![Southern Internal Audit Partnership — Assurance through excellence and innovation](logo)

TANDRIDGE DISTRICT COUNCIL

Internal Audit Progress Report

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Contents:

1. **Role of Internal Audit**

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

> *'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.'*

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

> *'Independent, objective assurance and consulting activity designed to add value and improve an organisations' operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:
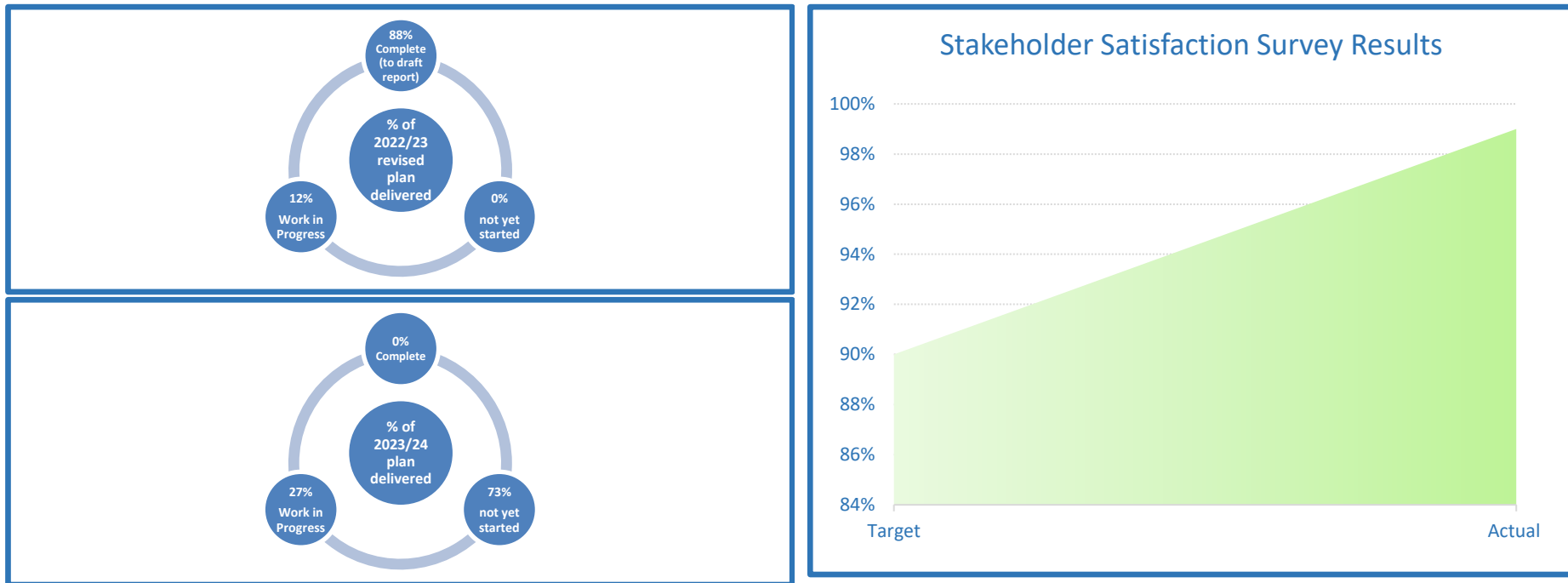
- The status of 'live' internal audit reports;

- an update on progress against the annual audit plan;

- a summary of internal audit performance, planning and resourcing issues; and

- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial   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   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   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   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.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations
used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1*

3. Performance dashboard

% of 2022/23 revised plan delivered
- 88% Complete (to draft report)
- 12% Work in Progress
- 0% not yet started

% of 2023/24 plan delivered
- 0% Complete
- 27% Work in Progress
- 73% not yet started

Stakeholder Satisfaction Survey Results

Target — Actual

Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'*The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'*

