

AUDIT COMMITTEE

DATE OF MEETING: 25 OCTOBER 2022

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 June 2022. This report covers the period June to 10 October 2022.

RECOMMENDATION

2. That the Committee review and note the report.

MAIN ISSUES

2021-22 Internal Audit reviews

3. As of June 2022 six audits were outstanding from the 2021-22 internal audit plan. Four have been completed and closed.
 - 1) **Council tax & business rates**
Satisfactory assurance opinion. One medium and one low finding.
 - 2) **Compliance with the CIPFA financial management code**
Satisfactory assurance opinion. Three medium and one low action.
 - 3) **Main accounting system and budgetary control**
Substantial assurance opinion. One high risk action.
 - 4) **Shapley Heath**
The audit report was discussed at the 26 July 2022 Audit Committee meeting. Members referred the report to the Cabinet and asked them to provide a response to the report's recommendations. Cabinet were also asked to review the application of project governance, financial controls, and reporting for the Shapley Heath project and to provide a response on lessons learnt. The Committee also asked the Staffing Committee to review the exercise of officer management oversight over the Shapley Heath project, including a review of officers' application of financial controls, risk management, monitoring, and reporting. The Staffing Committee's was asked to share its findings.

Copies of the final audit reports for the four areas above have been provided to the Audit Committee. With the exception of the Shapley Heath review there are no issues within any of the other reports that need to be brought to the Committee's attention.

4. Draft reports have been issued on the two remaining audits from the 2021/22 audit plan. These are housing benefits and planning performance.

2022-23 Internal Audit reviews

5. The 2022-23 internal audit plan contains 13 reviews. The position of each audit, as of 10 October, is shown below.

Scope issued	Treasury management IT controls Payroll
Fieldwork underway	Procurement Accounts receivable Fraud risk assessment
Draft report issued	Fleet Pond
To commence Qtr.3.	Council tax & business rates 5C's contract management Savings plan delivery
To commence Qtr.4.	Housing benefits Accounts payable Main accounting

6. Two additional pieces of work have also been requested.

The Executive Director – Place requested a review be undertaken into the processes followed by the Place regulatory team for the redaction (under data protection legislation) of both personal and sensitive information that may be included in documents received in respect of planning applications and pre-application advice requests. This review has been completed. A number of areas for improvement have been identified.

The Head of Corporate Services has requested a review of the use of credit cards. The scope of this work has been agreed and is due to commence in Qtr.3.

Follow-up of agreed actions

7. There are currently two high risk actions outstanding on the audit action tracker.

IT Controls 21/22

Outstanding action - there are no clearly defined responsibilities for service areas to adhere to in respect of expected IT access controls, security, management and cyber security for three key IT systems.

Current position - the position remains unchanged from when it was last reported in July 2022. Documentation covering such areas as firewalls, user access controls, patch management and system backup and recovery has been provided by one supplier. The suppliers of the other two systems have provided some information, but not all and discussions are continuing.

In order to obtain a fuller understanding of the current position, this year's IT Controls audit will focus on gaining evidence that the ten agreed actions from the 2021-22 IT Controls report have been introduced as agreed. It is proposed that a further update be provided to the Committee at the conclusion of that review.

Disabled Facilities Grants

Outstanding action – the disabled facilities grant (DFG) process is not complying with the Council's contract standing orders.

Current position – the audit was completed in October 2021. In March 2022 central government issued new guidance (Disabled Facilities Grant Delivery: Guidance for Local Authorities in England) to advise local authorities how they can effectively and efficiently deliver DFG funded adaptations.

The guidance states at paragraph b94, that 'given that the contract for carrying out the works will be between the applicant and the contractor, public procurement rules do not apply'. Consequently the originally action is no longer valid and has been removed from the action tracker. The audit action was also included in the 2021/22 annual governance statement (AGS) as an issue of concern. The AGS will be amended to reflect the current position prior to being presented to the Committee for formal approval.

Fraud related matters

8. In July the Cabinet approved a revised whistleblowing policy. Employees were made aware of the changes at the September staff briefing. It has been agreed by the Joint Chief Executives that further guidance will be issued to staff explaining the procedures that will be followed once a concern has been raised. To raise the profile of whistleblowing amongst staff a short publicity campaign is also being devised.

Future internal audit provision

9. At the July meeting, Committee requested that the specification and associated documents that had been prepared in respect of the out-sourcing of the internal audit service be made available to them for review. These were provided.
10. Nine document packs have been requested. Proposals are due to be received by 20 October. The Committee will be update on the current position and 'next steps' at the meeting.
11. It is anticipated that a new provider will be selected by 30 November, so giving them sufficient time to prepare the internal audit plan for 2023-24.

CIPFA Audit Committee position statement

12. In July 2022, CIPFA issued a new Audit Committee Position Statement. It sets out the purpose, model, core functions and membership of the audit committee. It is supported by the Department for Levelling Up, Housing and Communities and the Home Office. A copy of the Statement is attached at Appendix A.
13. Updated guidance to support the Statement was due to be published in September, but has not yet become available. It is anticipated the Committees terms of reference will need to be amended to reflect both the Statement and guidance. Revised terms of reference will be presented at the March 2023 meeting.

CORPORATE GOVERNANCE CONSIDERATIONS

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

14. 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

15. 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'.

Financial and Resource Implications

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

Risk Management

17. 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.
18. 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 'high risk' 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

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

CLIMATE CHANGE IMPLICATIONS

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

ACTION

21. The internal audit progress report is noted.

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Background Papers: None