



Internal Audit Progress Report as at 28 February 2023

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1.0 INTRODUCTION

Internal Audit is a statutory function for all local authorities.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 as to:

“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 and guidance.”

The standards for “proper practices” are laid down in the Public Sector Internal Audit Standards (PSIAS) (the standards – updated 2016).

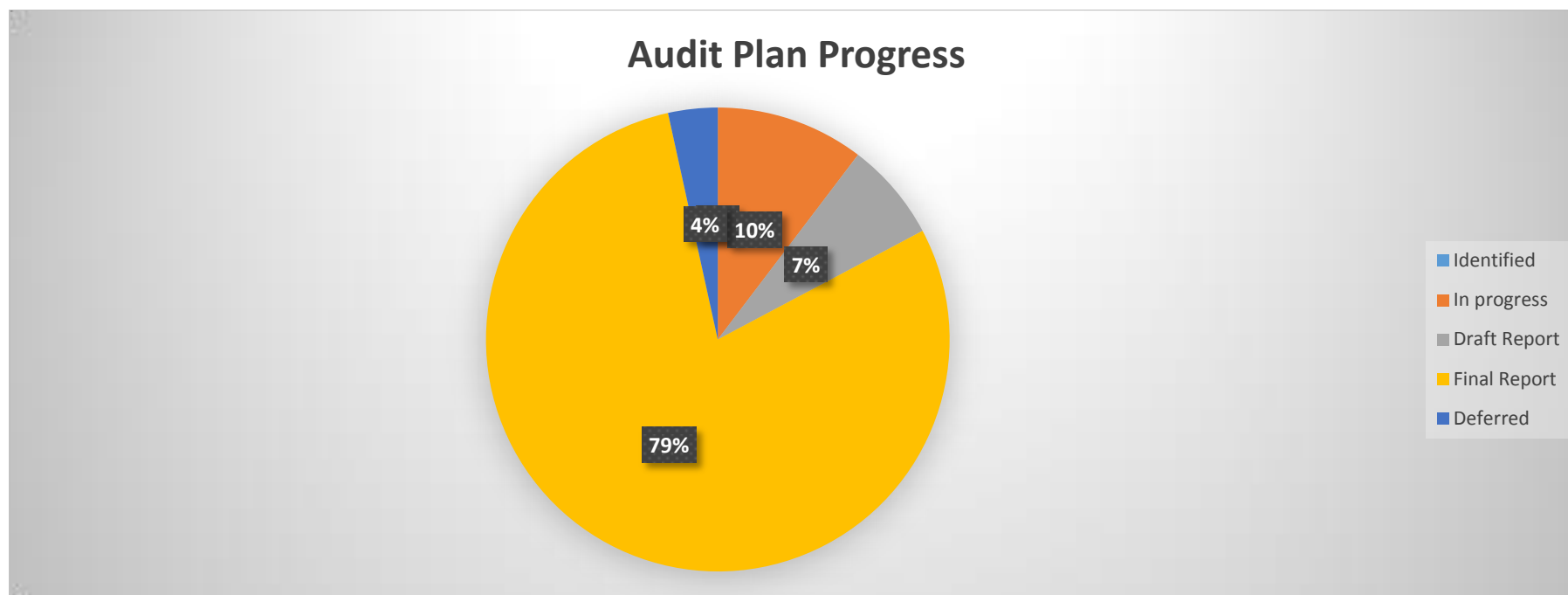
Internal Auditing is an independent, objective and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This report includes the status against the 2022/23 internal audit plan.

2.0 AUDIT PLAN PROGRESS AS AT 28 FEBRUARY 2023

There are 27 full audits and 2 follow up reviews totalling 29 reviews. These include the “core” financial audits which are compulsory and take place on an annual basis, cross cutting/corporate audits, and service specific reviews. Also included are 3 audits deferred from 2021-22.

To date 23 (79%) have been completed to final report stage, 2 (7%) are at draft report stage and 3 (10%) are in progress as at 28th February 2023. 1 audit (4%) is proposed for deferral to the 2023-24 Audit Plan.



3.0 ONGOING ACTIVITIES

Internal Audit has provided advice and assurance in the following areas:

11 pieces of advice and assurance.

National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office.

Audit Committee reporting and attendance.

Audit Planning and consultation.

Risk Management and Annual Governance Statement.

Work is underway to develop and promote Fraud Awareness and carry out a risk assessment of the Council's Anti-Fraud and Corruption processes and procedures.

