

Internal Audit Progress Report

January 2022

Tandridge District Council



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**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:

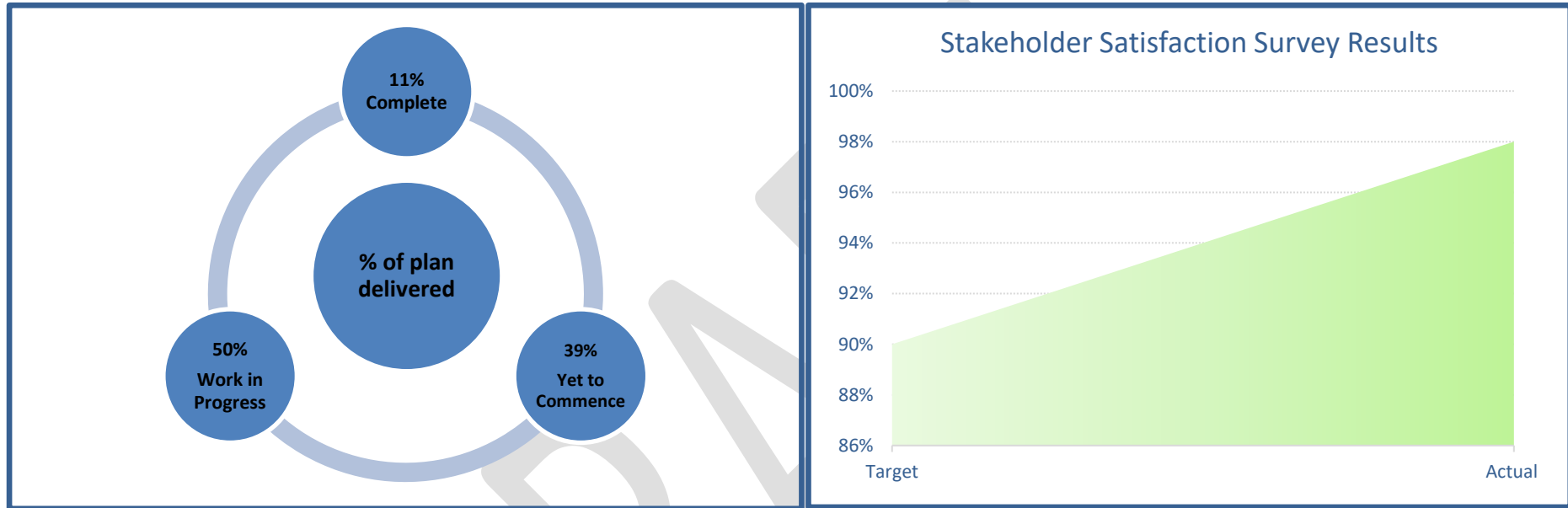
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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:

|                    |  |
|--------------------|--|
| <b>Substantial</b> | 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.  |
| <b>Reasonable</b>  | 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.                     |
| <b>Limited</b>     | 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.                       |
| <b>No</b>          | 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)         | 25(10)         |          | 3         | 1         |
| Customer First                             | 17.02.21    | EHofCR         | No Assurance      | 18(11)                      | 0(0)         | 9(9)           |          | 7         | 2         |
| Procurement                                | 18.05.21    | HofLS          | Reasonable        | 3(0)                        | 0(0)         | 2(0)           |          | 1         |           |
| IT Asset Management                        | 14.06.21    | EHofCR         | Limited           | 9(0)                        | 5(0)         | 4(0)           |          |           |           |
| Cyber Security                             | 01.07.21    | EHofCR         | Limited           | 10(4)                       | 0(0)         | 8(3)           |          | 1         | 1         |
| Housing Benefits                           | 21.07.21    | EHofCR         | Reasonable        | 10(2)                       | 0(0)         | 9(2)           |          | 1         |           |
| Building Control                           | 28.07.21    | CPO            | Limited           | 20(13)                      | 6(3)         | 9(6)           |          | 1         | 4         |
| Treasury Management                        | 30.07.21    | CFO            | Limited           | 5(2)                        | 0(0)         | 3(2)           |          | 2         |           |
| Information Governance                     | 11.08.21    | EHofCR         | Limited           | 14(7)                       | 4(1)         | 8(4)           |          |           | 2         |
| Grants Register                            | 18.08.21    | EHofC & CFO    | No Assurance      | 5(5)                        | 0(0)         | 0(0)           |          |           | 5         |
| Health & Safety                            | 27.08.21    | EHofCR & EHofC | No Assurance      | 26(17)                      | 5(2)         | 15(10)         |          | 1         | 5         |
| Annual Governance Statement                | 02.12.21    | HofLS          | Limited           | 8(7)                        | 4(3)         | 4(4)           |          |           |           |
| <b>Total</b>                               |             |                |                   | <b>185(100)</b>             | <b>26(9)</b> | <b>111(62)</b> | <b>0</b> | <b>19</b> | <b>29</b> |

