

Internal Audit Progress Report

August 2021

Tandridge District Council



**Southern Internal
Audit Partnership**

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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:

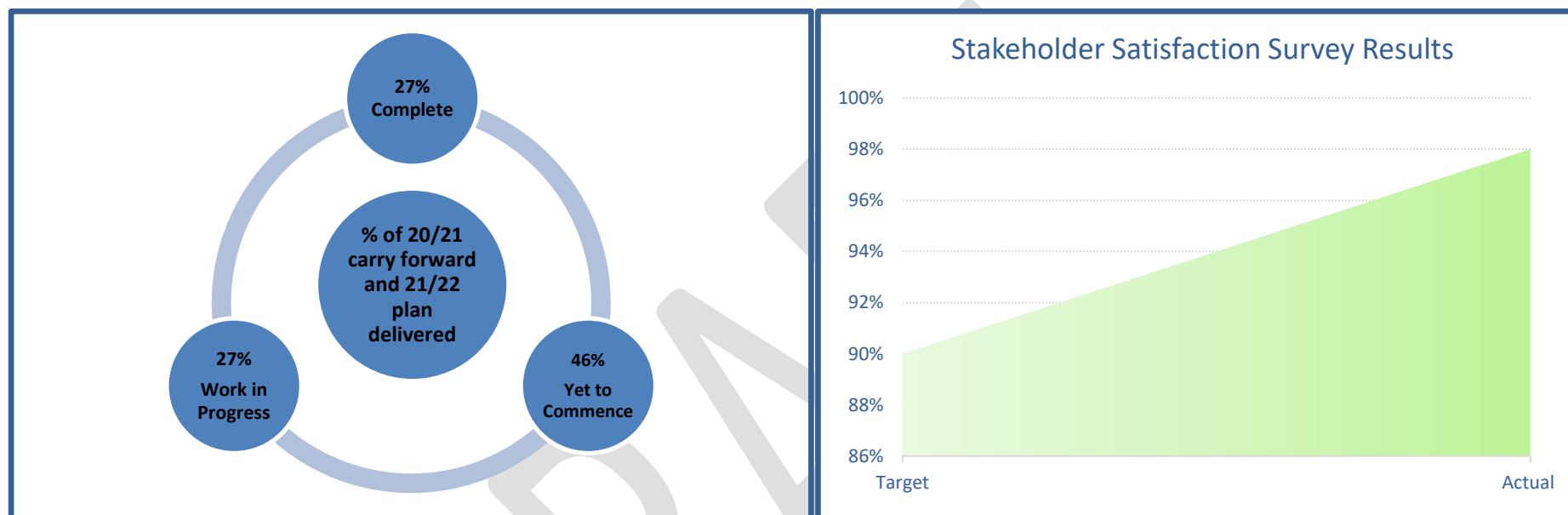
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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



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
HR – Policies and Procedures	04.06.20	EHofCR	Limited	5(5)	0(0)	0(0)			5
IT Disaster Recovery & Business Continuity	06.07.20	EHofCR	No Assurance	11(11)	0(0)	7(7)			4
Council Tax	02.10.20	EHofC	Adequate	5(2)	1(0)	4(2)			
NNDR	20.10.20	EHofC	Limited	7(3)	1(0)	4(3)		2	
Accounts Receivable & Debt Management	26.10.20	EHofCR & EHofC	Limited	29(11)	0(0)	23(10)		5	1
Customer First	17.02.21	EHofCR	No Assurance	18(11)	0(0)	8(8)		7	3
Human Resources & OD	22.04.21	EHofCR	Reasonable	5(5)	0(0)	4(4)			1
Procurement	18.05.21	HofL	Reasonable	3(0)	1(0)	2(0)			
IT Asset Management	14.06.21	EHofCR	Limited	9(0)	8(0)	1(0)			
Cyber Security	01.07.21	EHofCR	Limited	10(4)	4(2)	4(0)			2
Housing Benefits	21.07.21	EHofCR	Reasonable	10(2)	4(0)	4(2)		2	
Building Control	28.07.21	CPO	Limited	19(12)	11(6)	6(4)			2
Treasury Management	30.07.21	CFO	Limited	5(2)	2(0)	3(2)			
Information Governance	11.08.21	EHofCR	Limited	14(7)	9(5)	5(2)			
Grants Register	18.08.21	EHofC & CFO	No Assurance	5(5)	5(5)	0(0)			
Health & Safety	27.08.21	EHofCR & EHofC	No Assurance	26(17)	23(16)	3(1)			
Total				181(97)	69(34)	78(45)	0	16	18





*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 July 2021.

