Therapy Court of Protection Living Independently Team ASC Quality Framework Supported Hospital Pathway</p>
<p><u>Public Health and Wellbeing</u> Public Health Programme Management Knowledge Team Infection Control Contaminated Land Household Support Fund Trading Standards Business Continuity</p>	<p><u>Finance and Legal Services</u> Insurance Land Charges Schools Financial Monitoring Freedom of Information/Subject Access Requests Capital Strategy and Capital Programme Debtors Income Management</p>
<p><u>Children's Services</u> Youth Offending Youth Services Connexions Education Support Service Dudley Performing Arts School Admissions</p>	<p><u>Housing and Community Services</u> Housing Strategy Voids Leaseholders Housing Contract Management Sustaining Tenancies and Safeguarding Housing Health and Safety Anti-Social Behaviour Community Safety Community Cohesion Prevent/Modern Slavery Housing Stores Contract Community Engagement and Participation</p>

	Resource Management Centre
<u>Regeneration and Enterprise</u>	<u>Environment</u>
Adult Education/Skills and Training	Traffic Management
Community Asset Transfer	Parking Management
Building Control	Street Cleansing
School Asset	Street Lighting
Management/Capital Plan	Incab Waste Management System
Community Infrastructure Levy	Highways Structures
Section 106	Flood Management
Corporate Estates Strategy/Asset Management	Enforcement Team
Contract Management	Operators' License
Income	Fleet Management

APPENDIX C

Comparison of proposed Audit Plan 2024-25 against SEB risks

#	Risk Event / Responsible Org Unit	Audits
1	R.398 "SEB: Failure to comply with HR related legislative requirements." Chief Executive's	Payroll
2	R.399 "SEB: The inability to recruit and retain staff particularly in professional areas where there is a national shortage of skills and expertise." Chief Executive's	Follow Up of Previous High Actions
3	R.401 "SEB: Failure to adhere to the Equality Act 2010 and Public Sector Equality Duty." Chief Executive's	N/A
4	R.419 "SEB: Lack of oversight of programmes and projects across the Council, with no assurance and monitoring of progress against time, cost and quality." Chief Executive's	Family Hubs and Start for Life Programme UK Shared Prosperity Fund Programme MyDudley (Digital Platform) Project and Programme Management Follow Up of Previous High Actions
5	R.608 "SEB: Potential for DMBC to fail to deliver the Fit for the Future Programme and benefits." Chief Executive's	Consultancy input to be agreed.

#	Risk Event / Responsible Org Unit	Audits
6	<p>R.410 "SEB: Failure to identify and protect adults in positions of vulnerability from harm and serious abuse as required by the Care Act 2014." Directorate of Adult Social Care</p>	<p>Dudley Disability Services ASC Learning and Development ASC Commissioning – Contract Management Follow Up of Previous High Actions</p>
7	<p>R.411 "SEB: Failure to identify and protect children in positions of vulnerability as required under legislation." Directorate of Children's Services</p>	<p>Follow Up of Previous High Actions</p>
8	<p>R.402 "SEB: A major external information security breach takes place resulting in the loss/disclosure of a substantial amount of personal information or a ransomware attack." Directorate of Digital, Customer & Commercial Services</p>	<p>External/Cloud Systems Alemba/Unit 4 Consultancy Follow Up of Previous High Actions</p>
9	<p>R.404 "SEB: Failure to demonstrate compliance with Contract Standing Orders/Procurement legislation." Directorate of Digital, Customer & Commercial Services</p>	<p>Follow Up of Previous High Actions</p>
10	<p>R.405 "SEB: Contracts are not managed effectively." Directorate of Digital, Customer & Commercial Services</p>	<p>Waste Contract Management Follow Up of Previous High Actions</p>

#	Risk Event / Responsible Org Unit	Audits
11	<p>R.414 "SEB: Failure to meet the targets for carbon reduction in all aspects of the Council's operation is seen not to be in accordance with the Council's commitment to the environment."</p> <p>Directorate of Environment</p>	N/A
12	<p>R.392 "SEB: The Council is unable to meet its commitments to deliver services (including those funded from ringfenced funds) because annual income is insufficient and reserves have been fully depleted, triggering a requirement to issue a Section 114 notice."</p> <p>Directorate of Finance & Legal Services</p>	<p>Creditor Payments</p> <p>Payment Processes</p> <p>Benefits</p> <p>Council Tax</p> <p>Spending Controls</p> <p>Property Income (leased property portfolio)</p> <p>General Ledger</p> <p>Follow Up of Previous High Actions</p>
13	<p>R.393 "SEB: Do not deliver the appropriate and timely support to our residents in cases where they are experiencing increased hardship."</p> <p>Directorate of Finance & Legal Services</p>	N/A
14	<p>R.394 "SEB: Major fraud against the Council."</p> <p>Directorate of Finance & Legal Services</p>	<p>Fraud Action Plan</p> <p>Time Recording</p> <p>Payroll</p> <p>Creditor Payments</p> <p>Payment Processes</p>

#	Risk Event / Responsible Org Unit	Audits
		Disabled Facilities Grants
15	R.395 "SEB: Death, injury or ill health of Council staff, Members, service users and visitors when attending Council premise and/or Council staff undertaking their normal role." Directorate of Finance & Legal Services	Environment Health and Safety Follow Up of Previous High Actions
16	R.396 "SEB: Failure to comply with the requirements of the UK General Data Protection Regulation tailored by the Data Protection Act 2018 and associated legislation." Directorate of Finance & Legal Services	External/Cloud Systems Alemba/Unit 4 Consultancy Follow Up of Previous High Actions
17	R.589 "SEB: Breach of the Homes Standard regarding building safety and compliance. " Directorate of Housing & Communities	Consultancy input
18	R.406 "SEB: The Council does not respond effectively and recover quickly from major incidents." Directorate of Public Health & Wellbeing	Emergency Planning
19	R.408 "SEB: Failure to seize the opportunities and exploit the benefits that are envisaged from the huge regeneration programme investment that impacts on the council's vision for 2030."	Follow Up of Previous High Actions

#	Risk Event / Responsible Org Unit	Audits
	Directorate of Regeneration & Enterprise	
20	R.607 "ASC LT: There is a risk of non-compliance with the CQC inspection assessment framework." Directorate of Adult Social Care	Dudley Disability Services ASC Learning and Development ASC Commissioning – Contract Management Follow Up of Previous High Actions