



Internal Audit Progress Report as of 12th December 2023

Jan Balfour – Internal Audit Manager

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).

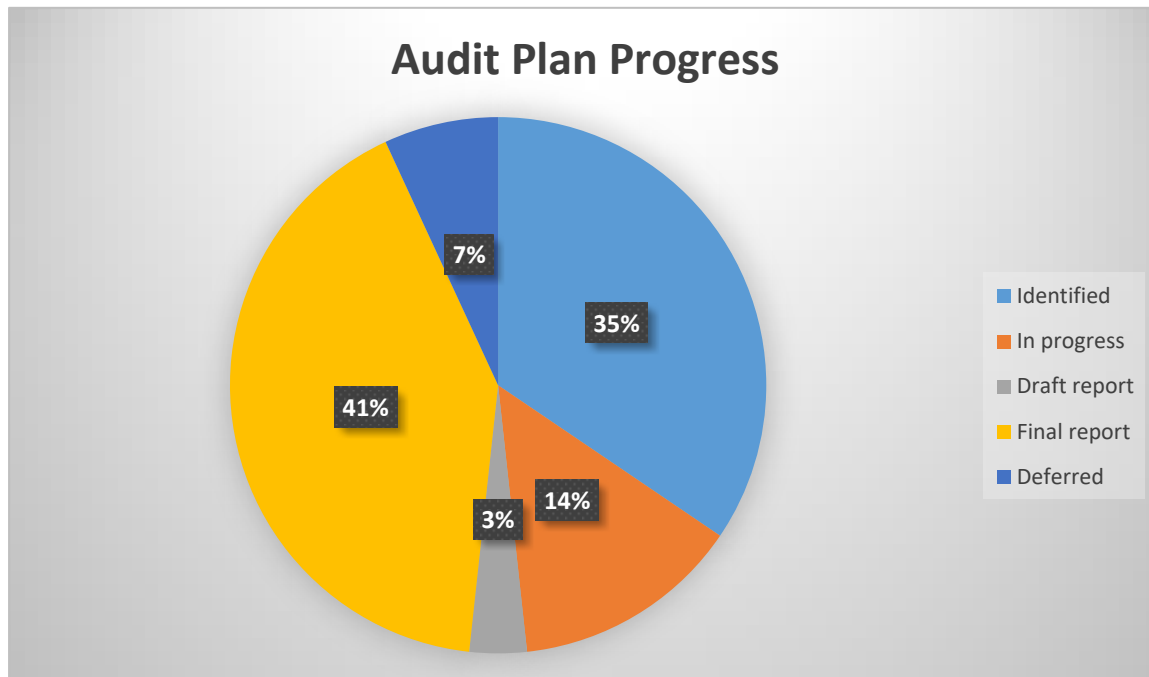
Internal Auditing is an independent, objective and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control,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

This report includes the status against the 2023/24 internal audit plan.

2.0 AUDIT PLAN 2023/24 PROGRESS AS AT 20th NOVEMBER 2023

There are 27 full audits and 2 follow up reviews totalling 29 reviews in the 2023/24 Audit Plan. 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 2 reserve audits to be undertaken if capacity allows and 2 audits commissioned by the S151 Officer.

To date 12 (41%) have been completed, 1 (3%) is at draft report stage and 4 (14%) are in progress.



3.0 ONGOING ACTIVITIES

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

Adhoc advice and assurance.

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

Audit Planning and consultation.

Oversight of Corporate Risk Management and fundamental review of the way the Corporate Risk Register is presented and updated.

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 6 projects.

4.0 CONTINGENCIES

1 special investigation has been concluded.

2 pieces of work have been undertaken under provision of requests from the S151 Officer, these include a probity review of Community Grants and post assurance review of Housing Support Grants issued.

5.0 AUDIT PLAN CHANGES

Due to a reduction in staff resource availability (Senior Auditor vacancy) 2 audits have been deferred to the 2024/25 Audit Plan. These include Risk Management and Grants. This will also enable revisions to the risk management arrangements to become fully embedded and specific grants have been reviewed on a probity basis elsewhere in the 2023/24 plan.

