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**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

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**TANDRIDGE DISTRICT COUNCIL**

**Annual Internal Audit Report & Opinion 2022-2023**

**Prepared by: Neil Pitman, Head of Partnership**

**September 2023**

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## 1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

*‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 organisation’s 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. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

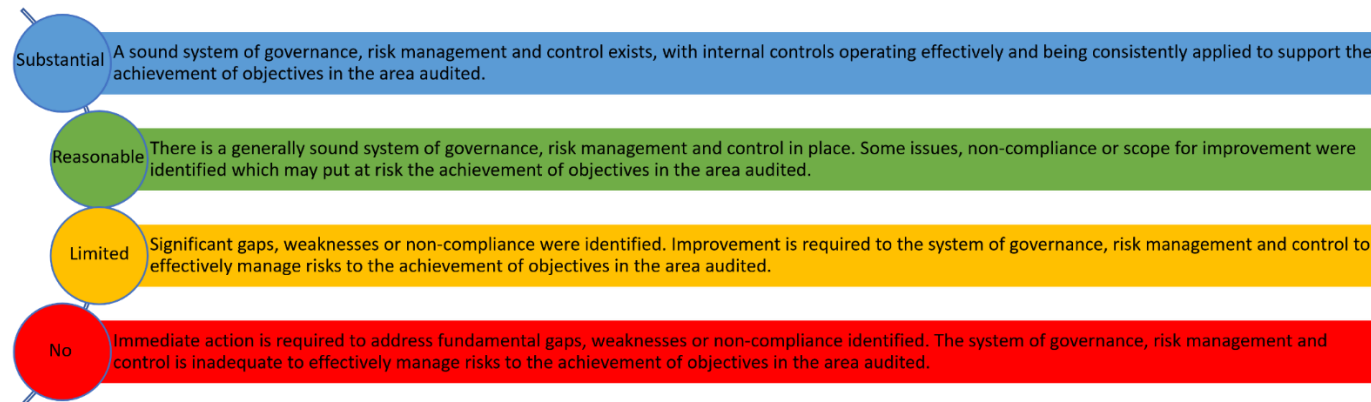
Working practices have been reviewed, modified and agreed with all partners and we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

### 3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Audit & Scrutiny Committee in April 2022. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Management Team and reported in detail to the Audit & Scrutiny Committee in the internal audit progress reports which were reviewed at each meeting.

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:



## 4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

### Annual Internal Audit Opinion 2022-23

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are **limited**.

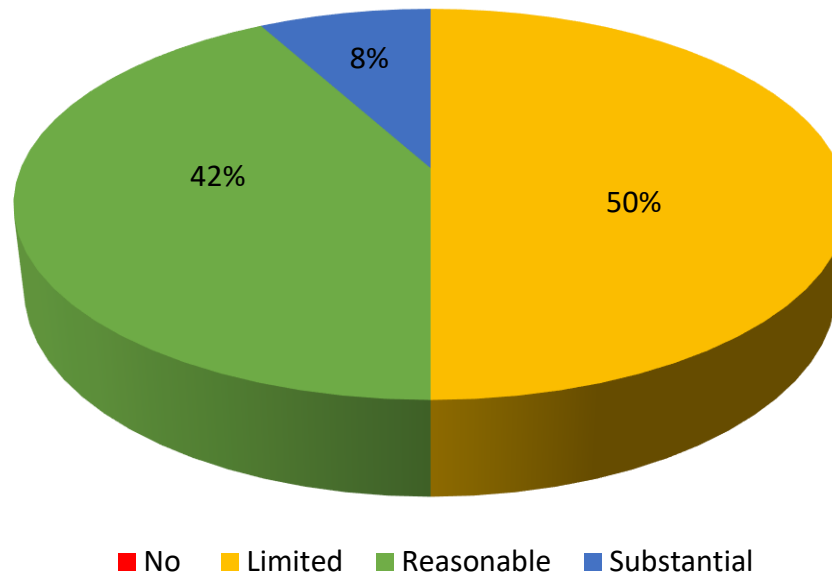
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

## 5. Governance, Risk Management & Control – Overview & Key Observations

### Assurance opinions for 2022-23 reviews

The findings from our reviews have been reported to the Audit & Scrutiny Committee in full throughout the year and a summary of the assurance opinions is outlined below.

### Assurance Opinions



*\*None of our audit reviews culminated in a 'No Assurance' opinion*

As at the time of reporting, two audit reviews remains in progress (Operational Services and Follow Up – Building Control). The outcome of these reviews will be reported in our next progress report to the Audit & Scrutiny Committee and incorporated in the annual opinion for 2023-24.

## Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2022-23 we undertook a review of Savings Realisation Governance, which concluded with a substantial assurance opinion and the Annual Governance Statement, which concluded with a limited assurance opinion.

The audit of the Annual Governance Statement 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 CIPFA's 7 Principles of Good Governance, none of which were present in the 2020-21 Annual Governance Statement.

The 2021-22 Annual Governance Statement was not published by the required deadline set and no statement was published on the Council's website covering the reason for the delay as required by the Accounts and Audit (Amendment) Regulations 2021, section 10.2a.

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.

### *Risk management*

We undertook a review of Risk Management as part of the 2022/23 Internal Audit Plan which concluded with a limited assurance opinion.

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). Testing of a sample of three project risk registers also 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.

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."

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.

### *Control*

Internal audit work included in the 2022-23 internal audit plan touched on areas where there was found to be a generally sound control environment in place that were working effectively to support the delivery of corporate objectives. However, there continues to be areas of challenge to the organisations control environment.

We generally found officers and staff to be aware of the importance of effective control frameworks and compliance, and open to our suggestions for improvement or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed. However, there remains a backlog of management actions that are now overdue for implementation.

The key areas of challenge identified or confirmed through our work are outlined below:

### Health and Safety (DRAFT) (Limited Assurance)

The purpose of this 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. However, we found that there was no evidence of reporting to the Extended Management Team during 2022/23 or an annual report presented to the Audit & Scrutiny Committee.

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 (Limited Assurance)

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. Additionally, System administrator access to Orchard is not subject to a formal approval process.

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. The Orchard infrastructure is run on Windows 2012 R2 operating system which runs out of support in October 2023. At the time of the 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.

### Payroll (DRAFT) (Limited Assurance)

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. 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) (Limited Assurance)

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.

## Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is reported to the Audit & Scrutiny Committee throughout the year through the quarterly internal audit progress reports. There remains a backlog of management actions that are now overdue for implementation.

## 6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

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

In considering all sources of evidence the external assessment team 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.'*

## 7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

**‘the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards’.**

There are no disclosures of Non-Conformance to report.

## 8. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An internal quality assessment against the IPPF, PSIAS & LGAN.

## 9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	88%
Positive customer survey response		
● Tandridge District Council	90%	99%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

*Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2023).*

## 10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman  
Head of Southern Internal Audit Partnership



## Annex 1

## Summary of Audit Reviews Completed 2022-23

## 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.

- Savings Realisation Governance

## 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.

- Environmental Health and Licensing
- Treasury Management
- Accounts Payable
- Accounts Receivable & Debt Management (draft)
- Disabled Facility Grants

## 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.

- IT Application Management
- Annual Governance Statement (draft)
- Health and Safety (draft)
- Payroll (draft)
- Risk Management
- Main Accounting (draft)