

## Internal Audit Progress Report (March 2021)

New Forest District Council



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**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

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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’.*

New Forest District 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.

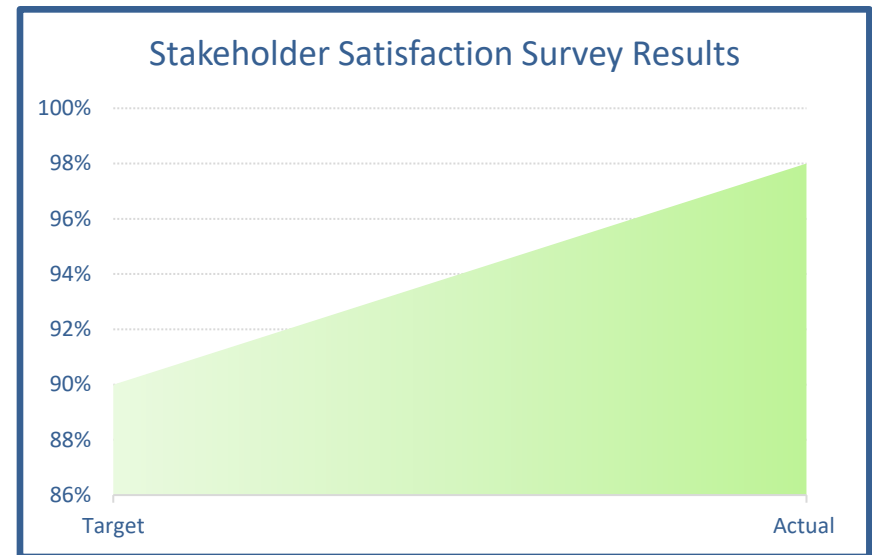
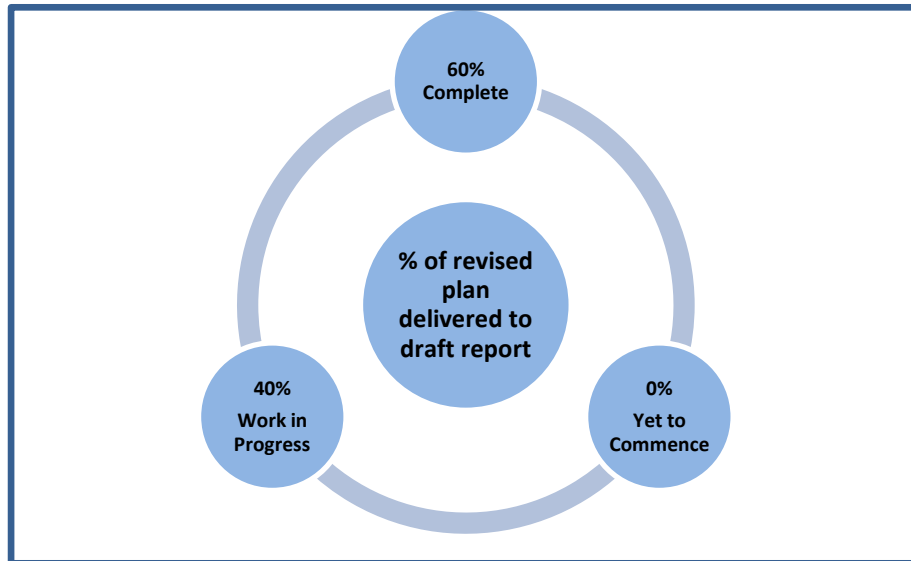
Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review.

CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use. To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020-21 work and moving forwards. 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 2*

### 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 International Professional Practices Framework (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

There are 14 outstanding actions (including four high priority actions) relating to two audits completed by the in-house team prior to the move to SIAP (unchanged from the previous reported position). The current progress to resolve the actions is:-

- Payment Card Industry Data Security Standards (PCI DSS) Compliance. The replacement of the legacy financial system, website update and replacement of the telephony system should help to resolve the PCI DSS non-compliance issues.
- Business Continuity. Following an external review of the Council's Business Continuity and Emergency Planning arrangements, actions is being taken to improve the arrangements and address outstanding issues. This will be followed up by Internal Audit once implemented and embedded.

