



# **Internal Audit Service**

## **Internal Audit – Progress Report**

**July 2022**

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## 1. Summary of Progress against Internal Audit Plan

### Summary of Progress against the 2022/23 Annual plan.

Assurance Audits	Stage of Audit	Audit Opinion	Date Assurance reported to A&G committee
Country Park and Rangers			
Drainage and Culverts			
Clinical Waste			
Playground Inspections	Pre-draft report		
Environmental Protection - Response to Complaints			
Grant Management			
Property Services Compliance - Gas and Electric	Fieldwork		
Asbestos			
Fire Risk Assessments			
Legionella			
Voids	Fieldwork		
Emergency Response			
Housing Allocations			
Money Advice Service			
Modern Government System			
Business Grants Covid - 19 Post Payment Assurance			
Commercial Property Compliance			
Asset Management			
Assurance Mapping			
Corporate Governance	Fieldwork		
Procurement			
<b>Financial Systems</b>			
Housing Benefits and CTRS			
Creditors			
Debtors			
Council Tax			
Business Rates			
Payroll			
Rents			
Treasury Management	Fieldwork		
Main Accounting			
<b>Information Governance</b>			
GDPR			
Cyber Security			
NHS DPST submission	Complete	N/A	27 July 2022
<b>Fraud</b>			
Managing the risk of Fraud and Corruption Self-Assessment			
<b>Compliance</b>			
Public Sector Internal Audit Standards Review	Complete	N/A	27 July 2022

- 1.1 For the period 1 April 2022 to 15 July 2022 progress against the plan for the financial year 2022/23 has been good with 14% of planned audit work either commenced or completed. Since the last report to the Audit and Governance Committee on 30 May 2022, three audit reviews for 2021/22 have been completed to final report issued stage. A further two audit reviews relating to 22/23 have also been completed to final stage, these reviews do not have a final report. The Public Sector Internal Audit Standards review is a self-assessment, and any actions are recorded in Pentana as part of the Internal Audit Services Service Action Plan. The NHS DPST review takes the form of a formal submission on the NHS portal which Internal Audit oversee.
- 1.2 One Internal Auditor has provided significant support to enable the completion of the NHS Data Security and Protection Toolkit. The other members of the Internal Audit Service provided independent review of the Councils responses to the mandatory assertions and supporting evidence before upload via the NHS portal was undertaken.
- 1.3 The annual self-assessment of the Internal Audit Services compliance with the Public Sector Internal Audit Standards has been undertaken. As reported in the Internal Audit Annual Report and Opinion there are a small number of actions to be completed to ensure that the Internal Audit Service complies will all aspects of the Public Sector Internal Audit Standards. The next external review is due in February 2023 and work to procure the external assessor is underway.

## 2. Audit Opinions and Priorities for Recommendations

### 2.1 Assurance rating system

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following levels of assurance are provided following Internal Audit's work.

<b>Substantial</b>	<p>Level of Assurance = High</p> <p>The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives being achieved.</p> <p>There is a low risk of fraud, negligence, loss or damage to reputation.</p>
<b>Moderate</b>	<p>Level of Assurance = Medium</p> <p>The controls evaluated are generally well designed, appropriate in scope and applied in the main consistently and effectively, but some weaknesses have been identified that require management attention. These issues increase the risk that some objectives may not be fully achieved.</p> <p>There is a medium/low risk of fraud, negligence, loss or damage to reputation.</p>
<b>Limited</b>	<p>Level of Assurance = Low</p> <p>Some controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively. However, issues of poor design, gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues if unresolved, mean that objectives may not be achieved.</p> <p>There is a medium risk of fraud, negligence, loss or damage to reputation.</p>

<b>No</b>	<p>Level of Assurance = None</p> <p>Expected controls are absent, or where evaluated are flawed in design, scope or application leaving the system open to error or abuse. The auditor is unable to form a view as to whether objectives will be achieved.</p> <p>There is a high risk of fraud, negligence, loss or damage to reputation.</p>
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## 2.2 Recommendation Priority Levels

To assist management in using our reports all recommendations made in all internal audit reports are given a priority level as set out in the table below:

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact of frequency presents risk to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

- 2.3 No system of internal control can eliminate every possible risk and increasing the level of control in a system frequently increases costs. Balancing risk appropriately against the costs of control is management's responsibility.
- 2.4 Internal Audit's role is to evaluate and improve the effectiveness of risk management and control processes.
- 2.5 It is important to recognise that the scope of the work in each area examined defines the limits of the assurance which can be provided and to give context to the assurance provided work is summarised in Section 3 below.

