

Internal Audit Progress Report

June 2022

Tandridge District Council



**Southern Internal
Audit Partnership**

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of 'Live' audit reviews	6
5.	Executive summaries 'Limited' and 'No' assurance opinions	7-9
6.	Planning and resourcing	10
7.	Rolling work programme	10-11
8.	Adjustments to the Plan	12
	Annex 1 – Previous TDC Assurance Opinions	13

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:

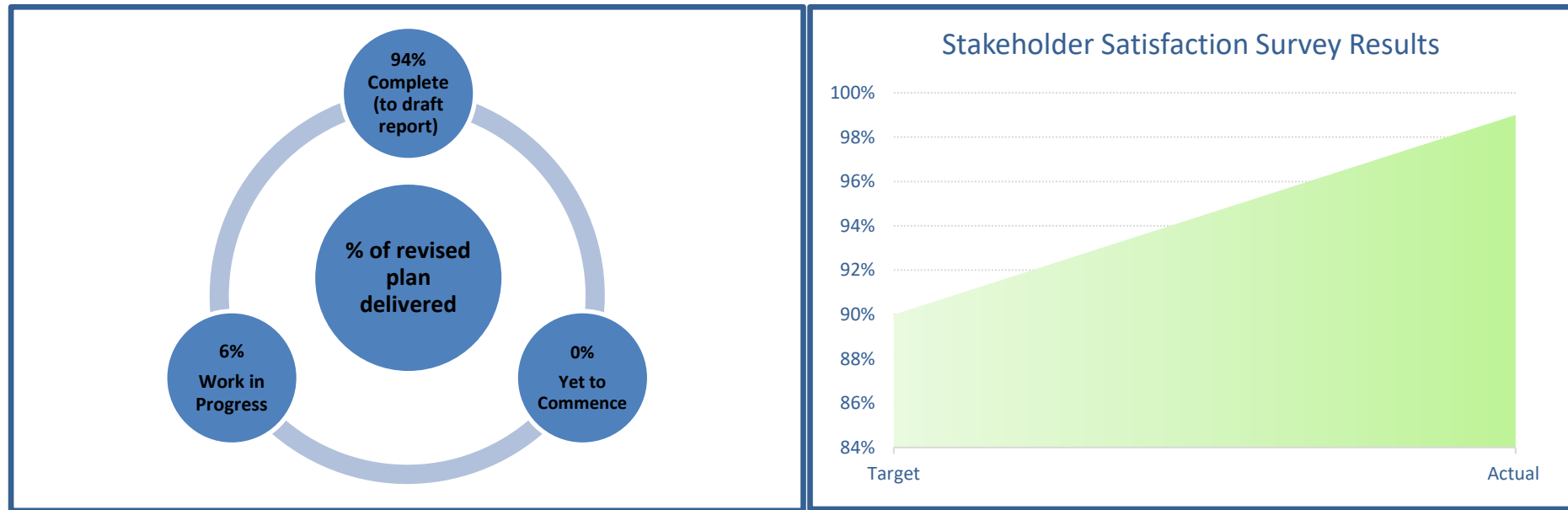
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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)	4(4)			1
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)	0(0)	4(2)		1	
NNDR	20.10.20	EHofC	Limited	7(3)	0(0)	6(3)		1	
Customer First	17.02.21	EHofCR	No Assurance	18(11)	0(0)	17(11)		1	
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)			
Housing Benefits	21.07.21	EHofCR	Reasonable	10(2)	0(0)	9(2)		1	
Building Control	28.07.21	CPO	Limited	19(12)	1(0)	11(8)	1	2	4
Information Governance	11.08.21	EHofCR	Limited	14(7)	0(0)	9(4)		2	3
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)	3(1)	15(10)		2	6
Annual Governance Statement	02.12.21	HofL	Limited	8(7)	0(0)	5(5)		1	2
Fraud Governance Arrangements	24.03.22	HofL	Limited	15(11)	9(6)	2(1)			4
IT Governance	20.06.22	CE	Limited	6(0)	6(0)	0(0)			
IT Database Management	20.06.22	CE	Limited	7(1)	7(1)	0(0)			
Total				168(94)	31(8)	95(57)	1	12	29

*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 three new reports published concluding a “limited” assurance opinion since our last progress report in March 2022.

Fraud Governance Arrangements		
Audit Sponsor	Assurance opinion	Management Actions
Head of Legal	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;">Medium 4</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 11</div> </div>

Summary of key observations:

Although a framework is in place to prevent, detect and investigate fraud and irregularities, due to its infancy, it has not yet been embedded sufficiently within the Council. In particular, the Anti-Fraud, Bribery and Corruption Policy makes reference to supporting elements which are still being developed or implemented. Despite being reviewed recently, policies and guidance do not always reflect the current underlying legislation or external methods of support.


Although the three primary anti-fraud policies reviewed are available to staff and can be accessed by external parties if appropriate, the effectiveness of the use of these is reduced as points of reference or contact is not always accurate. Also, there are various references across the policies reviewed that refer to other documents or resources which the Council does not yet have in place including eLearning for staff and reference to documents that were not evident at the time of the audit.


Documentation on the Council website refers to the Council employing a range of roles as part of their response to Council Tax, Housing Benefit and Tenancy related fraud, despite such roles no longer existing. Additionally, there is no appointed officer(s) who hold any accreditation for fraud investigation in the area.

The Council's Transparency and Open Data fraud reporting obligations are not being met as the webpage for these is incomplete.