There are four overdue high priority actions relating to audit reviews completed since the move to SIAP. The status of these actions are:-

- Programme and Project Management – The three high priority actions relate to updating the programme / project management framework and promoting a consistent approach across the Council. Due to responding to the COVID-19, progress with updating and implementing the revised framework has not progressed within the originally intended timescales. This will be followed up by Internal Audit once implemented and embedded.
- Community Safety/CCTV. The overdue high priority action relates to updating policies and operational procedures which has slipped due to prioritising essential, front line activities during the pandemic. The policy update is anticipated during the spring of 2021.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Risk Management	Mar 19	SM (E&BI)	Adequate	1	0	0	0	1		
Main Accounting	Mar 19	HoF	Substantial	4	0	0	3		1	
Income Collection	May 19	SM (E&BI)	Adequate	1	0	0	0		1	
Programme and Project Management	Nov 19	HoF	Adequate	9	0	0	4	1	1	3
Parking and Enforcement	Nov 19	SM (S)	Adequate	6	0	0	0	1	5	
<b>Accounts Receivable / Debt Management *</b>	<b>May 20</b>	<b>SM (R&amp;B)</b>	<b>Adequate</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>			

P-Card Taxation (VAT)	May 20	HoF	Adequate	2	0	0	0		2	
Fleet Management	May 20	SM (W&T)	Limited	18	0	2	14	1	1	
Main Accounting	May 20	HoF	Adequate	5	0	0	0		5	
<b>Housing Finance (Right-to-Buy) *</b>	<b>Jun 20</b>	<b>SM (HO)</b>	<b>Adequate</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>			
Community Safety - CCTV	Jun 20	SM (EM&S)	Adequate	4	0	0	3			1
<b>Information Governance *</b>	<b>Jun 20</b>	<b>SM (L&amp;P)</b>	<b>Adequate</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>			
<b>Planning (incl. Community Infrastructure Levy) *</b>	<b>Jun 20</b>	<b>SM (PMD)</b>	<b>Adequate</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>4</b>			
Health & Safety	Jul 20	SM (E&R)	Adequate	6	0	1	0	5		
<b>Fraud Governance *</b>	<b>Sep 20</b>	<b>SM (R&amp;B)</b>	<b>Substantial</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>			
<b>Governance – Decision Making (COVID)*</b>	<b>Oct 20</b>	<b>SM (L&amp;P)</b>	<b>Reasonable</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>7</b>			
<b>Recruitment *</b>	<b>Jan 21</b>	<b>SM (HR)</b>	<b>Reasonable</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>			
Disabled Facilities Grants	Jan 21	SM (HO)	Reasonable	2	0	1	1			
Housing Finance Management – Tenancies	Feb 21	SM (HO)	Reasonable	7	0	2	3		2	
Information Governance (FOI & SAR)	Feb 21	SM (L&P)	Reasonable	5	0	5	0			
<b>Total</b>								<b>9</b>	<b>18</b>	<b>4</b>

\* Denotes audits where all actions have been completed since the last progress report

<b>Audit Sponsor</b>		<b>Audit Sponsor</b>	
Service Manager (Elections & Business Improvement)	SM (E&BI)	Service Manager (Housing Maintenance - Operations)	SM (HMO)
Head of Finance	HoF	Service Manager (Housing Maintenance – Asset and Compliance)	SM (HMAC)
Service Manager (Estates & Valuation)	SM (E&V)	Service Manager (Environmental & Regulation)	SM (E&R)
Service Manager (Human Resources)	SM (HR)	Service Manager (Health & Leisure)	SM (H&L)
Service Manager (Legal & Procurement)	SM (L&P)	Service Manager (Waste & Transport)	SM (W&T)
Service Manager (Democratic Services & Member Support)	SM (DS&MS)	Service Manager (Coastal & Public Facilities)	SM (C&PF)
Service Manager (Estate Management & Support)	SM (EM&S)	Service Manager (Open Spaces)	SM (OS)
Service Manager (Revenues & Benefits)	SM (R&B)	Service Manager (Planning Management Development)	SM (PMD)
Service Manager (ICT)	SM (ICT)	Service Manager (StreetScene)	SM (S)
Service Manager (Housing Options)	SM (HO)	Service Manager (Estates, Valuation & Investment Property)	SM (EV&IP)
Chief Planning Officer	CPO		



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

There have been no ‘Limited’ or ‘No’ assurance opinion reports issued during 2020-21.