An additional 20 days has been added to the 2023/24 Audit Plan to provide project assurance support to the Regeneration programme as agreed at the September Audit Committee.

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.

The opinion is formed with reference to the Council's 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

7.0 CONTROL WEAKNESS – RISK RANKING

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 Moderate	Substantial or Full*	Substantial	Substantial or Limited*	Limited	
E Low	Full	Substantial or Full*	Substantial**	Limited	
F Very Low	Full	Full	Substantial	Substantial or Limited*	
	IV Negligible	III Significant	II Critical	I Catastrophic	<u>Impact</u>

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

The following summaries relate to Audits from the 2023/24 Audit Plan not previously reported to the Audit Committee.

1.

Control Weaknesses Identified:		
High	Medium	Low
0	5	1

**VALLEY HOUSING
2023/24**

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 31/03/24

Scope:	Control Weakness:	Control improvement upon implementation:
<p>This review covered the operation of the company (Valley Housing Ltd) and included the following areas regarding the Council's interests only:</p> <ul style="list-style-type: none"> • Governance arrangements including the company structure, roles, and responsibilities. • Business Planning and approval • Risk management • Retention of company documents • Appointment of company directors and secretary • Accounting arrangements and appointment of auditors • Funding • Insurance • Property acquisitions and leases • Business Continuity 	<ul style="list-style-type: none"> • Valley Housing documentation (signed and sealed versions as appropriate) is not retained securely in one location i.e., the strong room. • In respect of those Council officers replacing the original postholders in the roles of Company Directors there has been no form of appointment letter/letter of comfort explaining the additional responsibilities and liabilities and that the posts are not remunerated. • Training has not been offered/provided to those Council officers replacing the original postholders undertaking the roles of Company Director. • Competitive quotations are not periodically sought by Valley Housing for Agency Management to demonstrate transparency and provide assurance to the Council that value for money is being obtained. • Leases to VH currently refer to an annual uplift of 2% above base rate which has not been applied to any of the properties. This is linked to issues around the regularisation of the majority of the leases. • 7 properties had been overcharged for the 2022/23 insurance premiums as the Council's insurers did not update the property values post re-valuation. 	<ul style="list-style-type: none"> • Improved security of company documents. • Increased awareness of director responsibilities and liabilities. • Assurance that value for money is obtained in respect of company procurement. • Lease rentals are charged in accordance with the lease or rent review. • Insurance premiums are correctly charged.

2.

Control Weaknesses Identified:		
High	Medium	Low
0	6	1

IT VIRTUALISATION 2023/24

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

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> The virtual environment is securely managed, administered, and configured. Resilience against failure of the environment is built in through configuration and contingency measures. The performance and data storage capacity of the virtual environment is monitored, action is taken to address incidents, or the root cause of problems is identified and fixed. 	<ul style="list-style-type: none"> Although high level admin account groups are monitored, and all secure groups have alerting management review is not undertaken on a regular and routine basis to ensure these remain appropriate. The password policy for high privileged accounts on the VM portal is set at 20 characters but this is not enforced in practice and the minimum password is set to 8 characters. There are no documented procedures for hardening of the hypervisors and assurance is not sought from 3rd party that they are applying best practice. There is no documented procedure in place for patch management and picking up change vulnerability alerting to ensure all "relevant" alerts are considered. Alerts are currently emailed to individual officers rather than centrally to the Operations Team. 	<ul style="list-style-type: none"> Admin accounts remain appropriately restricted. Best practice is robustly applied. All relevant alerts are considered and applied. Management review of memory utilisation is fully informed. The consequences of replication failing is fully considered and mitigated.

	<ul style="list-style-type: none"> • Regular management reports are not run on CPU and memory utilisation – the latest reports provided were for November 2022. • Service tickets relating to capacity were not in all cases promptly closed to indicate the time taken to address the issue. • The risks of replication failing during a business continuity event are not currently reflected in the Corporate Risk Register including the mitigations in place to enable up to 50 staff to access Citrix via laptops. 	
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3.

