

INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 29 September 2021

Annex 1



BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with these, the Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit and Governance Committee and to identify any emerging issues which need to be brought to the attention of the committee.
- 3 The internal audit work programme was agreed by this committee in April 2021. The number of agreed days is 375 (including time for risk management facilitation) and the plan is flexible in nature. Work is being kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council.
- 4 The purpose of this report is to update the committee on internal audit activity in 2021/22.

A new approach to work programme development and delivery

- 5 The indicative programme is a long list of areas of potential work which are considered the highest priority for audit, based on an assessment of risk. The difference in approach is that the programme now acts as a guide for ongoing planning through the course of the year, with the expectation being that areas will drop out of this list, and new areas will be added, as our assessment of risks and priorities changes. A strong emphasis is placed on providing assurance in key areas, and maximising use of our resources in these areas, rather than on completing a set number of audits during the year.
- 6 Using the indicative programme, we will determine audit work to be undertaken on an ongoing, rolling basis during the year on the basis of:
 - "Do now" – 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 year
- 7 Decisions on which category work falls into will be based on professional judgement, together with communication with key client officers, and will be guided by the following considerations:
 - where we have no recent audit assurance, or other sources of assurance
 - where controls are changing and/or risks are increasing
 - where we are following up previous control weaknesses
 - where specific issues have arisen

- areas that are of significant importance to the Council, for example they reflect key objectives or high priority projects
- areas that provide broader assurance, for example corporate policies and frameworks
- areas that need to be covered to enable us to provide an annual opinion
- where there are time pressures or scheduling requirements, for example grant deadlines, or work scheduled to minimise the impact on council service areas at busy times.

- 8 Between now and the end of the year, the committee can expect individual pieces of work to move between the categories based on their priority at the time of assessment. For example, an audit scheduled for quarter three to minimise the impact on a service area may initially be classed as “do later”, but will become “do now” as we move into quarter three. Similarly, a project audit classed as “do now” because it represents an area of high importance to the Council 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, audits classed as “do later” are likely to be deferred until the next year.
- 9 To ensure the Audit and Governance Committee continues to have oversight of current and planned audit work, the current assessment of work to be undertaken (appendix 2) will be presented as part of each internal audit progress report. This will enable the committee to understand what work is currently planned and to provide input on the relative priorities of work to be carried out in the future.

INTERNAL AUDIT PROGRESS

- 10 The Head of Internal Audit report was presented to this committee on 28th July 2021. As noted in that report, the impact of the Covid-19 pandemic meant that we had a higher level of outstanding 2020/21 work than would normally be expected. The intention is to bring the audit cycle back in line with normal arrangements over the next year.
- 11 Much of the work that has taken place since the last report to this committee has been to finalise the outstanding 2020/21 work. Appendix 3 summarises the key findings from work completed that we have not previously reported to this committee.
- 12 A summary of 2021/22 internal audit work currently underway is included in appendix 1. Also included is 2020/21 work that has recently been finalised or is still to be finalised.
- 13 It is recognised that Council staff continue to deal with significant pressures and workloads. Audit work during 2021/22 will be planned and carried out accordingly, taking these pressures into account and minimising staff involvement where possible.

- 14 The prioritisation and scoping of work will continue to be discussed with officers. Appendix 2 shows the current work plan, and categorises audits by when they intend to be completed.

FOLLOW-UP OF AGREED ACTIONS

- 15 During the Covid-19 pandemic Veritau agreed with management to take a pragmatic approach to follow up work, and concentrate resources on following up higher priority actions.
- 16 This report highlights to the committee where priority 1 and priority 2 actions agreed as part of previous audit have implementation dates revised by more than 12 months from those originally agreed (see appendix 4). The revised dates agreed for these actions have not yet passed so these actions will be followed up and progress reported to the next committee.
- 17 Veritau will recommence normal follow up work during the remainder of 2021-22 and future reports to this committee will include the follow up of all actions.

APPENDIX 1: 2021/22 INTERNAL AUDIT WORK

Audit	Status	Assurance Level
Payroll	Planning commenced	
Council Tax & NNDR	Planning commenced	
2020/21 audits brought forward		
Creditors	Final issued	Limited Assurance
Debtors	Final issued	Substantial Assurance
Housing Rents	Final issued	Substantial Assurance
Community Infrastructure Levy	Final issued	Reasonable Assurance
Housing Benefits and Council Tax Support	Draft Issued	Substantial Assurance
Absence Management	Fieldwork completed	TBC