Cyber Security		
Audit Sponsor	Assurance opinion	Management Actions
Executive Head of Corporate Resources		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; border: 1px solid black;"> Low 0 </div> <div style="background-color: yellow; color: black; padding: 5px; border: 1px solid black;"> Medium 6 </div> <div style="background-color: red; color: white; padding: 5px; border: 1px solid black;"> High 4 </div> </div>
<p>Summary of key observations:</p> <p>This audit focused on the processes and procedures put in place to ensure an adequate level of cyber security awareness across all staff within the organisation.</p> <p>It was confirmed that cyber security notification emails were received from Microsoft and MacAfee and disseminated to key personnel providing early warning of vulnerabilities or attacks and enabling the IT team to mitigate risks or warn staff.</p> <p>However, responsibility for cyber security within the IT team was not assigned to a role and although the IT Specialist received and distributed emails on the subject there was no formal training for members of the team.</p> <p>It was pleasing to observe some examples of staff forwarding suspected phishing emails and details of suspicious calls and messages to the IT Service Desk. However, whilst the Acceptable Use Policy (AUP) includes a section titled 'Understanding Security Incidents and Breaches', the only guidance regarding reporting incidents was for personal data breaches and did not instruct users to contact the IT Service Desk if they suspect an IT security incident has occurred or provide guidance on cyber security risks.</p> <p>Additionally, staff had not been provided with cyber security awareness training. As staff make up the first line of defence against common cyber security threats such as phishing and social engineering it is important that all staff have a good understanding of the associated risks.</p> <p>There had been no proactive measures undertaken to gauge the level and effectiveness of cyber security awareness. A common practice among similar organisations is to run a campaign of fake phishing emails across the organisation, analyse the results, and provide remedial education where required.</p>		

Building Control		
Audit Sponsor	Assurance opinion	Management Actions
Chief Planning Officer		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 1</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 6</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 12</div> </div>
<p>Summary of key observations:</p> <p>Tandridge District Council host the Southern Building Control Partnership (SBCP) which consists of three Partner Councils. In October 2020 an independent review was commissioned and presented to The Joint Partnership Board at their meeting in October 2020. The independent review examined the Inter Authority Agreement (IAA). The scope of this audit review has looked at controls beyond the IAA to minimise duplication.</p> <p>For Tandridge District Council we confirmed building control applications were accurately processed and Central Government returns were submitted in a timely manner. We further confirmed that fees were appropriately invoiced, and that completion certificates were appropriately administered.</p> <p>However, there was a lack of clarity with regard accountability within Tandridge District Council to whom the Joint Partnership Board advise. Additionally, there were no minutes evident from the meetings of the Joint Management Team.</p> <p>In their capacity as the host authority TDC provide ‘support services’ to the partnership, however, there was no detail available to articulate what was incorporated within ‘support services’ and subsequently the cost implications for the Council. Additionally, there was no ‘variation’ to the IAA evident to support the re-negotiation and consequent reduction of support costs confirmed by the SBCP Business Manager during the review.</p> <p>Debt recovery was found to be sporadic and undertaken outside of the Central Debt Recovery Team.</p> <p>An action plan for a review of the Partnership Business Plan was drafted and presented at the Joint Partnership Board in December 2020, however although responsibility for actions had been recorded, no deadline dates had been indicated.</p> <p>The IT application supporting the delivery of the Partnership was not backed up regularly or supported by a Disaster Recovery Plan. There was no record of either of the issues on the Partnership’s ICT Risk Register.</p> <p>Of the 15 KPI’s produced for six whilst performance metrics were captured, they were not reported against set targets.</p> <p>There are some procedures available for the different tasks in the Southern Building Control Partnership Business Support Team, however these were in need of updating as some processes have been revised.</p>		