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

## 5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There has been one new report published concluding a “limited” assurance opinion since our last progress report in September 2021.

| Annual Governance Statement  |   |   |
|--|---|---|
| Audit Sponsor  | Assurance opinion   | Management Actions  |
| Head of Legal Services & Monitoring Officer  | <br>Limited | <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<br/>0         </div> <div style="background-color: yellow; color: black; padding: 5px; border: 1px solid black;">           Medium<br/>1         </div> <div style="background-color: red; color: white; padding: 5px; border: 1px solid black;">           High<br/>7         </div> </div> |
| <p><b>Summary of key observations:</b></p> <p>This audit reviewed the process followed to produce the 2020/21 Annual Governance Statement and provide assurance that it complied with relevant legislation and guidance.</p> <p>Production of the 2019/20 Annual Governance Statement was assisted by a Local Government Association Consultant following a peer review by the Centre for Public Scrutiny published in July 2020 which was critical of the Council’s existing Annual Governance Statement and governance arrangements. While the format of the 2019/20 Statement satisfied legislative requirements, the version published on the Council’s website has not signed by the Chief Executive or Council Leader and does not contain a commitment from them to monitor implementation of action plans.</p> <p>Due to delays in the production cycle aligned with the Final Audited Accounts, audit fieldwork was carried out while the 2020/21 Annual Governance Statement was being drafted, some observations raised during fieldwork and contained within this report were subsequently actioned during the 2020/21 production cycle.</p> <p>The Programme Management Officer relied upon a process document provided by the LGA consultant to identify key production milestones and target dates to ensure the 2020/21 Annual Governance Statement would be produced in a timely manner and reviewed by the Corporate Improvement Board and Audit &amp; Scrutiny Committee ahead of publication. This cycle was then used to inform a more formal production timetable for the 2021/22 Annual Governance Statement which also allows for formal review of progress against action plans published in the 2020/21 Annual Governance Statement.</p> <p>The prior year Annual Governance Statement contained an action plan to adopt a local code of corporate governance, bringing together in one place all elements of the Council’s governance system. Implementing a local code of corporate governance is a key building block of CIPFA’s Delivering Good Governance in Local Government Framework. A draft code was taken to Audit &amp; Scrutiny Committee in January 2021, which the committee noted. However, the code has yet to be formally adopted.</p> |   |   |

A key source of assurance in the production of the Annual Governance Statement is the Statements of Assurance obtained from the Executive and Senior Leadership Teams, however, no process was in place to obtain and assess such statements at the time the fieldwork stage of the audit concluded.

The last draft of the 2020/21 Annual Governance Statement provided towards the end of audit fieldwork detailed the governance arrangements in place throughout 14 sections and also referenced several governance issues, such as the fact that the annual internal audit opinion was 'Limited' and an external review was ongoing to understand a budget imbalance of circa £920k. Although the internal audit opinion was referenced in Section 15 Conclusion, it is not stated as 'Limited' and is followed by a statement that assurance can be placed upon the adequacy and effectiveness of the Council's systems of internal control and governance without explaining how this assurance can be placed considering the governance issues raised elsewhere in the statement.