APPENDIX 2: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale
<p><u>Strategic risks / Corporate & cross cutting</u></p> <p>Category 1 (do now) Covid-19 recovery (including post-pandemic working arrangements and business continuity planning) Health and Safety</p> <p>Category 2 (do next) LGR preparations (inc. project management, contract management, financial procedure rules and decision making) Medium term financial planning</p> <p>Category 3 (do later) Programme for Growth and additional government funding</p>	<p>Significant priority for the Council.</p> <p>Deferred from 20/21 and key corporate risk.</p> <p>Significant priority for the Council.</p> <p>Key assurance area and significant risk for the Council.</p>
<p><u>Fundamental / material systems</u></p> <p>Category 1 (do now) Payroll Council Tax / NNDR (inc. review of Covid-19 related grants)</p> <p>Category 2 (do next) General ledger Creditors</p> <p>Category 3 (do later) Housing rents CTS and benefits Debt management / income collection (including enforcement)</p>	<p>Deferred from 20/21 and key assurance area. Key assurance area</p> <p>Key assurance area Key assurance area</p>

Audit / Activity	Rationale
<p><u>Operational / regularity</u></p> <p>Category 1 (do now) Planning</p> <p>Category 2 (do next) Environmental health Council house repairs Homelessness / housing options</p> <p>Category 3 (do later) Community engagement</p>	<p>Provides broader assurance.</p> <p>Provides broader assurance. Key area for the council. Not reviewed for 3 years.</p>
<p><u>Technical / projects</u></p> <p>Category 1 (do now) IT asset management</p> <p>Category 2 (do next) Information security</p> <p>Category 3 (do later) Cybersecurity IT technical infrastructure Project management</p>	<p>IT is key assurance area. IT asset management not recently reviewed.</p> <p>Key assurance area and key corporate risk.</p>

APPENDIX 3: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Creditors	Limited Assurance	Ordering, receipting, invoice payments, supplier management, user access controls	September 2021	Delegated authority levels incorrect in system; segregation of duties not always enforced by system; user access control inconsistencies; low use of purchase orders. No significant risks seem to have materialised but key control weaknesses to be addressed.	Delegated authority levels to be checked and corrected; enforce segregation of duties in system; review access control procedures; review POs exemptions.
Debtors	Substantial Assurance	Invoice raising, authorising; debt management and recovery; write offs	August 2021	Overall, systems found to be working well; no major issues identified. User access issue, with too many users able to raise credit notes, refunds and write offs.	User access reviewed and removed where not needed and functions limited to only appropriate users.
Housing Rents	Substantial Assurance	Rent calculations, billing, arrears and recovery action.	September 2021	Overall, systems found to be working well; no major issues identified. Photos not held of all tenants.	To review and determine reasonable process for getting photos of all tenants.
Community Infrastructure Levy (CIL)	Reasonable Assurance	CIL charging, scheme prioritising, income calculation and collection, regulatory compliance, accurate reporting.	September 2021	Overall, acceptable control environment but some weaknesses. Insufficient plans to spend CIL income; overall reliance on small number of officers; access control of CIL database.	Infrastructure Delivery Plan will be prepared and presented to members. Additional resources to support CIL officer. Privileged database access removed from officers.

APPENDIX 4: HIGHER PRIORITY ACTIONS WITH REVISED DATES OF MORE THAN 12 MONTHS FROM ORIGINALLY AGREED DATE

Audit	Agreed Action	Priority Rating	Responsible Officer	Due	Notes / Update
Payment Card Industry Data Security Standard (PCI DSS)	New software purchased as old system ceased to be supported. Implementation of new software should resolve PCI DSS issues Management responsibility has been defined. Responsibility for completing annual PCI DSS assessment to be assigned.	1	Head of Business Development and Improvement	Revised date: October 2021 (previously December 2020 and July 2021)	A new income management system has been procured from Civica that will enable PCI DSS compliance. Originally it was planned that this would be implemented by September 2020 but was delayed due to Covid. CivicaPay was rescheduled to launch on 27 July and the council was on track to do so. However, the proposed approach to taking telephone payments will be reviewed first and the go live date has been moved to 5 October 2021.
Performance Management	PDR guidance to be reviewed and updated HR to undertake QA review of sample of PDRs Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete. Training plan to be completed promptly following PDR process.	2	Head of Business Development and Improvement	Revised date: September 2021 (previously December 2020 and June 2021)	In light of local government re-organisation, a review of PDR guidance has been conducted and the council has concluded that arrangements are appropriate and no changes to the overall policy, procedure and guidance are proposed at this time. Return rates, quality assurance and training plans still need to be addressed. The council will be issuing reminders to managers regarding completion of 2021 PDRs, following which they will review completion of PDRs and develop the training plan. This has been delayed due to other priorities.