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	Overdue L	M	H
Council Tax	02.10.20	EHofC	Adequate	5(2)	0(0)	4(2)		1	
Building Control	28.07.21	CPO	Limited	19(12)	0(0)	17(11)		1	1
Fraud Governance Arrangements	24.03.22	HofL	Limited	15(11)	0(0)	9(5)			6
IT Governance	20.06.22	CE	Limited	6(0)	0(0)	5(0)		1	
IT Database Management	20.06.22	CE	Limited	7(1)	0(0)	4(1)		3	
Income Collection	08.08.22	CFO	Reasonable	5(0)	0(0)	3(0)		2	
Contract Management	11.08.22	HofLS	Limited	20(3)	0(0)	13(1)		5	2
Business Continuity & Emergency Planning	08.09.22	EHofC	Limited	12(11)	0(0)	7(6)			5
Disabled Facilities Grants	14.10.22	EHofC	Reasonable	4(1)	0(0)	3(1)	1		
Environmental Health & Licensing	08.02.23	HofH	Reasonable	6(0)	2(0)	4(0)			
Accounts Payable	15.06.23	CFO	Reasonable	8(2)	3(1)	5(1)			
Risk Management	02.08.23	HofP&C	Limited	5(0)	3(0)	2(0)			
IT Application Management (Orchard)	16.08.23	HofT&BS	Limited	21(10)	9(2)	10(6)			2
Total				**133(53)**	**17(3)**	**86(34)**	**1**	**13**	**16**

Total number of actions (total number of high priority actions)

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There have been six new reports published concluding a "limited" assurance opinion since our last progress report in June 2023.

Risk Management		
Audit Sponsor	**Assurance opinion**	**Management Actions**
Head of Policy and Communications	Limited	Low 0 Medium 5 High 0

Summary of key observations:

Positively a corporate risk register was found to be maintained, along with risk registers for each Policy Committee. Since the Head of Policy and Communications took over responsibility for risk management in July 2022, the risk registers have been reviewed and updated. Our review of the corporate and committee risk registers confirmed that all risks had been assigned an owner and had been evaluated and scored in line with the Risk Management Strategy.

Review of the Risk Management Strategy highlighted that some roles and responsibilities listed included groups and posts that have been superseded by the restructure at the Council and others where accountabilities were not clear. Additionally, there was no link within the strategy between the Council's documented risk appetite and the scoring and RAG rating methodologies, and no guidance on how the RAG rating/score should determine how the risk is managed.

Whilst all risks recorded within the risk registers had mitigations assigned, we found that in approximately half, the mitigation was a proposed action, rather than an established control, therefore, it was unclear if the reported risk score was the position at the time or reflective of when the action is implemented (it should be acknowledged that there were pockets of good practice demonstrable within individual projects including the FTP, however, this is not reflective of the wider corporate approach).

Whilst it is understood that some generic training has been provided (January 2021) there is no corporate training available for existing or new risk owners nor anything that will help further embed risk management within the organisation.

The Risk Management Strategy includes the requirement for risk registers at a 'Departmental Level', however, it was explained by the Head of Policy and Communications that departmental risk registers are not currently being maintained.

Our review of Policy Committee and Strategy and Resource Committee meetings confirmed that committee risk registers had not been presented since June 2022, consequently Committees have been unable to discharge the responsibilities in accordance with the Risk Management Strategy. Additionally, it is not clear how the Audit and Scrutiny Committee meet their obligations within the Risk Management Strategy to "Review effectiveness of implementation of risk management strategy by the policy committees and senior management."

Testing of a sample of three project risk registers found that there was no consistency of scoring or RAG rating across the three, which could impair the comparison of risk registers and subsequent escalation to committee / corporate risk registers.

It is important to note that the Future Tandridge Programme risk register was not incorporated as part of this audit as this was reviewed as part of the Savings Realisation Framework audit carried out earlier in the year, which resulted in a substantial assurance opinion. The good practice adopted in the articulation, reporting and management of risks within the FTP would aid as good practice principles for application across the wider organisation.

Health and Safety (DRAFT)

Audit Sponsor	Assurance opinion	Management Actions		
Head of Transformation & Business Support	Limited	Low TBC	Medium TBC	High TBC

Summary of key observations:

The purpose of the audit was to ensure that arrangements for health and safety across the Council were appropriate to manage associated risks and to keep employees, service users and the general public safe. A prior internal audit review of Health & Safety issued in August 2021 concluded in a 'no assurance' opinion.

There is a Health and Safety Committee in place with documented terms of reference setting out membership, frequency of meetings and responsibilities. The Health and Safety Policy Statement requires a report to be fed back to the Extended Management Team following a Health and Safety Committee meeting, however, there was no evidence that this had occurred during 2022/23.