Treasury Management				
Audit Sponsor	Assurance opinion	Management Actions		
Chief Finance Officer	 Limited	 Low 0	 Medium 3	 High 2
Summary of key observations:				
<p>There was found to be a Treasury Management Strategy in place that was aligned to the prudential indicators (in accordance with CIPFA guidance) and had been appropriately endorsed by Members. Additionally, the authority was found to convene investment sub-committee meetings at regular intervals to report on activities of the Treasury Management function and to observe compliance with borrowing and investment activities as well as prudential indicators.</p> <p>The audit review highlighted that access to the Institutional Cash Distributors (ICD) portal had been granted to personnel to purchase and redeem, however no financial limits had been set, and transactions were not subject to stewardship or authorisation. Additionally, although there was a Word document on the day to day operating of the ICD portal, there was no approved policies and procedures outlining individual roles and responsibilities for the treasury department.</p> <p>Financial Regulations stipulated that the Chief Finance Officer (S151 Officer) has delegated responsibility for the administration and approval of Treasury Management transactions, however they were not part of the Treasury Management process in any day-to-day capacity. There was no other document which set out roles, responsibilities, and authorisation expectations.</p> <p>Rates were found to be recorded on the trade sheet, but there was no evidence that these were the best rates for the day. Furthermore, there was no evidence that the recommendation for new investments had been subject to review or approval prior to the transaction being actioned.</p> <p>The Deputy Section 151 Officer confirmed that they authorised NCR (No Cash Required) vouchers which set out details of the counterparty and the amount of the transaction. This was then processed through accounts payable to ensure that transactions were correctly accounted for. The Deputy Section 151 Officer did not have any other supporting documentation, such as the trade sheet, or proof of money transfer to substantiate the NCR voucher.</p> <p>There was no requirement for Cashflow forecasts to be reviewed. Cashflow forecasting was recorded on the “Trade Sheet”, which was a spreadsheet maintained by the Finance Business Partner. We were advised by the Deputy Section 151 Officer that the Trade Sheet should be peer reviewed by senior members of the Accountancy Team. From review of a sample of trade sheets, we observed that there was no evidence of review other than from the preparer.</p>				


Information Governance				
Audit Sponsor	Assurance opinion	Management Actions		
Executive Head of Corporate Resources & Head of Legal				
Summary of key observations:				
<p>The Freedom of Information (FOI), Data Protection Act (DPA), Subject Access Request (SAR) and Environmental Information Regulation (EIR) processes were found to provide guidance to staff and management on the procedures to be followed. Additionally review of a sample of Subject Access Requests confirmed they were completed within required timeframes.</p> <p>Testing provided assurance that Officers and Councillors had undertaken initial training and refresher training regarding GDPR within the last year. We also confirmed with HR that there is an effective central monitoring process, and that outstanding training is appropriately escalated.</p> <p>The Legal Specialist & Data Protection Officer confirmed that there is no named Deputy DPO, and although there are arrangements in place for the DPO's planned leave, there are no formal arrangements in place to cover any unplanned leave of the holder of this statutory role.</p> <p>We reviewed a sample of FOI requests received during 2020/21. These were not consistently completed within required Council and ICO timeframes. The monitoring of outstanding FOI requests was undertaken via monthly performance reports to Executive Leadership team (ELT), and quarterly reports to Strategy & Resources Committee. The Head of Communications raises overdue FOIs at fortnightly Senior Leadership Team (SLT) meetings, however, the Information Governance Management Team did not receive information regarding FOI processing.</p> <p>Since the inception of GDPR (May 2018), the ICO have recommended that Local Authorities should maintain an Information Asset Register to help ensure that the council knows what information it holds, where it is, and which Information Asset Owner (IAO) is responsible for it. At the time of the review, an Information Asset Register was still being developed and therefore there was no central record for the recording of all the Council's information assets, in line with ICO expectations. Without this key document, the DPO has no overview of the categories of data held by the Council, where this is, and is also not able to effectively monitor whether security and disposal expectations are being met.</p> <p>The Record Retention and Disposal Schedule was not dated, did not show a date for review nor contain a version control history. Our review of the document found that it listed data owners, but the roles recorded were out of date. The DPO also advised that there is no log of disposed/destroyed documents/data in line with ICO expectations.</p> <p>We sought to determine disposal arrangements for documents held electronically on SharePoint, and we were advised that SharePoint at the Council has not been configured with a document deletion policy; therefore, there was nothing to highlight to data owners that documents may be due for disposal.</p>				

Although data breaches were recorded, the authority did not maintain an inventory/log in line with expectations set out by the Information Commissioner. An improved log could help with monitoring and reporting requirements.