Project Assurance role on 12 projects.

4.0 CONTINGENCIES

2 special investigations have been undertaken to date.

3 pieces of work have been carried out under the provision for requests from the S151 Officer. These have included the £150 energy payments scheme, use of Purchasing Cards and the procurement of VMWare Server replacement. Reports were produced for 2 and summaries of these were reported to the December Audit Committee.

5.0 AUDIT PLAN CHANGES

The following changes have been made to the Audit Plan since issue of the last progress report.

Audits removed from the Audit Plan:

It is proposed to defer the audit of Mobile Devices from the 22-23 Audit Plan to Quarter 1 of the 23-24 plan. This is due to progress on the roll- out of mobile devices having been delayed.

Audits added to the Audit Plan.

3 audits were deferred from the 2021-22 Audit Plan as previously reported to the Audit Committee. These included Asset Management (Capital Accounting), Garden Waste and Emergency Planning. All have been completed, the Executive summary for Asset Management is provided below.

2 audits (Grants and Portway Business Park) were held in reserve to be included in the 2022-23 Audit Plan should there be capacity to do so. These have now been deferred and included in the 2023-24 Audit Plan.

6.0 ASSURANCE LEVEL/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 for the area under review.

Assurance Level/Opinion:	Description:
Full	There is a sound system of control designed to achieve the system objectives.
Substantial	While basically there is a sound system there are weaknesses which put some of the control objectives at risk.
Limited	Weaknesses in the system of controls are such as to put the system objectives at risk.
No	Control is generally weak leaving the system open to significant error or abuse.

ANNEX 1

The **opinion** is formed with reference to the Councils Corporate risk matrix. Each control weakness identified during an audit review is scored according to this matrix. Where * shown this opinion is qualified when selected.

Likelihood

A Very High	Substantial or Limited*	Limited	No Assurance	No Assurance
B High	Substantial	Limited*	Limited Or No Assurance*	No Assurance
C Significant	Substantial	Substantial or Limited*	Limited	Limited Or No Assurance*
D Low	Substantial or Full*	Substantial	Substantial or Limited*	Limited
E Very Low	Full	Substantial or Full*	Substantial*	Limited
F Almost impossible	Full	Full	Substantial	Substantial or Limited*
	IV Negligible	III Significant	II Critical	I Catastrophic
	<u>Impact</u>			

7.0 CONTROL WEAKNESS – RISK RANKING

Priority Level:	Description:
High	Major issues for the attention of Senior Management. Action needs to be taken within a reasonable timescale to address significant control weaknesses and to ensure that the controls can be relied upon for the effective performance of the Service or function.
Medium	Issues for middle management action. These include control weaknesses that may expose the system function or process to a key risk but the likelihood of it occurring is significant rather than high.
Low	Minor matters. Low risk exceptions or improvements which help to improve service effectiveness and efficiency.

8.0 EXECUTIVE SUMMARIES

1.

Control Weaknesses Identified:		
High	Medium	Low
0	1	0

HOUSING BENEFIT & COUNCIL TAX SUPPORT 2022/23

Overall Assurance Opinion:
Substantial Assurance - overall
Limited Assurance - in respect of the outstanding control weaknesses identified in the previous audit around the monitoring of overpayments and debt recovery action and the monitoring and refunding of credit balances.
Agreed actions are scheduled to be implemented by 30/06/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Dealing with Customers Registration and Assessment of claims Payments Overpayments and Recovery Refunds Write-offs 	<ul style="list-style-type: none"> Accuracy checking is currently only targeting B&B claims as these were identified as being a higher risk area. Although some new claims are also being checked other areas are not being checked for accuracy. 	<ul style="list-style-type: none"> Potential errors occurring in other work areas are identified and rectified promptly. Greater assurance that benefit recipients receive the benefit to which they are entitled.

2.

Control Weaknesses Identified:		
High	Medium	Low
0	2	0

COUNCIL TAX & NON DOMESTIC RATES 2022/23

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 28/02/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • Business Continuity Planning • Valuation • Discounts, exemptions and reliefs • Suppression of bills • Annual and ad hoc billing arrangements • Income collection • Refunds • Recovery 	<ul style="list-style-type: none"> • Independent reconciliations by the Systems Team are not being performed between all write-offs on the system and write-off authorisation forms. • Income and debt year end 2021/22 reconciliations for Council Tax & NDR were found to be correct and signed off however no counter signature had been provided to confirm their accuracy. 	<ul style="list-style-type: none"> • Any unauthorised write-offs on the system are picked up through segregation of duties. • Any inaccuracies are identified through a counter check.