Although the Communities and Planning fraud risk assessments were complete and proportionate, the Resources directorate fraud risk assessment was found to be incomplete. Certain functions at risk of fraud such as treasury management and types of fraud such as money laundering are not included.

The current risk management processes are still a new approach for the Council and the level of detail recorded on fraud risk, in particular the implications, could be enhanced. For example, recruitment has been recognised as being at risk of fraud, but the implications cover operational and regulatory implications rather than the financial loss from a dishonest employee.

IT Governance		
Audit Sponsor	Assurance opinion	Management Actions
Chief Executive	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</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 0</div> </div>
<p>Summary of key observations:</p> <p>The Authority has established an IT Strategic Plan for 2021-24 which was submitted to Executive Board and Committee for approval. The plan was developed with the assistance of the LGA and is aligned to corporate objectives. The strategy is supported by an IT work plan that identifies fifteen current projects, twenty-four maintenance schemes, and several programmes reflecting PSN accreditation, audit actions and contract renewals in addition to general governance initiatives. Each programme of work has been assigned a resource and a priority.</p> <p>The Authority has produced five IT policies, however, there remains a number that have not been established to promote and determine an effective IT governance framework. Three out of the five policies that have been developed did not include a reference for defined roles and responsibilities with the organisation. The Authority have proposed an IT Strategy Board and a Digital Design Board however the boards are not currently active, no meetings have taken place during 2021/22 and there are no terms of reference for these boards. There is no effective mechanism in place to escalate and report IT issues arising from project work or operational matters.</p> <p>Whilst an exercise has been undertaken to identify and capture IT risks in an IT Risk Register and assign each risk to a member of the IT team, only three of the 40 identified risks have controls, probability and impact recorded on the register. No IT risks have been escalated to the Executive Leadership Team and relevant Committees and at present there is no formal escalation process in place.</p>		

Database Management		
Audit Sponsor	Assurance opinion	Management Actions
Chief Executive	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</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 1</div> </div>
<p>Summary of key observations:</p> <p>Data management within the Authority is overseen by the IT team and database administration is undertaken by a dedicated IT specialist with experience and knowledge in database management. However, there is limited cover or resilience in the event of staff absence.</p> <p>To monitor and manage performance of the databases, the team utilise an infrastructure tool which provides alerts of any capacity issues so appropriate action can be taken to maintain performance.</p> <p>Active databases and transaction logs are regularly backed up which provides the opportunity to restore a database up to the last successful transaction. However, restores of databases from back up data were not regularly tested.</p> <p>High privilege access to the databases, and when required, remote access by third parties, were strictly controlled.</p> <p>Some databases did not have the most recent Microsoft security update deployed to them, potentially leaving them vulnerable to exploitation of a known security weakness.</p> <p>There was no formal policy or procedures for database management, security, back up and patch management although the Authority have implemented a programme to review and develop formal documentation and to capture these documents within SharePoint.</p> <p>Although a formal change control framework is being proposed for implementation, there was no formal change management process established and any changes were applied reactively within the IT team.</p>		

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
2021/22 Reviews								
Corporate Governance								
HR & OD - Follow Up	EHofCR	✓	✓	✓	✓	✓	n/a	Follow up review.
Safeguarding	EHofCR	✓	✓	✓				Close of audit held on 22/6/22, report pending.
Financial Resilience	CFO	✓	✓	✓	✓			
Contract Management	HofLS	✓	✓	✓	✓			Draft report issued, response pending.
Risk Management	EHofCR	✓	✓	✓	✓	✓	Position Statement	
Fraud Governance Arrangements	CFO	✓	✓	✓	✓	✓	Limited	
Business Continuity & Emergency Planning	EHofCR	✓	✓	✓	✓			Draft final report issued, Senior Management sign off required.
Annual Governance Statement	HofLS	✓	✓	✓	✓	✓	Limited	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Programme/Project Management	EHofCR	✓	✓	✓	✓			Draft report issued, response pending.
Financial Management								
Housing Rents	EHofC	✓	✓	✓	✓	✓	Reasonable	
Accounts Payable	CFO	✓	✓	✓	✓	✓	Position Statement	
Accounts Receivable/Debt Management	CFO	✓	✓	✓	✓	✓	Position Statement	
Income Collection	CFO	✓	✓	✓	✓			Draft report issued, response pending.
LGCS	CFO	✓	✓	✓	✓	✓	n/a	Grant certification
Compliance & Enforcement Grant	CFO	✓	✓	✓	✓	✓	n/a	Grant certification
Information Technology								
IT Governance	EHofCR	✓	✓	✓	✓	✓	Limited	
Database Management	EHofCR	✓	✓	✓	✓	✓	Limited	
Service Reviews								
Waste, recycling & street cleansing	EHofC	✓	✓	✓	✓			Incorporated within the Contract Management review. Draft report issued.
2022/23 Q1 Reviews								
Treasury Management	CFO	✓						
Disabled Facilities Grants	EHofC	✓	✓	✓				
Environmental Health & Licensing	EHofC	✓	✓					

Audit Sponsor					
CE	Chief Executive	CFO	Chief Finance Officer	HofLS	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 the following amendments to the plan:

Plan Variations for 2021/22	
Removed from the plan	Reason
Main Accounting	Deferred until Q2 2022/23 at the request of the Chief Finance Officer, due to capacity issues within the team to accommodate the review.
Development Management	Removed from the plan due to capacity issues within the team to accommodate the review.

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.