## 3. Assurance reports

### Audit Year 2021/22

Details of the final reports relating to 2021/22, issued during the period 1 June 2022 15 July 2022 are as follows:

#### Final Reports Issued

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
HB & CTRS	Moderate	0	2	1
Creditors – D100	Limited	0	13	0
Council Tax	Moderate	0	10	5

### 3.1 Housing Benefit & Council Tax Support (Moderate Assurance)

3.1.1 The following key areas in relation to the Council's management of Housing Benefit and Council Tax Support (HB & CTS) were reviewed by Internal Audit:

- Parameters
- Processing of claims
- Reconciliations

- Household Support Fund
- Service Risks

3.1.2 Systems and procedures in relation to HB & CTS, reviewed by Internal Audit, were found to be satisfactory. There were three findings, two in relation to reconciliations undertaken and one finding regarding the need for service risks to be documented on Pentana.

### 3.2 Creditors – D100 (Limited Assurance)

3.2.1 The following key areas in relation to the Council's management of Debtors were reviewed by Internal Audit:

- Process for D100 – Corporate
- Process for D100 – Housing Stock

3.2.2 Systems and procedures in relation to the Creditors D110 Process were found to be weak, in that,

- Procedures are out of date and require review and where applicable updating.
- Orders are raised when the invoice is received in a high number of cases.
- The D100 process for unmatched invoices is not clear and requires further investigation by management.
- Invoices were not checked by the authorising officer prior to be sent to Creditors for payment processing.

### 3.3 Council Tax (Moderate Assurance)

3.3.1 The following key areas in relation to the Council's management of Council Tax were reviewed by Internal Audit:

- The process in place for monthly and year end reconciliation.
- The process in place for the Completion of the CTR1.
- Sample checking on the matches from the Single Person Discount (SPD) – National Fraud Initiative (NFI) report.
- The parameters for bands on Northgate agree to the bands approved at Council.
- Service risks and appropriate internal controls are recorded on Pentana and subject to regular review.

3.3.2 Systems and procedures in relation to Council Tax reviewed by Internal Audit were found to be satisfactory. There were several recommendations made around the need to factor the review of National Fraud Initiative matches into the Council Tax Work Programme, and the need for Risk Management processes to be reviewed and implemented.

#### 4. Performance Indicators

- 4.1 The Internal Audit Service is on target to achieve the completion of the audit plan by the end of the financial year. There are no results to report for the remaining Performance Indicators as there have not been any final reports issued as at the time of writing:

Indicator	Target	As of 15 July 2022
% Completion of the Internal Audit Annual Plan	90% of the audit plan completed by the end of the financial year, 31 <sup>st</sup> March 2022	14%
% Audit recommendations accepted by management, analysed by Priority Level	Priority 1 = 100% Priority 2 = 95% Priority 3 = 90%	Priority 1 = - Priority 2 = - Priority 3 = -
Timely agreement and issue of the final report	80% of final reports (including agreement and completion of the Management Action Plan) issued within 5 weeks of the draft report.	-
Customer Satisfaction Feedback	95% of feedback is Very Good, Good or Average rating	-

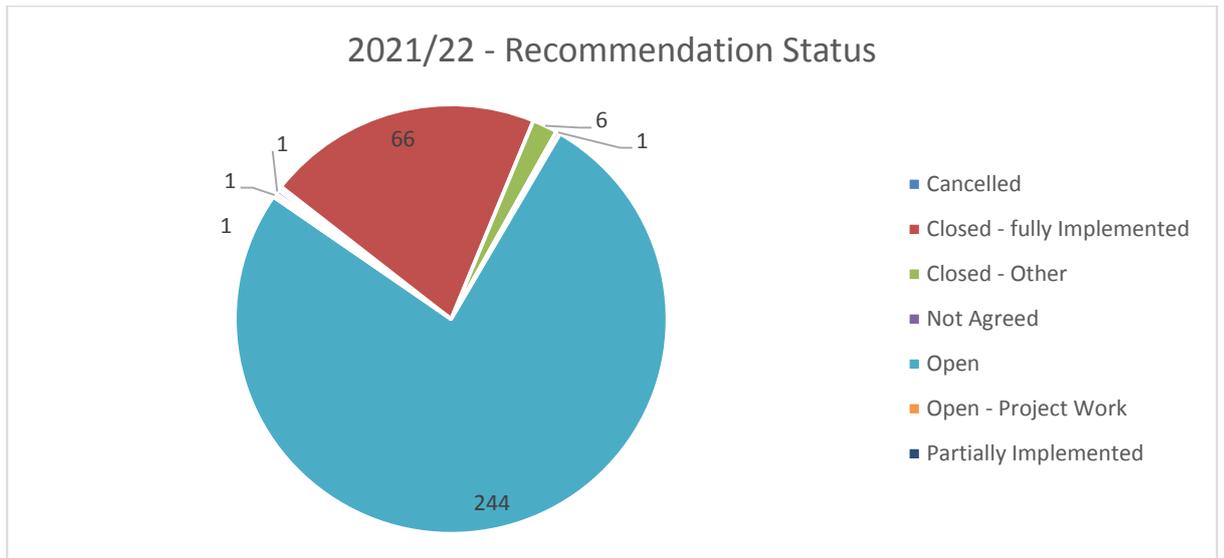
#### 5. Internal Audit Recommendation Summary Information

