Internal Audit Progress Report 2021-22

October 2021

New Forest District Council

Contents:

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:
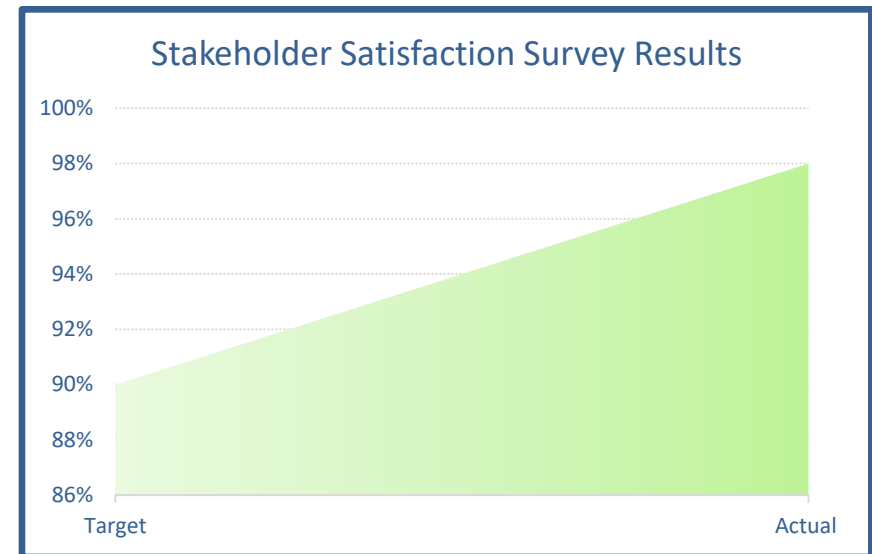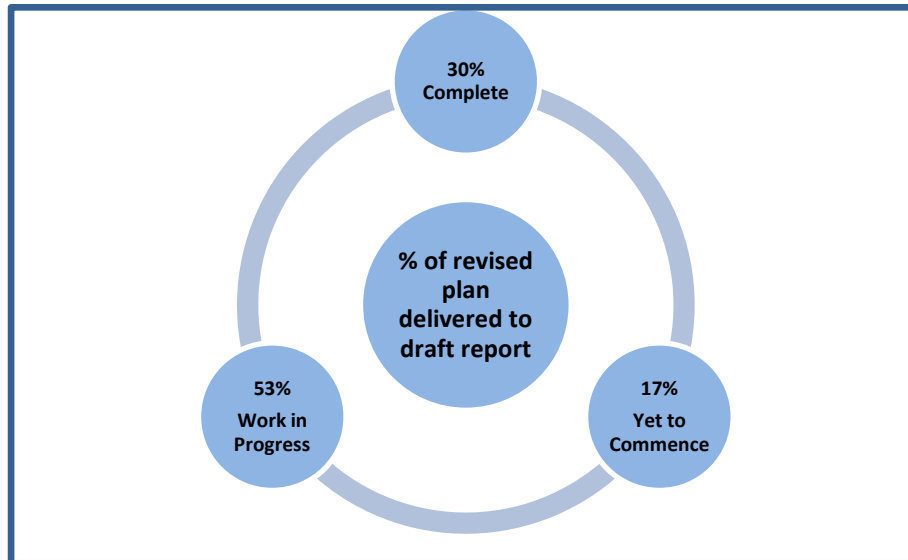
- The status of 'live' internal audit reports;

- 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. 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 2.