Following our previous review of Health & Safety it was agreed that there would be an annual health and safety report presented to the Audit and Scrutiny Committee, however we could find no evidence of such a report being presented.

A new Health and Safety SharePoint folder accessible to all council staff has now been set up to ensure availability of key documents to all staff, however, it was noted that not all key documentation was retained and for those that were evident (Health & Safety Policy Statement, Health & Safety Procedures Manual) they were not up to date or reflective of changes in organisational structures and responsibilities.

A contract had been drawn up for the provision of a competent person from ETS Health and Safety Ltd since our last audit review, however, this contract expired in March 2022 and although the consultant has continued to provide health and safety services to the Council there is no contract in place setting out expectations. It is acknowledged that the Council have opted to recruit a Health & Safety Officer (to be shared with a neighbouring authority), however, this post had not been appointed to at the time of the audit.

There is no central list of all risk assessments held across the Council (with a large number held separately by the Depot). Our review of a sample of risk assessments highlighted some duplication, lack of ownership and no facility for the competent person to evidence their approval. Additionally, half of the risk assessments were over a year old with no evidence of annual review in line with Health and Safety Procedure EM1.

Training records are maintained on iTrent, with automatic reminder emails generated when mandatory elements are required to be repeated, however, reports are not currently run or reported to monitor completion statistics for mandatory training.

A training matrix to identify health and safety training requirements across the Council was partially completed following the previous review of this area. However, it remains incomplete so cannot be relied upon to identify and plan training required.

IT Application Management (Orchard)

Audit Sponsor	Assurance opinion	Management Actions		
Head of Transformation & Business Support	Limited	Low 1	Medium 9	High 11

Summary of key observations:

It was positive to note that there are clear roles and responsibilities to support the management and support of the Orchard system and that appropriate training had been received by key personnel. Additionally, whilst in draft form at the time of the audit, a comprehensive backup policy has been produced and documented for the Council's systems and data, including Orchard.

Testing on a sample of requests submitted by the Council to the supplier identified that 35% were resolved outside the resolution times agreed in the SLA. There is no process in place to monitor the supplier's compliance with the service level agreement (SLA).

New starter documentation for Orchard is available on the IT SharePoint site but does not include signoff, owner and version control. No movers or leavers processes exist for Orchard at the time of the audit. Out of 180 user accounts enabled in Orchard, 10 (5.5%) belonged to individuals who had left the organisation. Additionally, System administrator access to Orchard is not subject to a formal approval process. It was found that 11 non-IT individuals have system administrator access to Orchard without recent review and approval.

Orchard application updates and patches have not been applied in line with their release dates. At the time of the audit, no formal and documented policy was in place for the patching of the Orchard server infrastructure.

The Orchard server infrastructure has not been subjected to frequent and regular patching in accordance with Microsoft's patch release schedule. During the 3-year period of time between 01/11/19 and 04/03/2023, two of the seven servers were not subjected to any patching, three servers were patched twice, and two servers were patched once. The Orchard infrastructure is run on Windows 2012 R2 operating system which runs out of support in October 2023. At the time of audit (May 2023) dates to migrate the Orchard infrastructure to Windows Server 2016 had not been agreed.

At the time of the audit there was no comprehensive and tested disaster recovery plan in place for Orchard.

Annual Governance Statement (DRAFT)		

Audit Sponsor	Assurance opinion	Management Actions		
Head of Legal Services & Monitoring Officer	**Limited**	**Low** **TBC**	**Medium** **TBC**	**High** **TBC**

Summary of key observations:

This audit sought to provide assurance that the Annual Governance Statement for the Council complied with its code of governance and met Regulation 6 of the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2021, and relevant CIPFA Guidance.

It was positive to note that the 2021-22 Annual Governance Statement is supported by a Local Code of Corporate Governance, declarations of assurance by Heads of Service and Senior Managers, and, also, a self-assessment against CIPFAs 7 Principles of Good Governance, none of which were present in the 2020-21 Annual Governance Statement.