Although CIPFA guidance does not mandate a format for the annual governance statement, it does state that they should be aligned to the Seven Principles of Good Governance and demonstrate how the principles have been met. It also states that they should be short, focussed and employ graphics where possible. At present, the Council's Annual Governance Statement does not align to the Seven Principles or demonstrate how they have been met, is twenty pages long without considering Section 16 Action Plan Update and employs no graphics.

The 2019/20 Annual Governance Statement contained 73 action points. Those not marked as complete in that statement are referenced in the 2020/21 Annual Governance Statement with the Programme Management Officer maintaining a tracker to ensure that they are appropriately assigned, that progress is appropriately monitored, and that closure is confirmed and appropriately approved. However, review of the tracker, which was in the process of being amalgamated with a Corporate Improvement tracker at the time of fieldwork and acknowledged to be a work in progress, found that it was not sufficiently complete to give assurance that this process is being robustly managed.



## 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                              |
|--|---------|---------|---------------|-----------|--------------|--------------|---------------------------|--------------------------------------|
| <b>Corporate Governance</b>              |         |         |               |           |              |              |                           |                                      |
| HR & OD - Follow Up                      | EHofCR  | ✓       | ✓             | ✓         |              |              |                           |                                      |
| Safeguarding                             | EHofCR  |         |               |           |              |              |                           | Scoping meeting booked for 19/1/2022 |
| Financial Resilience                     | CFO     |         |               |           |              |              |                           | Scoping meeting booked for 24/1/2022 |
| Contract Management                      | HofLS   | ✓       | ✓             | ✓         |              |              |                           |                                      |
| Risk Management                          | EHofCR  | ✓       | ✓             | ✓         | ✓            | ✓            | <b>position statement</b> |                                      |
| Fraud & Irregularities                   | CFO     | ✓       | ✓             | ✓         | ✓            |              |                           | Awaiting management response         |
| Business Continuity & Emergency Planning | EHofCR  |         |               |           |              |              |                           | Scoping meeting booked for 16/2/2022 |
| Annual Governance Statement              | HofLS   | ✓       | ✓             | ✓         | ✓            | ✓            | <b>Limited</b>            |                                      |
| Programme/Project Management             | EHofCR  | ✓       |               |           |              |              |                           |                                      |
| <b>Financial Management</b>              |         |         |               |           |              |              |                           |                                      |
| Housing Rents                            | EHofC   | ✓       | ✓             | ✓         |              |              |                           |                                      |

| Audit Review                        | Sponsor | Scoping | Audit Outline | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment  |
|-------------------------------------|---------|---------|---------------|-----------|--------------|--------------|-------------------|--|
| Accounts Payable                    | CFO     |         |               |           |              |              |                   | Scoping meeting booked for 17/1/2022                   |
| Accounts Receivable/Debt Management | CFO     |         |               |           |              |              |                   | Scoping meeting booked for 17/1/2022                   |
| Main Accounting                     | CFO     |         |               |           |              |              |                   | Scoping meeting booked for 24/1/2022                   |
| Income Collection                   | CFO     |         |               |           |              |              |                   | Scoping meeting booked for 22/1/2022                   |
| <b>Information Technology</b>       |         |         |               |           |              |              |                   |  |
| IT Governance                       | EHofCR  | ✓       |               |           |              |              |                   |  |
| Data Management                     | EHofCR  | ✓       | ✓             | ✓         |              |              |                   |  |
| <b>Service Reviews</b>              |         |         |               |           |              |              |                   |  |
| Waste, recycling & street cleansing | EHofC   | ✓       | ✓             | ✓         |              |              |                   | Incorporated as part of the Contract Management review |
| Development Management              | CPO     | ✓       |               |           |              |              |                   |  |

| Audit Sponsor |                                  |       |                          |      |   |
|---------------|----------------------------------|-------|--------------------------|------|---|
| CE            | Chief Executive                  | CFO   | Chief Finance Officer    | HofL | Head of Legal Services & Monitoring Officer |
| 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.

**Tandridge District Council Assurance Opinions (Pre 2020-21)**

|                    |   |
|--------------------|---|
| <b>Substantial</b> | A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.  |
| <b>Adequate</b>    | 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. |
| <b>Limited</b>     | 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.                                       |
| <b>No</b>          | 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.  |