Control Weaknesses Identified:		
High	Medium	Low
0	2	2

MOBILE DEVICES

Overall Assurance Opinion:
Limited Assurance
Agreed action is scheduled to be implemented by 31/03/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • Appropriate policies and procedures are in place for Mobile Devices. • All Mobile Devices are recorded accurately, and the asset data is up to date. • Mobile Devices are up to date and securely managed. • Management reports are produced and reviewed on mobile usage. 	<ul style="list-style-type: none"> • The Use of IT & Social Media policy does not state that when working remotely, devices should be connected to Wi-Fi where possible to ensure that mobile data is not being used, the TVBC and WCC policies are not aligned with each other. • At the time of the audit a Mobile Devices project was in progress. During this time asset records were maintained on 	<ul style="list-style-type: none"> • User expectations regarding the management of data usage are clear. • All equipment is accounted for and secured. • Charges for pooled mobile data are effectively managed.

	<p>spreadsheets pending entry into asset explorer. Asset records are not fully maintained and subject to routine checks. Testing found:</p> <ul style="list-style-type: none">- Of a random sample of 6 mobile devices (identified from interview with officers), all had asset tags on, however 2 were not recorded on the spreadsheets.- Of 71 iPads recorded on the spreadsheet 15 were not assigned to a user and 21 had no asset tag.- Of 173 Mobile phones recorded on the spreadsheets 12 had no asset tags.• There are no regular reconciliations completed of physical assets to asset records to ensure their accuracy and all assets accounted for.• The Council has a monthly pooled data allowance of 100GB across all mobile devices. A report run for a three-month period of 01/05/23 – 31/07/23 found that of the 300GB allowance across 3 months 945.9GB had been used resulting in incurred costs.• Although Services check their individual monthly charges for reasonableness; Managers and staff are not aware of best practice in managing their data usage.	<ul style="list-style-type: none">• Users with high usage are made aware of and educated on correct use.
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4.

Control Weaknesses Identified:		
High	Medium	Low
0	5	0

**FUEL USAGE
2023/24**

Overall Assurance Opinion:

Limited Assurance

Agreed action is scheduled to be implemented by 31/03/24.

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • Issue and use of fuel cards. • Fuel issues from depot tanks. • Site security (preventative measures against fuel thefts). 	<ul style="list-style-type: none"> • One officer has sole access to the fuel card issues spreadsheet, where PINs and card numbers are recorded. • Card acceptance declarations are not signed by the cardholder upon receipt of a replacement card. • A record of receipt is not provided to the cardholder (and copy retained) upon returning a card. • Regular analysis of fuel card usage is not undertaken by supervisors: <ul style="list-style-type: none"> - Unused cards are not identified and closed. - Checks to assess the reasonableness of fuel purchases are not carried out prior to payment of invoices. - The reasonableness of fuel purchases made by drivers with access to a Council owned vehicle out of hours and assigned a fuel card are not undertaken. • There is no process in place to investigate anomalies in fuel usage data (fuel tank). 	<ul style="list-style-type: none"> • Minimised risk of card misuse and ability to determine accountability for fuel cards and any unauthorised use. • Contingency cover in place to manage fuel cards. • Measures in place to determine exceptional or unusual usage and to minimise the risk of misappropriation of fuel.

5.

Control Weaknesses Identified:		
High	Medium	Low
0	2	1

HOUSING SUPPORT SCHEMES 2023/24

Overall Assurance Opinion:

Substantial assurance

Agreed action is scheduled to be implemented by 31/12/23

Scope:	Control Weakness:	Control improvement upon implementation:
<p>Post assurance checks for the following schemes: -</p> <ul style="list-style-type: none"> £150 Rebate – Discretionary Fund Council Tax Support Fund Energy Bill Support Schemes (Overview of process only) Household Support Fund 	<ul style="list-style-type: none"> There is a bug within the NEC System which prevents reconciliations for the Council Tax Support Fund. This has been raised and followed up with NEC. Evidence of system testing of the modules provided by NEC, which identified eligible accounts and posted the payments for the Council Tax Support Fund was not available for audit. In respect of the Household Support Scheme, there is nothing in writing to confirm the postage cost increase (£110.04 in total) for phase 3, as this was agreed verbally. 	<ul style="list-style-type: none"> Reconciliations can be accurately calculated to support grant reimbursement claims. Assurance that payments only made to eligible persons. Variations to contracted rates are formally agreed.