Regulations set an expectation that the 2021-22 Annual Governance Statement should be published on the authority's website by 30 November 2022. The Final Annual Governance Statement was approved by Audit and Scrutiny Committee in February 2023, and therefore this deadline was not met (it is acknowledged that the officer responsible for completion of the AGS had a number of competing priorities).

The Accounts and Audit (Amendment) Regulations 2021, Section 10.2a, stipulated that in the event of the 2021-22 Annual Governance Statement not being published by the extended deadline of 30 November 2022, Councils were required to publish a statement covering the reasons, expected publication date, and contact details for queries.   A review of the Council's website in February 2023 found a notice confirming delayed publication only.

We confirmed no timetable was followed in producing the 2021-22 Annual Governance Statement. Although no expected steps were missed, much of the final preparation, fact-checking and proof-reading was carried out in a two-week window, the result of which is that the published version contains up to 17 factual, formatting and hyperlink errors, including a challenged point raised in the review process which remains in the published version.

A key element of CIPFA guidance on Annual Governance Statements is that they provide an evaluation of the system of internal control. However, although the Council's 2021-22 Annual Governance Statement references a significant accounting error and a 'Limited' Internal Audit opinion, the Conclusion section states "satisfactory governance exists" without providing an evaluation of how this conclusion was reached.

A Corporate Improvement Plan which included all action plans carried forward from the 2020-21 Annual Governance Statement was maintained with updates sought directly from Heads of Service and reported to the Audit & Scrutiny Committee on a regular basis.   However, the action plan table in the 2021-22 Annual Governance Statement contains completed actions with no explanation as to how they were completed, and updates reflect progress at the time of publication rather than at the end of the 2021-22 governance period. We were advised that no new action plans for improvement were identified.

Payroll (DRAFT)

Audit Sponsor	Assurance opinion	Management Actions		
Chief Finance Officer	Limited	Low TBC	Medium TBC	High TBC

Summary of key observations:

The Council have contracted with Midland HR (MHR) to provide their payroll administration services, the Council's HR service are responsible for setting up new officers within the establishment and for making any adjustments, whereas MHR are hosts for the payroll system, and are responsible for processing that information and making payroll payments on behalf of the Council. Currently, there are no policies or procedures in place which document the end-to-end process of Council related payroll administration activities.

Testing provided positive assurance in respect of BACs payment processes, administration of leavers, role changes, and overtime payments.

Review of a sample of new starter records highlighted that the approval to appoint form is not routinely used for all posts, in some cases emails were used instead, and did not confirm the grade or contract type which had been approved. We also found an example where approval was recorded for a fixed term contract but the contract type on iTrent was recorded as permanent.

There was no periodic reconciliation of the establishment, to ensure that those on the payroll are current employees of the authority.

The Council's Anti-Fraud Strategy document sets out that the council has identified payroll processing as an area which could be particularly vulnerable to fraud. However, HR officers advised that they have not received fraud prevention training. In addition, officers were unable to provide evidence that fraud risk associated with payroll has been assessed or managed.

Main Accounting (DRAFT)		

Audit Sponsor	Assurance opinion	Management Actions		
Chief Finance Officer	**Limited**	**Low** **TBC**	**Medium** **TBC**	**High** **TBC**

Summary of key observations:

This audit sought to review the reliability and integrity of information presented within the Council's general ledger (Agresso) which is used in preparing the Council's financial statements. It was positive to note that sample testing of transactions recorded in the main accounting system across various transaction types could be traced back to source.

It was however, noted that the reconciliation of bank accounts to the general ledger were not completed on a monthly basis. Most recently April, May, and June (2023) were all undertaken in July 2023, and since then no further reconciliation has taken place (at the time of reporting (September 2023). We were advised that this is because the process of bank reconciliation was being reviewed and updated/simplified.

Additionally, the bank reconciliation process was found to be convoluted, and based on an historic template and descriptions did not always bare relevance to the figures recorded. A number of entries within the bank reconciliation could not be explained or adequately substantiated at the time of our review, impairing our ability to adequately verify the figures used to balance bank accounts with the ledger.

At the time of our review, with the exception of year-end guidance issued to budget holders, there were no up to date documented procedures or practice guidance to support day-to day expectations for finance staff in processing virements, journals, setting up account codes etc.