Whilst it was positive to confirm that the Council had an Information Management Governance Team (IMGT) that met regularly, review of the minutes identified that, aside from reviewing Information Breaches they had not undertaken any performance review to ensure compliance with their strategy which is one of the key tasks / roles detailed within the Information Governance Management Policy. The DPO further confirmed that there were currently no performance indicators set to help the group with their monitoring function.

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Grants Register				
Audit Sponsor	Assurance opinion	Management Actions		
Executive Head of Communities & Chief Finance Officer	 No	 Low 0	 Medium 0	 High 5
<p>Summary of key observations:</p> <p>This review was commission by the Chief Finance Officer to ensure adequate oversight and accountability was maintain over grants received across the organisation, including but not limited to, those received for the purposes of COVID-19.</p> <p>Analysis confirmed that the council did not maintain a complete and comprehensive grant register.</p> <p>Throughout our review a register was being compiled in respect of COVID-19 related grants and as of June 2021 it was approximately 80% complete. This did not include details of any other grants.</p> <p>We established that the grant register was being compiled retrospectively and, as such, did not contain information pertaining to grant funding bids not awarded, and therefore the register could not be utilised to learn lessons related to unsuccessful bids.</p> <p>There were no policy, procedures, or guidance in place to indicate how the register should be used, what it should include, and there are no established roles and responsibilities for maintenance, monitoring, or quality assurance.</p> <p>Current Government guidance suggests that grants of more than £100K or monies related to novel, contentious or repercussive should be subject to risk management consideration and this should be documented, there is no indication that high risk funding streams are currently subject to any risk management process.</p> <p>It should be noted that whilst this review focused on the maintenance of a grants register, an internal audit for the Distribution of Business Support Grants (BSG) was included in the 2020/21 Internal Audit Plan to review the grants awarded and timeliness of Central Government reporting on the BSG spend. This review concluded with Reasonable Assurance.</p>				

Health and Safety		
Audit Sponsor	Assurance opinion	Management Actions
Executive Head of Communities & Executive Head of Corporate Resources	 No	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; border: 1px solid black;">Low 1</div> <div style="background-color: yellow; color: black; padding: 5px; border: 1px solid black;">Medium 8</div> <div style="background-color: red; color: white; padding: 5px; border: 1px solid black;">High 17</div> </div>
<p>Summary of key observations:</p> <p>The review focused on the Council’s oversight and management of its H&S obligations. Assurances were sought to ensure H&S practices comply with internal, regulatory, and legislative requirements.</p> <p>We acknowledge in conducting this review that the Council has recognised its H&S activities required improvement and had engaged an external Competent Person (ETS) to consult and review existing practices.</p> <p>Some areas of good practices were highlighted during the course of our audit including the Procurement Strategy, contractors’ standard Terms and Conditions and Contract Standing Orders requiring adequate contractor H&S provisions to be included and monitored. Additionally, a Clients of Concern register was maintained and disseminated to staff to help ensure their safety when working with external parties. Regular fire alarm, equipment, and evacuation testing also occurred at the Council’s main offices, including adequate first aid provisions being in place</p> <p>However, the H&S Policy and many of its accompanying procedures had not been updated for several years. It was acknowledged that a revised set of draft procedures had been partially drafted in early 2020 by the Council’s external Competent Person for H&S, but these remained incomplete and had not been approved nor disseminated to staff.</p> <p>Roles and responsibilities for H&S were unclear. At the point of audit testing, senior appointments had not been made to drive the H&S agenda. Current policies and procedures referred to roles and positions that no longer exist.</p> <p>H&S training compliance was monitored at a departmental level but not corporately. Based on departmental expectations for H&S training at the time of the review, we tested a sample of 29 employees and found that 66% had outstanding H&S training requirements, including managers in need of NEBOSH (National Examining Board in Occupational Safety) / IOSH (Institute of Occupational Safety and Health) certification to evidence competency for managing H&S related activities across the Council.</p> <p>All staff training, including H&S, is contained in a single Human Resources training budget and is not specifically earmarked for H&S related training. The Head of Operational Services advised that currently, training budgets are not based upon an understanding of departmental H&S training need, and therefore there is a risk that the training budget may not be sufficient to meet all departmental training requirements.</p>		

A single repository of H&S risk assessments was not maintained, and the Council did not monitor that these were complete and up to date, as per its legal duty. At the time of audit testing many risk assessments were overdue for review, including fire, asbestos and Portable Appliance Testing. There was also a void in those trained and qualified to carry out such assessments.