6.

Control Weaknesses Identified:		
High	Medium	Low
0	4	1

**COMMUNITY GRANTS
2023/24**

Overall Assurance Opinion:

Limited assurance

Agreed action is scheduled to be implemented by 31/01/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • Policies and Procedures • Application Process • Awards and Authorisation • Payments of Grants • Budget Monitoring 	<ul style="list-style-type: none"> • Risk assessments (where appropriate) were not provided and followed up for coronation grants despite it being a condition of the grant. • There is no evidence of approval of Coronation Grant applications by the Head of Community & Leisure. • Although a standard scoring methodology is used to evaluate grant applications, the grant award (panel decisions) for Community Grants is not consistently applied due to the weighting applied to each section. • Site visits are not undertaken, and evidence of project completion is not requested or obtained before payment of the grant. 	<ul style="list-style-type: none"> • Public health and safety is protected. • Grant payments are approved in accordance with delegated authority. • Decisions are consistently applied. • Confirmation is obtained that grant is spent on purpose for which it was awarded.

	<ul style="list-style-type: none"> There are limitations to the file sizes for applicants to upload supporting documents on the Flexi-Grant system. 	
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9.0 CONTROL WEAKNESSES

Of the 6 audits completed, where an opinion has been given 30 exceptions have been raised:

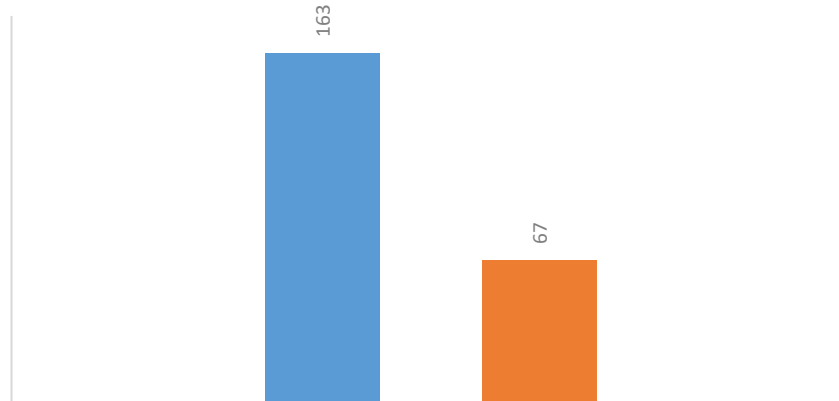
Risk:	No. of exceptions (actions):
High	0
Medium	24
Low	6

