

AUDIT COMMITTEE

DATE OF MEETING: 26 JULY 2023

TITLE OF REPORT: INTERNAL AUDIT PROGRESS REPORT

Report of: Interim Internal Audit Manager

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non-Exempt

PURPOSE OF REPORT

1. The Committee receive a report on the work undertaken by Internal Audit at each of their meetings. The last report was submitted to the Committee in respect of the period ending May 2022. This report covers the month of June 2022.

RECOMMENDATION

2. That the Committee review and note the report.

MAIN ISSUES

Internal Audit reviews

3. At the time of writing this report, all the audits contained in the 2021-22 internal audit plan have either been completed and reported to the Committee previously or are in progress.
4. Six audit reviews from the 2021-22 internal audit plan are in progress. These are:
 1. Main accounting system and budgetary control.
The draft report is being reviewed by the Interim Internal Audit Manager. It has been given a 'substantial' assurance opinion and contains three recommendations.
 2. Council tax and business rates.
The draft report is being reviewed by the Interim Internal Audit Manager. It has been given a 'satisfactory' assurance opinion and contains three recommendations.
 3. Financial resilience.
The draft report has been issued to management for comment. It has been given a 'satisfactory' assurance opinion and contains four recommendations.
 4. Housing Benefit.
Testing has been completed. The report is being drafted.
 5. Planning performance
Fieldwork is still being conducted.
 6. Shapley Heath.
A report has been issued and is due to be discussed at the 26 July 2022 Committee meeting.

5. Two audits from the 2022-23 internal audit plan have started. Their scopes are as follows:

Fleet Pond: To obtain reasonable assurance that the Fleet Pond programme (Northern footpath, car park and access road) will be delivered to budget, in time and to the right quality, and in accordance with the Council's project management methodology.

Procurement: To obtain reasonable assurance that since the procurement service returned to an 'in-house' service in January 2020 that all (medium and high value) procurement and contractual decisions were made in accordance with Contract Standing Orders and achieve value for money.

6. The 2022-23 internal audit plan contains 13 reviews. Four are due to start in quarter two - delivery of the savings plan, fraud risk assessment, accounts receivable and IT controls/cyber assurance.

Follow-up of agreed actions

7. To ensure that all 'high risk' agreed actions have been introduced, a spreadsheet follow-up tracker has been designed and populated with all agreed internal audit actions introduced from April 2019.
8. Three 'high risk' actions were added to the tracker following the reviews completed in 2021-22. Two remain outstanding and have been included on the annual governance statement (disabled facility grants and IT controls) as areas for improvement. Managers are undertaking work to address the risks identified.
9. At their last meeting, the Committee asked for an update on the one high risk finding from the IT Control audit. The audit found that within some systems that were being managed by services there were '... no clearly defined responsibilities for service areas to adhere to in respect of expected IT access controls, security, management and cyber security...'. The audit recommended that there should be clear guidelines given to managers/systems administrators to ensure that they are fully aware of their responsibilities.
10. To address the recommendation, the IT Manager and Data Governance Officer undertook their own review to identify weaknesses and areas of focus. Three systems were considered of higher risk due to the data they held.
11. Documentation covering such areas as firewalls, user access controls, patch management and system backup and recovery has been provided by the supplier of one of these systems. Two suppliers have provided some information, but not all and discussions are continuing, In addition, penetration testing has been completed on one system to ensure adequate security safeguards are in place. The Committee will be provided with an update at their next meeting on the progress that has been made.

Other matters

12. During the reporting period Internal Audit have also taken the lead in reviewing and updating the local code of corporate governance and drafting the annual governance statement. The internal charter has also been reviewed and updated. All three of these documents are due to be presented to the 26 July Committee meeting.
13. Work has also started on drafting the specification and associated documents in respect of the out-sourcing of the internal audit service. It is anticipated that a

new provider will be selected by 30 November, so giving them sufficient time to complete a hand-over with the current providers and prepare the risk based internal audit plan for 2023-24.

14. Following the resignation of the previous internal audit manager in June, an interim manager has been appointed to manage the service until 31 March 2023. The new service provider will assume responsibility for the delivery of the service from April 2023.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

15. The Committees oversight of internal audit contributes to the Corporate Plan priority of delivering an efficient and effective Council.

Service Plan

- Is the proposal identified in the Service Plan? No
- Is the proposal being funded from current budgets? Yes
- Have staffing resources already been identified and set aside for this proposal?
Yes

Legal and Constitutional Issues

16. The Accounts and Audit Regulations 2015 require 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 auditing standards or guidance'.
17. Audit Committee terms of reference give it the responsibility to receive summaries of all internal audit reports and such additional information as may be required.

Financial and Resource Implications

18. There are no financial implications arising from this report.

Risk Management

19. Non-delivery of the internal audit plan may affect the ability of internal audit to provide an overall assurance opinion to the Committee. In addition, not introducing 'high risk' agreed actions may lead to a low-level annual opinion being given. If either of these issues arose, it would be a significant concern and require highlighting in the annual governance statement.
20. To mitigate these risks, internal audit reviews will be conducted across the year so that they are all substantially completed by the year end. A quarterly review of progress made by managers to introduce agreed actions will also be completed. Actions that are not introduced in time will be escalated to the Senior Leadership Team for review and action.

EQUALITIES

21. There are no equality issues arising from this report.

CLIMATE CHANGE IMPLICATIONS

22. No direct carbon/environmental impacts arising from the recommendations.

ACTION

23. The internal audit progress report is noted.

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Background Papers: None