Sheffield City Council

Audit and Standards Committee Report

Report of: **Kayleigh Inman, Senior Finance Manager (Internal Audit)**

Date: **16th November 2017**

Subject: Outcomes of the Internal Audit Mid-Year Review of the Annual Plan

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Author of Report: **Kayleigh Inman**

Summary:

The purpose of this report is to present and communicate to members of the Audit and Standards Committee the outcomes of mid-year review of the annual workplan.

Recommendations:

1) Members of the Audit and Standards Committee are asked to note the contents of the report.

2) Members of the Committee are asked to agree the revised 17/18 work plan.

Background Papers:

Category of Report: **Open**

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* Delete as appropriate

Statutory and Council Policy Checklist

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

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE
16th November 2017

Senior Finance Manager Report

Purpose of the Report

1. The purpose of this report is to communicate to members of the Audit and Standards Committee the changes that have been required to the 17/18 tactical plan following the mid-year review.

2. The changes are a result of both the significant transformation programmes that are occurring across all portfolios of the Council, and staffing shortages within Internal Audit.

Background

3. Internal Audit have always performed a review of the mid-year plan in order to assess whether resources are sufficient to deliver the remainder of the plan, and to take account of any new/emerging risk areas that may need to take priority over planned reviews.

4. A requirement of the PSIAS is to report the outcomes of the mid-year review to the Audit and Standards Committee where changes are deemed to be ‘significant’. Within SCC Internal Audit, ‘significant’ is defined as a variation of 15% of the total number of planned days that will be delivered.

5. This first 6 months of 17/18 has been particularly difficult in terms of plan delivery, due to the levels of transformational change occurring across the authority together with the level of staffing vacancies being carried in Internal Audit. As at the 30th September, the PI result for the completion of the plan was only 15% compared to a pro-rata target of 36%.

Transformational Change

6. A number of significant changes have affected both the structure and operation of the Council this financial year. These changes include the merging of the CYPF and Communities Portfolios to form People Services, the insourcing of major contracts such as Housing Repair and Maintenance and Payroll Services and the introduction of Integra, the new finance system.

7. Whilst the level of transformation was anticipated when the original plan was compiled, and audit reviews of new services and systems were included to

provide assurance, the slower than expected pace of change has meant many of these areas have not yet been fully implemented or integrated and so little value would be added by conducting reviews.

8. As a result there are a large number of planned internal audit reviews that will not be undertaken this financial year. There are 247 days that will need to be deferred into next year (these are identified in appendix 1).

9. The removal of these audits in 2017/18 has assisted the team somewhat given the resource shortfall caused by staffing vacancies.

Resources

10. On the 1st October 2017, there were 1238 days of the original workplan left to deliver (this includes the audits due for deferral due to transformation). The total number of staff days available for the remainder of the year is 883. This equates to a resource shortfall of 355 days to be addressed through the mid-year review process.

11. Staff shortages have largely created through secondment opportunities across the wider Finance Service.

12. The shortfall has been created because:
    - A full-time Finance Officer post has been vacant all year (from April - June 2017 the officer was seconded to FSSG to provide support on implementing the new General Ledger, then in July moved to Tax and Treasury, with a secondment end date of March 18). Cover in Internal Audit will be provided by agency staff from Oct – Dec (with the possibility of extending this), however this still equates to a shortfall of **115 days** or approx. **6 audits**.

    - A full-time CIPFA Graduate Trainee post, originally in the Internal Audit team for a 12month placement, was vacant for 3 months in order to provide cover in Finance Business Partner Communities. (June-Aug 2017 in FBP) – This equates to **39 days** or approx. **2 audits.**

    - A 0.8 FTE Finance Officer was vacant for 4 months from May – Sept 2017 whilst the officer provided cover in the External Funding Team (EFT). This secondment has now been extended until March 2018. The vacancy will be backfilled by agency staff from September to March however this still equates to a shortfall of **36 days** or approx. **2 audits**.

    - A 0.8 FTE Finance Officer was vacant due to maternity leave for 5 months (April – September). This vacancy was scheduled to be covered by a second CIPFA Graduate Trainee; however this resource was then needed to cover in EFT. The trainee returned to Internal Audit in August 17 and will cover the maternity vacancy until November 17. The maternity vacancy still equates to a resource shortfall of **81 days** or approx. **5 audits**

- A full-time CIPFA Graduate didn't start their planned placement in Internal Audit in September 17, which equates to **33 days** or approx. **2 audits**. Cover is in place from November 17– March 18.

13. The total of 304 days equates to 18% of the original planned resource, and has had the biggest impact in the first 2 quarters of the financial year, hence the PI result explained above.

14. Plans are now in place to backfill the majority of the vacancies through the use of agency staff and CIPFA trainees, plus the return of the officer on maternity leave which should ensure that we can deliver the revised plan in the remainder of the year.

Balancing Resources

15. In order to balance the resources available with the number of days work included in the plan, a small number of additional audits have been removed, over and above those deferred because of the transformational changes. These are identified in appendix 3.

	Days
Days left to deliver	1238
Staff resources	883
Resource shortfall	-355
Days removed due to transformation	247
Audit left to remove due to resourcing issues	-108

New Auditable Areas

16. Due to the continuous change being experienced within the authority, new and emerging risk areas have been identified throughout the first 2 quarters of the financial year. These would arise following quarterly update meetings with the Executive Directors, as a result of unplanned work requests from senior management or from identification of areas by Internal Audit (such as follow-up work on new high opinion audit reviews).

17. Internal Audit managers would assess whether the newly identified areas should take priority over the items originally included in the plan, and would substitute reviews where this is deemed appropriate.

18. In addition to new areas, there are instances where the scope of original planned reviews have been re-focused resulting in slight amendments to the number of audits/days assigned. As an example, the original audit plan contained three audits within the Social Care Accounts Service. This has been revised to 2 due to scope re-focusing.

19. As at the end of September, 155 days of work were substituted within the plan. This has a **net nil** effect on the overall balance of resources, but the areas have been included in this report to give members an idea of the level of change occurring.

20. These reviews are identified in appendix 2 – the first section identifies the original audits that have been removed, and the second section identifies the reviews that have been added to the plan.

Audit Assurance

21. In removing audits from the tactical plan, Internal Audit has been mindful of the original priority assigned to the review. Wherever possible, audits have been removed based on the ‘scores’ awarded when the area was initially risk-assessed. Consideration has also been given to the overall coverage being achieved in each portfolio, in order that the annual audit opinion can still be given.

22. The audits that have been removed have all been added to the first-call list, which will be revisited as part of the 2018/19 planning process. In most cases the audits that have been deferred from this year’s plan will automatically be included in the plan for next financial year.

FINANCIAL IMPLICATIONS

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

EQUAL OPPORTUNITIES IMPLICATIONS

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

CONCLUSION

25. This first 6 months of 17/18 has been particularly difficult in terms of plan delivery.

26. As a result Internal Audit has had to remove a large number of days from the plan which equates to 18% of the original total resource. For the most part, reviews have been deferred in areas relating to transformational change and these will be picked up in next years' workplan.

RECOMMENDATION

27. Members of the Audit and Standards Committee are asked to note the contents of the report.

28. Members of the Committee are asked to agree the revised 17/18 work plan.

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