

INTERNAL AUDIT PROGRESS REPORT 2022/23

Date: 26 October 2022

Annex 1



BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve its 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 relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Audit, Governance and Standards Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme was agreed by this committee in April 2022. The primary focus of internal audit delivery in 2022/23 is on Local Government Reorganisation (LGR), and on those systems which are most affected by the transfer. Work is being kept under continuous review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council during its final year of operation.
- 5 This is the first internal audit progress report to be received by the Audit, Governance and Standards Committee covering 2022/23 and summarises the progress made to date in delivering the agreed programme of work.
- 6 The purpose of this report is to update the committee on internal activity between April 2022 and September 2022.



INTERNAL AUDIT PROGRESS

- 7 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A.
- 8 Since the last report to this committee in July, four audits have been finalised. Three audits that were started in 2021/22 are in the latter stages of fieldwork. We anticipate that these will be completed within a month and will be reported to the next meeting of this committee.
- 9 In addition, we have completed certification work on two Covid-19 grants: the Test and Trace Support Payment Scheme and the Contain Outbreak Management Fund.
- 10 New audit work that has started includes general ledger and contract waivers. In addition, we have commenced planning for the benefits audit.
- 11 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A.

- 12 The work programme showing current priorities for internal audit work is included at appendix B.
- 13 The 2022/23 programme includes a number of audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year. In determining which audits will actually be undertaken the priority and relative risk of each area will continue to be considered throughout the remainder of the year.
- 14 A summary of the key findings from the four recently completed audits is provided at Appendix C. Details of actions agreed are also shown.
- 15 Appendix D lists our current definitions for action priorities and overall assurance levels.



FOLLOW UP

- 16 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. As a result of this work we are satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. Where further assurances are required, follow-up of agreed actions will be included as part of other audits in the work programme. Significant outstanding actions are detailed in this report at appendix E.

APPENDIX A: 2022/23 INTERNAL AUDIT WORK

Final reports issued

Audit	Reported to Committee	Opinion
Council tax & NNDR	October 2022	Substantial Assurance
Payroll	October 2022	Reasonable Assurance
Health and safety – homeworking	October 2022	Limited Assurance
Information security - homeworking	October 2022	Limited Assurance
ICT asset management	July 2022	Reasonable Assurance
Debtors	July 2022	Substantial Assurance
General ledger	July 2022	Substantial Assurance
Homes England	July 2022	No opinion given
Chairman’s Account	July 2022	No opinion given

Audits in progress

Audit	Status
General ledger	In progress
Creditors	In progress
Housing rents	In progress
Council house repairs and maintenance	In progress
Contract waivers	In progress
Benefits	Planning

Other work in 2022/23

Internal audit work is undertaken in other areas during the year, including:

- Certification of the Local Authority Test and Trace Contain Outbreak Management Fund Grant.
- Certification of the Local Authority Test and Trace Support Payment Scheme Grant.

APPENDIX B: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale
<p>Financial systems</p> <p>Category 1 (do now)</p> <p>Creditors Housing rents General ledger Benefits</p> <p>Category 2 (do next)</p> <p>Debtors Budget monitoring and management</p> <p>Category 3 (do later)</p>	<p>Key assurance area, with coverage required in LGR context. Key assurance area, with coverage required in LGR context. Key assurance area, with coverage required in LGR context. Key assurance area, with coverage required in LGR context.</p> <p>Key assurance area, with coverage required in LGR context. Key assurance area, with coverage required in LGR context.</p>
<p>Strategic and corporate risks</p> <p>Category 1 (do now)</p> <p>Procurement and contract management</p> <p>Category 2 (do next)</p> <p>Corporate governance arrangements, including relating to the LGR project. Cyber security</p>	<p>Key assurance area, with coverage required in LGR context.</p> <p>Key assurance area in context of LGR Key assurance area and provides broader assurance.</p>

Audit / Activity	Rationale
<p>Category 3 (do later)</p> <p>Business continuity and disaster recovery</p> <p>Council closedown and post 31 March 2023 assurance arrangements</p>	
<p>Service areas and ongoing business risks</p> <p>Category 1 (do now)</p> <p>Category 2 (do next)</p> <p>Category 3 (do later)</p> <p>Planning (including s106 and CIL)</p> <p>Licensing</p> <p>Homelessness / housing options</p> <p>Environmental health</p> <p>Council housing landlord responsibilities</p>	

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

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
Council tax & NNDR (September 2022)	This audit reviewed the maintenance of the database of taxable properties, the accuracy and timeliness of bills, recording of income, and arrears management and the processing of refunds and write offs.	Substantial Assurance	0	1	0	<p>Strengths The council maintains an accurate and up-to-date database of taxable properties. Income reconciliations are performed regularly, and appropriate action is taken where issues are identified. Procedures for annual billing are robust and appropriate segregation of duties is in place. Quality assurance processes are operating as expected and management information is produced to enable effective management of the service.</p> <p>Weaknesses Accounts with council tax exemptions applied due to awaiting probate had not been reviewed since May 2020. It was also noted during the audit that debt recovery activity and review activities for discounts had not been completed regularly during the Covid pandemic. However, these had all recently restarted so no further action needed to be agreed to address this.</p>	Officers will review all accounts marked as exempt due to awaiting probate and continue to do so regularly up to vesting day for the new authority.