- 5.1 The reporting of recommendation implementation progress is provided to this committee at each meeting. Recommendation implementation progress is also reported to the Corporate Management Team on a quarterly basis.

- 5.2 The following information represents the status of 2019/20, 2020/21 and 2021/22 recommendations made. All recommendations are recorded on an internal spreadsheet and Internal Auditors regularly track progress of implementation. The system of monitoring will be changing during 2022/23 when a new Internal Audit Recommendation Portal in the Pentana System will be introduced.

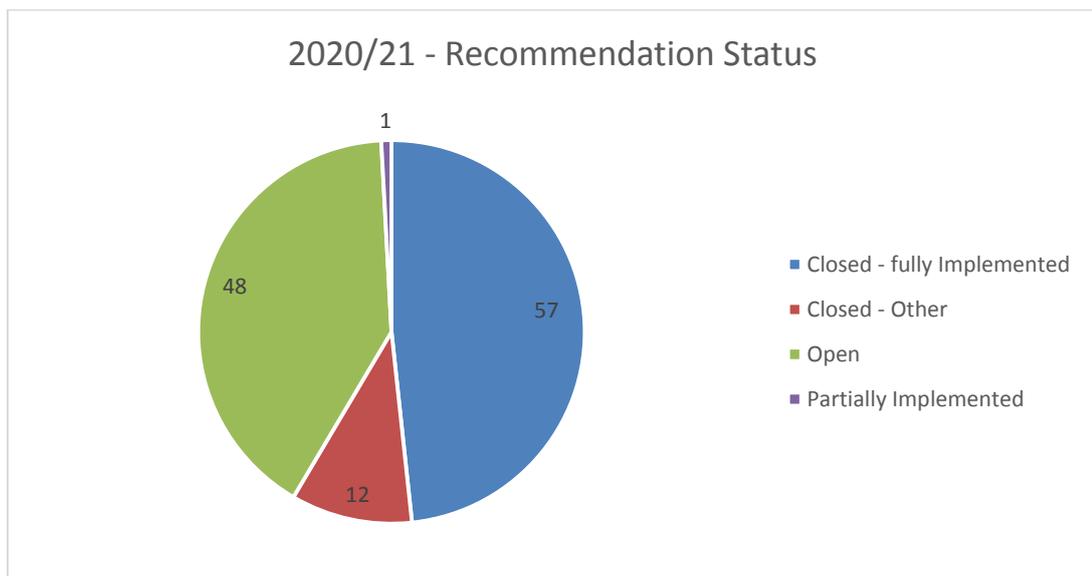
##### 2021/22

- 5.3 From the final reports issued to date for 2021/22, Internal Audit have made 320 recommendations, the majority of which are within their due date. The breakdown of recommendations to show their status is shown in the chart below:



#### 2020/21

5.4 From the final reports issued for 2020/21, Internal Audit have made 118 recommendations. The outstanding recommendations have been reported to Heads of Service. It should be noted all the open recommendations are now overdue.



#### 2019/20

5.5 From the final reports issued for 2019/20, Internal Audit have made 312 recommendations. Whilst it is acknowledged that 34 are still open, internal audit are working with the service area to close the remainder of these recommendations. There are a significant number of Open – Project Work recommendations and these will be addressed as part of the Civica Upgrade that is taking place during 2022/23.

## 5.6 Open recommendations by Priority Level 2019 -2022

The Open recommendations have been analysed further to show the priority levels:

<b>Financial Year</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>Total</b>
2019/20	10	20	4	34
2020/21	8	30	10	48
2021/22	51	136	57	244
<b>Total</b>	<b>64</b>	<b>184</b>	<b>70</b>	

## 6. Conclusion

- 6.1 The 2022/23 Internal Audit Plan is designed to fulfil the Council's duty under the Accounts and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, considering public sector internal auditing standards.