3.

Control Weaknesses Identified:		
High	Medium	Low
0	2	1

DEBTORS 2022/23

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 31/03/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Procedures. Fees and charges. The provision for bad and doubtful debts. The raising and prompt despatch of Debtor accounts. Procedures for the receipt of payments and allocation of income to the correct accounts. Procedures for debt collection and write-off of debts. Debtor system access control. 	<ul style="list-style-type: none"> The income suspense account has had a small negative balance for over a year and does not reconcile. Aged debt is not regularly chased in a timely manner. Reconciliations are not currently being performed regularly between refunds in the sundry debtors system module to the actual refunds made from the creditors system. 	<ul style="list-style-type: none"> All cash received is promptly and correctly allocated. Minimised risk of loss of revenue through late or no recovery action. Any inaccuracies are promptly identified.

4.

Control Weaknesses Identified:		
High	Medium	Low
0	4	0

**CLIMATE EMERGENCY
2022/23**

Overall Assurance Opinion:
Limited Assurance
Agreed action is scheduled to be implemented by 30/04/24

Scope:	Control Weakness:	Control improvement upon implementation:
<p>The Climate Emergency Action Plan (CEAP):</p> <ul style="list-style-type: none"> • Has assigned responsible officer/Service. • Has target dates for implementation. • Is on track to being implemented within these target timescales. • There are mechanisms in place to ensure the regular review of progress against the CEAP by Management Team and OSCOM. 	<ul style="list-style-type: none"> • Updates on the progress of the CEAP to Management Team are ad hoc, rather than regularly programmed. There is no evidence of a corporate management strategy to enable measurement of the progress of the CEAP and whether or not it will meet the Council's climate targets. • Reports provided to OSCOM do not present the progress of actions against planned timescales. • Allocated action timescales are not specific and monitored. There are also no checks in place to review whether the CEAP as a whole is on track. • 10 out of 57 actions have not been allocated an officer contact. 	<ul style="list-style-type: none"> • Management Team will be able to more effectively monitor the progress of the CEAP against the Council's climate targets. • OSCOM will be able to more effectively to scrutinise the progression of actions against the Council's Climate Emergency targets. • Slippage against time bounded actions can be considered.

5.

Control Weaknesses Identified:		
High	Medium	Low
0	6	0

**CYBER SECURITY (RESPONSE PLANNING)
2022/23**

Overall Assurance Opinion:
Substantial Assurance - overall.
Limited Assurance - in respect of the Shared Services Agreement (MoU), corporate monitoring and out of hours response.
Agreed action is scheduled to be implemented by 31/05/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • Cyber Security Incident Response Plan • Response timescales for Cyber Security alerts. • Testing of the Cyber Security Incident Response Plan. 	<ul style="list-style-type: none"> • The Shared Services Agreement (MoU) does not provide for Cyber Security Incident Response and the principles of cooperation to be adopted regarding a common and reciprocal approach across the shared service. • The “Security Incident Response Plan” is not approved corporately by the Council’s Management Team or reviewed alongside the Council’s Business Continuity arrangements in terms of the potential impacts on and recovery prioritisation of critical Services. The Council’s approach and response to a ransomware attack has not been considered at a corporate level by Management Team. • The “Security Incident Response Plan” is generic. Detailed “playbooks” for specific higher risk events have however been identified, are under development and awaiting approval by the IT Leadership Team. 	<ul style="list-style-type: none"> • Assurance of a common and reciprocal response and should and event occur the prompt severance of data centre links to contain the impacts. • Greater assurance at a corporate level that there are proactive measures in place to bolster processes, enable early detection and coordinate effective response. • Specific higher risk events are effectively managed should these occur. • Roles and responsibilities are clearly understood and plans are accessible and operate effectively in practice. • Cyber events occurring outside

	<ul style="list-style-type: none">• The “Security Incident Response Plan”:<ul style="list-style-type: none">- Has not been communicated to those listed as having a key role.- Is not centrally held in an accessible area which is known to all with a key role. It is currently held in an IT Sharepoint area which may be inaccessible in the event of an incident.• The “Security Incident Response Plan” is not subject to periodic assessment testing. It is not subject to approval by senior management at a corporate level and there is no established programme for its testing or the extent of any testing.• Monitoring and detection of cyber events is not currently undertaken outside of business hours at TVBC with the exception of The Lights. Out of hours coverage is not consistent across the shared service.	<p>of business hours can be promptly managed and impacts minimised.</p>
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6.