## 6. Planning & Resourcing

The Internal Audit Plan for 2020-21 was discussed by EMT and circulated to the Audit Committee in March 2020. 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>2019-20</b>								
Housing Asset Management (Planned Maintenance)	SM (HMAC)	✓	✓	✓	May 20	Jul 20	Adequate	2019-20 Opinion
Licensing	SM (E&R)	✓	✓	✓	Jun 20	Jul 20	Substantial	2019-20 Opinion
<b>2020-21</b>								
<b>Corporate / Governance Framework</b>								
Corporate Plan / Performance Management	SM (E&BI)	✓	✓	✓	Sep 20	Oct 20	n/a	Advisory role on the developing framework.
Information Governance (FOI & SAR)	SM (L&P)	✓	✓	✓	Feb 21	Feb 21	Reasonable	
Procurement	SM (L&P)	✓	✓	✓				
Contract Management	SM (L&P)	✓	✓	✓				
Fraud Governance	SM (R&B)	✓	✓	✓	Aug 20	Sep 20	Substantial	
Fraud Training – P-Cards	SM (R&B)	✓	n/a	✓	n/a	n/a	n/a	
Health and Safety (COVID)	SM (E&R)	✓	✓	✓	Oct 20			
Governance – Decision Making (COVID)	SM (L&P)	✓	✓	✓	Oct 20	Oct 20	Reasonable	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>Human Resources</b>								
Recruitment	SM (HR)	✓	✓	✓	Dec 20	Jan 21	Reasonable	
Travel, Expenses and Overtime	SM (HR)	✓	✓	✓				
Payroll Increments	SM (HR)	✓	✓	✓	Mar 21			
<b>Core Financial Systems</b>								
Council Tax	SM (R&B)	✓	✓	✓	Feb 21	Mar 21	Substantial	
NNDR	SM (R&B)	✓	✓	✓	Mar 21			
Accounts Payable	SM (R&B)	✓	✓	✓				
Accounts Receivable and Debt Management	SM (R&B)	✓	✓	✓				
Main Accounting and Reconciliations	SM (R&B)	✓	✓	✓				
Income Collection and Banking	SM (R&B)	✓	✓	✓				
Busines Grants (COVID)	SM (R&B)	✓	✓	✓	Aug 20	Sep 20	Substantial	
<b>Information Technology</b>								
Northgate Application Review	SM (ICT)	✓	✓	✓	Mar 21			
Cyber Security	SM (ICT)	✓	✓	✓				
PCI DSS Advice	SM (ICT)	n/a	n/a	✓	n/a	n/a	n/a	Advisory role
IT Disaster Recovery and Business Continuity Planning Advice	SM (ICT)	n/a	n/a	✓	n/a	n/a	n/a	Advisory role
<b>Portfolio Themes</b>								
Housing Rents	SM (HO)	✓	✓	✓				
Housing Asset Management – Supply Chain Arrangements	SM (HMAC)	✓	✓	✓				
Housing Finance Management – Tenancies	SM (HO)	✓	✓	✓	Jan 21	Feb 21	Reasonable	
HMO Licencing	SM (HO)	✓	✓	✓	Oct 20	Nov 20	Substantial	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Gas Inspections	SM (HMAC)	✓	✓	✓	Oct 20	Oct 20	Substantial	
Disabled Facilities Grants	SM (HO)	✓	✓	✓	Dec 20	Jan 21	Reasonable	
Development Management	CPO	✓	✓					
Health and Leisure	SM (H&L)	✓						
Fleet Management (Follow-up Audit)	SM (W&T)	✓						
Coastal Management and Protection	SM (C&PF)	✓	✓	✓				
LG Income Compensation Scheme	HoF	n/a	n/a	✓	n/a	n/a	n/a	Certification work in phases.

