

Annual Internal Audit Report & Opinion

2020-21

Tandridge District Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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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 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 organisation’s 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.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation’s success;
- Risks inherent in the achievement of objectives; and
- 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 impact of COVID-19 during the year has had a significant impact on the way we have worked and interacted. The enforced central government directive ‘if you can work from home, you must do so’ has required the Southern Internal Audit Partnership to adopt a revised operating model and innovative approach to virtual auditing.

Work contributing to my 2020/21 annual opinion has all been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings.

I am confident that the revised operating model has not compromised quality or SIAPs ability to complete assurance work throughout the year or the conclusion drawn. I would wish to extend my appreciation to Council officers with whom we have worked during the year for their support, cooperation, and seamless transition to the virtual audit approach without which the delivery of an annual opinion would not have been possible.

3. Internal Audit Opinion

The Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's 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.

Annual Internal Audit Opinion 2020-21

"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 Tandridge District Council's internal control environment.

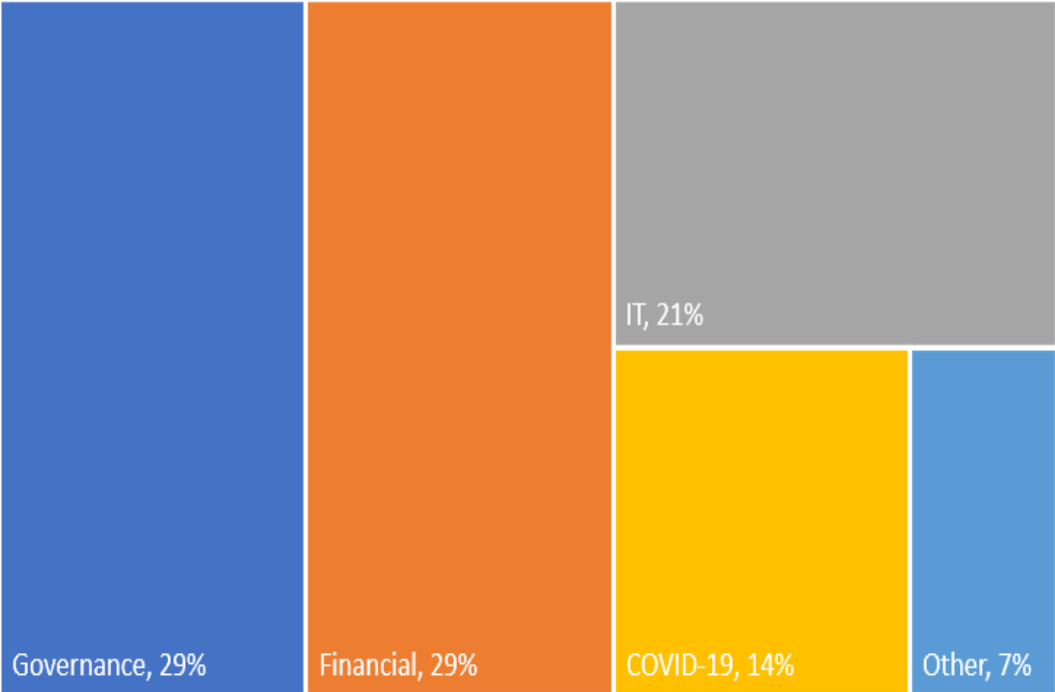
In my opinion, Tandridge District Council's framework of governance, risk management and control is 'Limited'.

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

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.