Tandridge District Council has a signed and sealed partnership agreement with Sevenoaks District Council which supports the implementation, maintenance, and support for Agresso system. As part of this agreement the number of user licenses available was pre agreed between the two local authorities and defined in the agreement. We have been advised that operational staff were not aware of user licence limitations, and consequently over time the authority utilised more licences than were available. This resulted in additional payment to Agresso via Sevenoaks District Council. This has not been pursued as part of this review, however, it was advised that once the issue was identified, the previous S151 Officer robustly challenged the increased charge and additional payments were minimised. The Exchequer Manager has been closely monitoring licence usage to ensure limits are not exceeded.

6. Planning & Resourcing

The internal audit plan for 2023/24 was presented to the Management Team and the Audit & Scrutiny Committee in April 2023.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme 2022/23

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Governance								
Savings Realisation Governance	CFO	✓	✓	✓	✓	✓	**Substantial**	
Health and Safety	HofT&BS	✓	✓	✓	✓			
Risk Management	HofP&C	✓	✓	✓	⊘✓	⊘✓	**Limited**	
Annual Governance Statement	HofL	✓	✓	✓	⊘✓			
IT								
IT Application Management (Orchard)	HofT&BS	✓	✓	✓	✓	⊘✓	**Limited**	
IT Follow Up	HofT&BS	✓	✓	✓	✓	✓	**n/a**	
Core Financial Reviews								
Accounts Payable	CFO	✓	✓	✓	✓	✓	**Reasonable**	
Accounts Receivable/Debt Management	CFO	✓	✓	✓	⊘✓			
Main Accounting	CFO	✓	✓	✓	⊘✓			
Payroll	CFO	✓	✓	✓	⊘✓			
Treasury Management	CFO	✓	✓	✓	✓	✓	**Reasonable**	

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Service Reviews								
Operational Services	EHofC	✓	✓	✓				
Environmental Health & Licensing	EHofC	✓	✓	✓	✓	✓	**Reasonable**	
Disabled Facility Grants	EHofC	✓	✓	✓	✓	✓	**Reasonable**	
Other								
Follow Up – Info Governance	HofLS	✓	✓	✓	⊘✓			
Follow Up – Grants Register	CFO	✓	✓	✓	⊘✓	⊘✓	**n/a**	
Follow Up – Building Control	CPO	✓	✓	✓				

8. Rolling Work Programme 2023/24

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate								
Savings Realisation	CFO							Q2
Future Tandridge Programme	CE							Q4
Asset Management – Statutory Checks	CFO							Q3
Governance								
Human Resources & OD	HofT&BS							Q3
Ethical Governance	HofL							Q4
IT								
IT Disaster Recovery	HofT&BS	⊘✓	⊘✓					
Cyber Security	HofT&BS							Q4

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Core Financial Reviews								
Council Tax	CFO							Q2
NNDR	CFO	✓	✓					
Service Reviews								
Housing Voids	HofH							Q4
Operational Services - Tree Inspections	HofO&C							Q2
Homes for Ukraine	HofH	✓						
Development Management	CPO							Q3
Leisure Centres – Contract Management	HofC&P	✓						
Other								
Follow Up	Various							Q3

✓ - *This symbol reflects the progress that has been made since the last progress report was presented to the Audit & Scrutiny Committee on 27th June 2023.*

Audit Sponsor					
CE	Chief Executive	CFO	Chief Finance Officer	HofLS	Head of Legal Services & Monitoring Officer
EHofC	Exec Head of Communities	CPO	Chief Planning Officer	HofT&BS	Head of Transformation & Business Support
HofP&C	Head of Policy & Communications				

9. Adjustment to the Internal Audit Plan

There have been the following amendments to the 2022/23 plan:

Plan Variations	
Added to the plan	**Reason**
IT Application Management	To provide assurance over the support and maintenance of business critical application(s).
Removed from the plan	**Reason**
IT Business Continuity	Deferred to 2023/24 to enable ongoing actions to be fully embedded prior to a further review.
Human Resources & OD	This review was scoped to look at the People Plan, however this is yet to be fully developed and will be considered as part of the 2023/24 planning. This resource has now been reallocated to further support the reviews of Operational Services and Follow Up.

There have been no amendments to the 2023/24 plan to date.

Annex 1

Tandridge District Council Assurance Opinions (Pre 2020-21)

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.