**Annex 1 - Adjustments to the plan**

<b>Audit reviews added to the plan (included in rolling work programme above)</b>	
Health and Safety (COVID) *	To review the Council's Health & Safety response to COVID-19 in relation to staff and premises.
Governance – Decision Making (COVID) *	To review the implementation and use of revised governance arrangements brought in as a result of COVID-19.
Business Grants (COVID) *	To review the arrangements for awarding Business Grants to support local businesses through the pandemic.
Gas Inspections *	To review the Council's compliance with statutory obligations as a social landlord during COVID-19.
Cyber Security *	To review user training and website protection, providing the missing third level assurance highlighted in the 19/20 Cyber Security Assurance Mapping report.
Fraud Awareness Training *	To provide training to Council staff in mitigating the risks of fraud with Procurement Card (PCard) usage).
LG Income Compensation Scheme *	Review the appropriateness of 3 claims for the Local Government Income Compensation Scheme for lost sales, fees and charges.
HR – Payroll Increments **	To review the processes for identifying and applying annual increments to staff salaries.

Agreed October 2020 \* Agreed January 2021 \*\*

<b>Audit reviews removed from the plan (excluded from rolling work programme)</b>	
Programme & Project Management *	Defer review. Development and implementation of a programme and project management framework during 20/21 has been delayed due to responding to COVID-19.
HR – Performance Management *	Performance management module has been implemented during 20/21 with completion of performance appraisals required by 31.03.21 therefore defer to 21/22 to assess full year cycle and utilise audit days to offset plan additions into 20/21.
Housing IT Application Review *	Defer review in order to assess Cyber Security which is of higher risk.
Commercial Activities *	Defer review. Planned developments have been delayed by six months due to COVID-19 therefore review planned activity in 21/22.
Financial Stability **	Defer review to 21/22. The 20/21 emergency budget and updated MTFs have been developed by the COVID-19 Recovery – Finance and Resources Task and Finish Group and presented to Council. The planned rollout of new budget management processes have been delayed.
Environmental Services **	Defer the review in order to align the audit with the implementation of the new Waste Strategy which is expected to be approved by the Spring of 2021.

Business Continuity and Emergency Planning **	Defer review to 21/22 as the actions being taken to improve and document the arrangements has been delayed.
IT Infrastructure Management **	It is planned to have all new infrastructure in place by 31.03.21 therefore defer review to 21/22 and combine with a review of IT disaster recovery once implemented.
Environmental Management / Climate Change (Green Agenda)**	Defer review. Development of the Council's Green Agenda/strategy has not progressed within the originally intended timescales due to reprioritisation of activities in responding to the pandemic.
Risk Management **	The development of new risk registers aligned to the Corporate Plan – Community Matters 2020-2024; the revised risk management framework; and member training has slipped therefore defer the review to 21/22 to enable the framework to become embedded.
Grounds / Tree Maintenance / Open Spaces **	Defer review. It is too early to assess progress against achieving the new Tree Strategy 2020-2025. Consideration was then given to covering the processes and methodologies for assessing developer obligations to open spaces, however on further assessment these were found to be mid review by the Council.
Alternative Delivery Methods / Partnership Working **	Defer the review of the Community Safety Partnership due to resource pressures within the team - the team are undertaking the annual strategic assessment and creation of the annual strategic Partnership plan which requires its completion for the end of March with commencement in April. In addition they are providing all the Councils statutory safeguarding training for all services; assisting with the management of the Covid Ambassadors; undertaking community food shopping for vulnerable persons and providing cover for control room duties.
Regeneration / Economic Development ***	Defer the review. The existing strategy is out of date and it is currently planned to update /refocus the strategy in the Autumn at the earliest as the responsible officer is working full time on the administration of the Additional Restrictions Grant (ARG).

Agreed October 2020\*. Agreed January 2021 \*\*

Proposed March 2021 \*\*\*

**Annex 2 - Assurance opinions and definitions used by SIAP prior to adoption of the CIPFA standard definitions**

Substantial	A sound framework of internal control is in place and 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 weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.