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
Payroll	This audit reviewed the processes in place to make correct, timely payroll payments and the calculation and authorisation of deductions and amendments.	Reasonable Assurance	0	0	2	<p>Strengths Good records are maintained to support payroll processes. All authorisations are in place for payroll payments and checks are done to ensure payments are correct. Overall, the key processes for payroll were working well.</p> <p>Weaknesses A small number of issues were found, including an incorrect car allowance rate and inconsistent application of deductions made for personal use of work mobiles.</p> <p>Some honorarium payments had exceeded the timescales outlined in council procedures, with no evidence of review. There is a lack of guidance or policy relating to paying market supplements for some posts.</p>	The incorrect car allowance has been corrected. All honorariums will be reviewed to ensure appropriate paperwork is in place to support the award. All current honorariums will expire on 31 March 2022, with any new or ongoing honorariums being dealt with by North Yorkshire Council. All deductions for personal use of work mobiles have been ended.
Information Security – Homeworking	This audit reviewed information security arrangements and related working practices for employees working from home.	Limited Assurance	0	2	1	<p>Strengths Most staff knew how to report information security incidents. The majority of staff store, print and dispose of information securely.</p> <p>Weaknesses Completion rates for employee training on information security were too low. Some employees indicated</p>	All employees have been instructed to complete information security training and completion rates are being monitored and followed up by managers. Instructions have been issued to all employees regarding acceptable practices for

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	The aim was to identify practical, immediate improvements the council could make in the lead up to LGR.					they stored documents at home in a way that is not sufficiently secure and some print documents on their home printer. Council guidance was not clear on standards to be followed for storing, printing and disposing of documents.	storing, printing, transporting and disposing of information. Everyone has been reminded of the information security incident reporting process and their responsibilities under it.
Health and Safety - Homeworking	<p>This audit reviewed health and safety arrangements for staff working from home.</p> <p>The aim was to identify practical, immediate improvements the council could make in the lead up to LGR.</p>	Limited Assurance	0	2	1	<p>Strengths The council responded at pace during the pandemic and put in place procedures for people to work from home and to conduct suitability and risk assessments of their home environment. The council provided support to employees and maintained communication with them through a variety of methods. Overall, the arrangements had worked well.</p> <p>Weaknesses Key documentation was not in place for all employees, such as homeworking suitability assessments, DSE (workstation) assessments and homeworking checklists. Levels of completion of health and safety training were too low.</p>	<p>Homeworking suitability and DSE assessments forms must be completed for all employees continuing to work from home.</p> <p>If the home environment is not suitable, employees should be instructed to work from the office.</p> <p>All employees to be instructed to complete health and safety training and completion rates will be monitored and follow up action taken.</p> <p>Reminders to be issued to employees about taking breaks, and of the support available to them. Managers will be reminded about the importance of checking on employees' wellbeing.</p>

APPENDIX D: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

APPENDIX E: 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
Performance Management	<p>HR to undertake QA review of sample of PDRs</p> <p>Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete.</p> <p>Training plan to be completed promptly following PDR process.</p>	2	Head of Business Development and Improvement	<p>Revised date: February 2022</p> <p>(previously December 2020 and June 2021)</p>	<p>PDRs were not prioritised during the early Covid pandemic as energy was put into service delivery. PDRs were to be revisited once service delivery stabilised but reasons around capacity, LGR, prioritising other communication and engagement meant this didn't happen. By January 2022 only 51% of employees had a 2021/22 PDR completed and lodged with HR. For the first five months of 2022/23, the rate was even lower with only 5% completed and returned.</p> <p>Completion of PDRs is now being prioritised. LT will push for all PDRs to be complete by the end of November; communications have been issued to managers to impress upon them the urgency and importance of this and staff have also been made aware so they know what to expect.</p> <p>Senior managers are working with the LGR Organisational Development workstream to align with the other councils. Ongoing completion rates will be monitored at every Extended Leadership Team meeting. Audit and Governance Committee will be provided with an update on completion rates in December.</p>