Audit Reviews by Theme



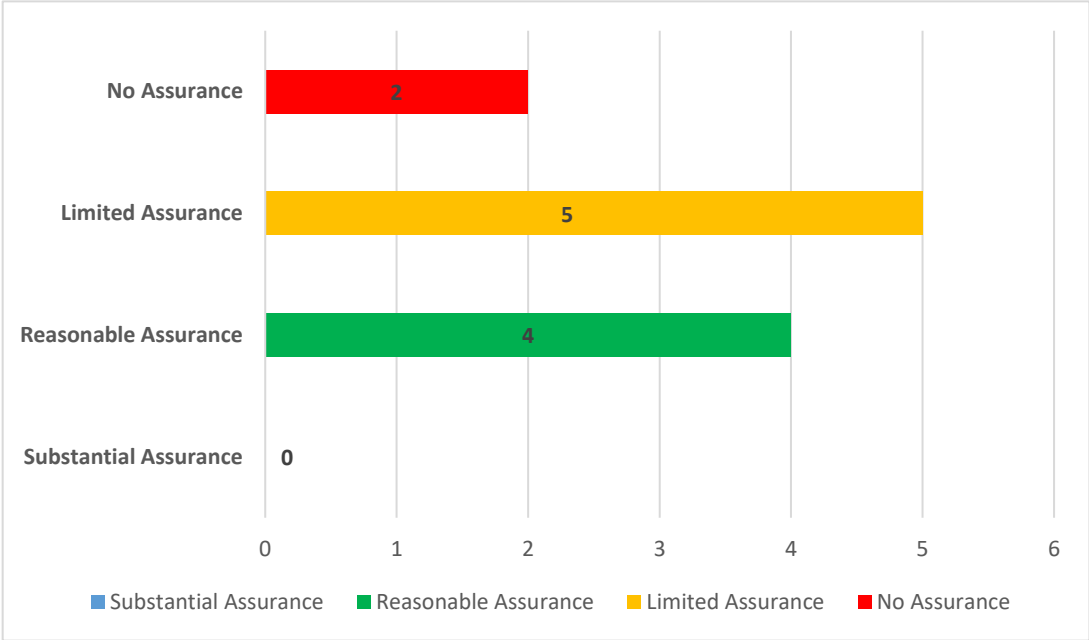
Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2020-21 Internal audit plan, approved by the Audit & Scrutiny Committee in September 2020, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working across the Council. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 14* reviews during the year ending 31 March 2021.

The 2020-21 internal audit plan has been fully delivered except for the audit of Financial Resilience. This review was put on hold pending the conclusion and outcome of the commissioned 'Forensic review and fact-finding investigation into a potential budget gap for 2020/21 and its implications for 2021/22'.



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.

*2 reviews did not culminate in an audit opinion as one related to a review of the Local Government Compensation Scheme claims and another was a follow up review of IT Disaster Recovery.

A list of the 2020-21 assurance reviews undertaken and their respective opinions is provided in Annex 1.

5. Key Observations

Health and Safety (No)

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.

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.

Based on departmental expectations for H&S training at the time of the review, testing of 29 employees found 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.

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.

From a small 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.

IT Asset Management (Limited)

The IT Asset Register was found to be inaccurate and did not reflect the current IT equipment estate in the Council. Audit testing observed that several fields in the asset register were blank, and some assets were not recorded. Testing of network hardware assets held in the data centre found that 30% of the sample reviewed were not recorded on the register. Additionally, there has been no IT equipment stocktake completed as required by the IAU Policy.

Information Governance (Limited)

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.

A review of FOI requests found they were not consistently completed within required Council and ICO timeframes.

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.

Our review of the Record Retention and Disposal Schedule 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.

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.

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.

IT Cyber Security (Limited)

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.

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.

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.

There had been no proactive measures undertaken to gauge the level and effectiveness of cyber security awareness.

Treasury Management (Limited)

There was found to be Treasury Management Strategy in place that was aligned to the prudential indicators (in accordance with CIPFA guidance) and had been appropriately endorsed by Members.

However, the audit review highlighted 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.

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 is no other document which set out roles, responsibilities, and authorisation expectations.

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.

Building Control (Limited)

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.

Tandridge District Council host the Southern Building Control Partnership (SBCP) which consists of three Partner Councils, however, there is 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.

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.

Debt recovery was found to be sporadic and undertaken outside of the Central Debt Recovery Team.

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.

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.

Of the 15 KPI's produced for six whilst performance metrics were captured, they were not reported against set targets.

Grants Register (No)

This review was commissioned by the Chief Finance Officer to ensure adequate oversight and accountability was maintained over grants received across the organisation, including but not limited to, those received for the purposes of COVID-19.

Analysis confirmed that the council did not maintain a complete and comprehensive grant register.

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.

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.

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.

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.

Other Sources of Assurance

During the year Grant Thornton were commissioned by the Council to undertake a '*Forensic review and fact-finding investigation into a potential budget gap for 2020/21 and its implications for 2021/22*'. The subsequent report was finalised on 7 September highlighting a number of recommendations to address weaknesses in the control environment contributing to actions resulting in a £920,500 budget gap in 2020/21 and 2021/22.

6. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a 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 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 2020-21 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; and
- An independent external 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	95%	93%
Positive customer survey response <ul style="list-style-type: none"> • SIAP – all Partners 	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction was collated for SIAPs EQA and 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 May 2020).

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
September 2021

2020-21 Audit Reviews and Opinions

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
	<ul style="list-style-type: none"> • Human Resources & Organisational Development • Procurement • Distribution of Business Grants • Housing Benefit 	<ul style="list-style-type: none"> • IT Asset Management • Building Control • Information Governance • Treasury Management • Cyber Security 	<ul style="list-style-type: none"> • Health and Safety • Grants Register

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