10.0 RISK EXCEPTIONS – FOLLOW UP AS AT 31/10/23.

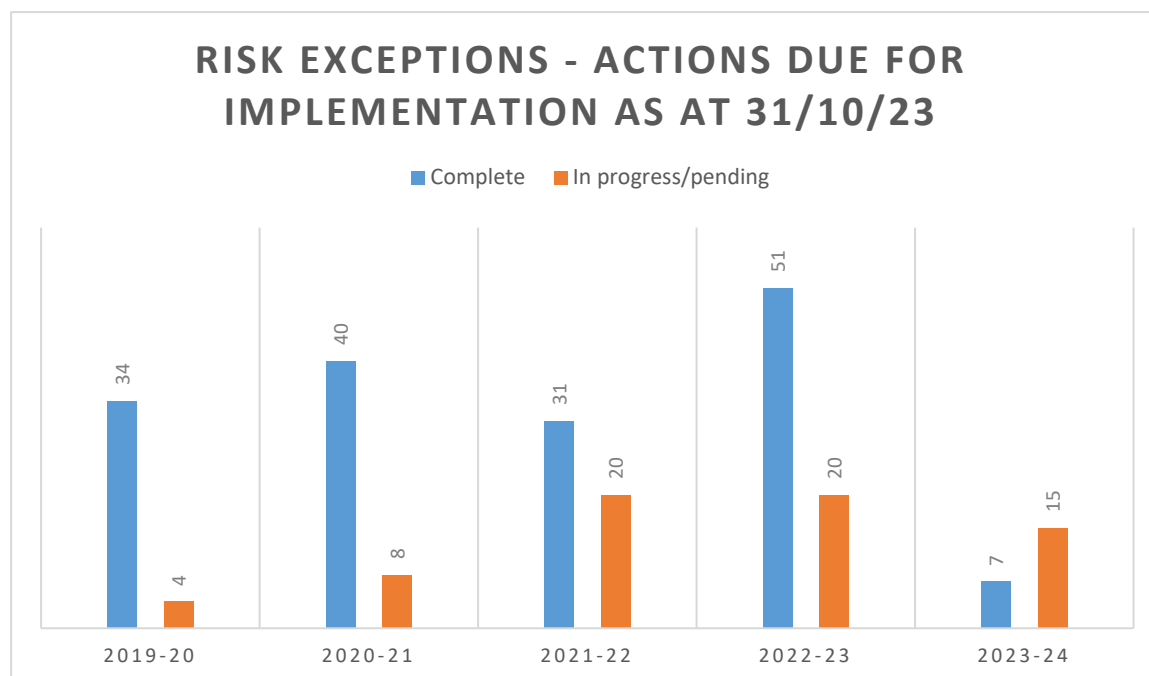
The number of actions which have reached or passed their original target date for implementation as at 31/10/23 is summarised in the table below. This shows that 7 (32%) of actions raised during 2023/24 have been closed with 15 (68%) remaining open, pending or in progress. An analysis of the total live actions for 2023/24 and previous years shows 163 (71%) having been closed and 67 (29%) remaining open. While progress implementing actions is maintained there are areas where actions have not been fully implemented at the point of follow-up. This position will continue to be monitored with Service managers.

RISK EXCEPTIONS - ACTIONS

■ Completed ■ In progress/pending



	Total Actions 2019/20 to 2023/24 (inclusive)
■ Completed	163
■ In progress/pending	67



11.0 NATIONAL FRAUD INITIATIVE (NFI)

It is a requirement for the Council to take part in the Cabinet Office's NFI data matching and Council Tax Single Person Discount (CTSPD) exercises for 2022/23. Fair processing notices were publicised to ensure that TVBC customers are aware that their data may be used in the matching exercise. Following the submission of the data for the 2022/23 National exercise the Cabinet Office published the first set of matches on 26th January 2023.

Internal Audit acts as the key contact for the NFI and has been involved in the data submissions process in compliance with the Code of Data Matching Practice and meeting the required deadlines. The Key Contact monitors progress with the relevant officers, provides advice and undertakes administrative duties regarding access to the NFI website.

The Council has taken a view to review as a minimum those matches identified as “high risk” a summary of which is shown in table 1 below. From those reviewed to date 21 errors have been found but no potential frauds. A further report will be provided to the Audit Committee in June 2024.

Table 1: High Risk Matches:

2022/23:	Total High-Risk Matches identified
Council Tax Reduction Scheme	170
Creditors (History & Standing)	0
Housing Benefit Claimants	20
Housing Waiting List	77
Payroll	6
VAT & Procurement	0
Total	243

A summary of the 2022/23 Council Tax Single Person exercise is provided in Table 2 below. This matches Council Tax and Electoral Registration information and highlights any household members reaching 18 years of age. These matches were released on 03/02/2023 and are in the process of being reviewed. As of 14/11/2023, 30 matches have been processed with 10 errors having been identified.

Table 2: 2022/23 Council Tax Single Person Discount exercise:

	Total Matches	Total Matches Processed	Fraud	Errors
Council Tax (Single Person Discount)	2,324	30	0	10