The H&S Management Committee, responsible for strategic H&S direction and compliance, did not meet between 2018-2019. The Committee reformed and reportedly met four times during 2020, albeit minutes were only available from two of those meetings.

An Annual Statement of H&S is not currently produced at the Council, as per its legal duty, and shared with elected members.

Accident and incident statistics were not being corporately reported or monitored. Review of the Accident Management System (AMS) found that 99% of accidents/incidents recorded between 01/01/20-08/03/21 were not closed off in the system. From a sample of five incidents recorded on AMS, one should have been reported under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) to the Health and Safety Executive (HSE) under Regulation 4, but there was no evidence that this had been done.

An audit of Corporate H&S was carried out during 2019 by the Council's Competent Person (ETS) and issues and recommended actions were reported to the Council in December 2019 with further information provided in January 2020. We could not evidence any reporting or monitoring of progress against any of the recommendations; the Head of Operational Services, who sits on the Health & Safety Management Committee, was unaware of the audit report or its action plan.

We were advised by the Executive Head of Communities that this document is still considered to be in 'draft' and therefore not progressed nor disseminated to staff. However, we note that a Corporate Improvement Plan update was provided to the Strategy and Resources Committee in November 2020 with an ongoing H&S action to 'implement action plan', along with 'ongoing implementation of recommendations'.

Although the Competent Person has prepared a draft H&S action plan, the Council does not have a H&S strategic plan or any corresponding performance measures in place to enable them to effectively measure and report on progress being made towards meeting its corporate H&S legal obligations and objectives.

6. Planning & Resourcing

The internal audit plan for 2021/22 was presented to the Executive Leadership Team and the Audit & Scrutiny Committee in March 2021.

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

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020/21 Reviews								
Corporate Governance								
Health & Safety	EHofCR / EHofC	✓	✓	✓	✓	✓	No Assurance	
Financial Resilience	CFO	✓	✓	✓				On hold pending Grant Thornton review.
Information Governance	EHofCR / HofL	✓	✓	✓	✓	✓	Limited	
Housing Benefit	EHofC	✓	✓	✓	✓	✓	Reasonable	
Treasury Management	CFO	✓	✓	✓	✓	✓	Limited	
Grants Register	EHofC / CFO	✓	✓	✓	✓	✓	No Assurance	
Cyber Security	EHofCR	✓	✓	✓	✓	✓	Limited	
Building Control	CPO	✓	✓	✓	✓	✓	Limited	
2021/22 Reviews								
Corporate Governance								
Human Resources & Organisational Development	EHofCR	✓	✓	✓				
Safeguarding	EHofCR							Q3

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Financial Resilience	CFO							Q4
Contract Management	HofL	✓	✓	✓				
Risk Management	EHofCR	✓	✓	✓				
Fraud & Irregularities	CFO	✓	✓	✓				
Business Continuity & Emergency Planning	EHofCR							Q4
Annual Governance Statement	HofL	✓	✓	✓				
Programme/Project Management	EHofCR							Q3
Financial Management								
Housing Rents	EHofC	✓						
Accounts Payable	CFO							Q4
Accounts Receivable/Debt Management	CFO							Q4
Main Accounting	CFO							Q4
Income Collection	CFO							Q4
Information Technology								
IT Governance	EHofCR							Q4
Data Management	EHofCR							Q3
Service Reviews								
Waste, recycling & street cleansing	EHofC							Q3
Development Management	CPO							Q3

Audit Sponsor					
ACE	Acting Chief Executive	CFO	Chief Finance Officer	HofL	Head of Legal
EHofCR	Exec Head of Corporate Resources	EHofC	Exec Head of Communities	CPO	Chief Planning Officer

8. Adjustment to the Internal Audit Plan

There have been no amendments to the plan to date.

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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.