Control Weaknesses Identified:		
High	Medium	Low
0	0	1

INCOME COLLECTION 2022/23

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 30/06/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • Arrangements for the collection of income including cash collected at the Council's offices and through payment outlets. • The safe transit and secure handling/storage of cash and processing of cheques. • The receipting and recording of income. • The prompt banking of income. • The posting of income to the correct general ledger accounts. • Income and bank reconciliation. 	<ul style="list-style-type: none"> • There is no evidence that income variances (over/under banking) are investigated. 	<ul style="list-style-type: none"> • Income discrepancies are promptly picked up and investigated.

7.

Control Weaknesses Identified:		
High	Medium	Low
0	2	1

**ASSET MANAGEMENT (CAPITAL ACCOUNTING)
2022/23**

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 30/09/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> The CIPFA requirements for Capital Accounting are met. The Council has an up to date Capital Strategy and Capital Programme. An up to date Asset Balance Sheet and Fixed Asset Register is maintained. Access is restricted to authorised personnel and an effective contingency plan is in place. Assets have been correctly valued in accordance with CIPFA guidance. Depreciation is correctly calculated and reflected in the financial statements. Fixed assets are periodically reconciled to the main accounting system. 	<ul style="list-style-type: none"> The Accountancy Fixed Asset Register is not regularly reconciled to an independent record of land and property i.e. the Property and Asset Management Asset Register and no evidence is maintained of reconciliations. There is no common naming convention for assets within the 2 registers. There is currently no staff contingency cover for capital accounting and no written procedure notes. Access to the Fixed Asset Register is not restricted to the Accountants. 	<ul style="list-style-type: none"> Greater assurance that all assets are included and accurately recorded in the Fixed Asset Register and the Council's Balance Sheet. The capital accounting process can be effectively covered and assets correctly recorded in the event of staff absence. Unauthorised amendments to the Fixed Asset Register are minimised.

8.

Control Weaknesses Identified:		
High	Medium	Low
0	1	1

TREASURY MANAGEMENT 2022/23

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 31/05/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Loans are administered in accordance with Council Policy & Procedures. Documentary evidence and records/accounts are maintained to support the transfer of funds and are securely held. Investments are placed with reputable firms and are regularly monitored and reported. Procedures for the use of investment brokers are sound. Investments are calculated and valued appropriately. Payments are for the correct amounts and properly transferred. Interest is correctly calculated. Adequate segregation of duties is in place, loans are appropriately authorised and periodically reconciled with an independent source. Procedures for the management of the Authority's cash flow are adequate and working effectively. 	<ul style="list-style-type: none"> TMP1 "Risk Management" refers to the Crime Policy as having cover of £15m when the policy actually has liability limited to £10m. The Counterparty limit is £15m so consideration required as to whether the current insurance level is sufficient. TMP1 also refers to an IT disaster recovery plan detailed on SharePoint and accessible by Audit only. 	<ul style="list-style-type: none"> Insurance is sufficient to cover a loss up to the counterparty limit. The TMP references to and reflects the Finance & Revenues Service business continuity arrangements.

9.

Control Weaknesses Identified:		
High	Medium	Low
0	2	0

IT SHARED SERVICE 2022/23

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 31/08/23

Scope:	Areas for Development:	Control improvement upon implementation:
<p>Review of:</p> <ul style="list-style-type: none"> The interim staffing structure in place following the absence of a Head of IT to manage the Service and departure of the Deputy Chief Executive. The future direction of the Service in terms of its capacity, focus and structure and supporting governance arrangements. The robustness and fitness for purpose of the current Shared Services Agreement/Memorandum of Understanding. 	<ul style="list-style-type: none"> Continuing to review the outcomes and key recommendations in the Methods report with a documented and time bound action/improvement plan with clear ownership assigned. Reflecting the risks identified within the Methods report within the IT Service and Corporate Risk Register as appropriate. 	<ul style="list-style-type: none"> The risks identified in the Methods report are addressed and potential impacts on service delivery minimised.

9.0 CONTROL WEAKNESSES

Of the 9 2022/23 audits completed, where an opinion has been given 24 exceptions have been raised:

Risk:	No. of exceptions (actions):
High	0
Medium	20
Low	4