3. Performance dashboard

30%
Complete

% of revised
plan
delivered to
draft report

53%
Work in
Progress

17%
Yet to
Commence

Stakeholder Satisfaction Survey Results

Target

Actual

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 Council continue to work towards PCI DSS compliance however issues remain with telephone payments in particular. The Council are currently exploring options to address the issues.
- Business Continuity. The HR Service Manager has been tasked with developing a revised business continuity framework and working with each service to assess and document their arrangements. Internal Audit are providing a 'critical friend role' whilst the revised framework it is being developed and will review the arrangements 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.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Yet Due	Complete	Overdue		
							L	M	H
Risk Management *	Mar 19	SM (E&BI)	Adequate **	1	0	1			
Main Accounting *	Mar 19	EHF&CS	Substantial **	4	0	4			
Income Collection *	May 19	SM (E&BI)	Adequate **	1	0	1			
Programme and Project Management	Nov 19	EHF&CS	Adequate **	9	0	6			3
Parking and Enforcement *	Nov 19	SM (S)	Adequate **	6	0	6			
P-Card Taxation (VAT) *	May 20	EHF&CS	Adequate **	2	0	2			
Fleet Management *	May 20	SM (W&T)	Limited **	18	0	18			
Main Accounting *	May 20	EHF&CS	Adequate **	5	0	5			
Community Safety - CCTV	Jun 20	SM (EM&S)	Adequate **	4	0	3			1
Health & Safety	Jul 20	SM (E&R)	Adequate **	6	0	0	6		
Disabled Facilities Grants *	Jan 21	SM (HO)	Reasonable	2	0	2			
Housing Finance Management – Tenancies	Feb 21	SM (HO)	Reasonable	7	0	5		2	
Information Governance (FOI & SAR) *	Feb 21	SM (L&P)	Reasonable	5	0	5			
Northgate Application Review	Mar 21	SM (ICT)	Reasonable	4	2	2			
NNDR *	Apr 21	SM (R&B)	Reasonable	2	0	2			
Accounts Receivable and Debt Management	May 21	SM (R&B)	Reasonable	5	1	4			
Contract Management	May 21	SM (L&P)	Reasonable	5	4	1			
Accounts Payable	May 21	SM (R&B)	Reasonable	2	1	1			
Health and Safety (COVID-19)	Jun 21	SM (E&R)	Reasonable	2	1	1			
Income Collection and Banking	Jun 21	SM (R&B)	Reasonable	4	2	1		1	
Travel, Expenses and Overtime *	Jun 21	SM (HR)	Reasonable	2	0	2			

Payroll Increments	Jun 21	SM (HR)	Limited	13	2	11			
Procurement	Jun 21	SM (L&P)	Reasonable	6	1	5			
Main Accounting and Reconciliations	Jun 21	SM (R&B)	Reasonable	3	3	0			
Cyber Security	Jul 21	SM (ICT)	Reasonable	8	6	2			
Housing Asset Management – Supply Chain Arrangements *	**Jul 21**	**SM (HMAC)**	**Reasonable**	**12**	**0**	**12**			
Development Management	Aug 21	EHPR&E	Reasonable	10	1	9			
Additional Restrictions Grants	Sep 21	EHPR&E	Substantial	1	1	0			
Coastal Management and Protection	Oct 21	SM (C&PF)	Reasonable	2	2	0			
Total							6	3	4

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

** The reports listed (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to the adoption of the CIPFA standard definitions, reference is provided at Annex 2.

Audit Sponsor		Audit Sponsor	
Service Manager (Elections & Business Improvement)	SM (E&BI)	Service Manager (Housing Maintenance - Operations)	SM (HMO)
Service Manager (Estates & Valuation)	SM (E&V)	Service Manager (Housing Maintenance – Asset and Compliance)	SM (HMAC)
Service Manager (Human Resources)	SM (HR)	Service Manager (Environmental & Regulation)	SM (E&R)
Service Manager (Legal & Procurement)	SM (L&P)	Service Manager (Health & Leisure)	SM (H&L)
Service Manager (Democratic Services & Member Support)	SM (DS&MS)	Service Manager (Waste & Transport)	SM (W&T)
Service Manager (Estate Management & Support)	SM (EM&S)	Service Manager (Coastal & Public Facilities)	SM (C&PF)
Service Manager (Revenues & Benefits)	SM (R&B)	Service Manager (Open Spaces)	SM (OS)
Service Manager (ICT)	SM (ICT)	Service Manager (Planning Management Development)	SM (PMD)
Service Manager (Housing Development Strategy)	SM (HDS)	Service Manager (StreetScene)	SM (S)
Executive Head for Planning, Regeneration and the Economy	EHPR&E	Service Manager (Estates, Valuation & Investment Property)	SM (EV&IP)
Executive Head of Partnership and Operations	EHP&O	Executive Head of Financial and Corporate Services (S151 Officer)	EHF&CS

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 2021-22.

6. **Planning & Resourcing**

The Internal Audit Plan for 2021-22 was agreed by EMT and approved by the Audit 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
Carry Forward – Included within 2020-21 Annual report and opinion								
Cyber Security	SM (ICT)	✓	✓	✓	Jun 21	Jul 21	Reasonable	20.21 Opinion
Housing Asset Management – Supply Chain Arrangements	SM (HMAC)	✓	✓	✓	Jun 21	Jul 21	Reasonable	20.21 Opinion
Coastal Management and Protection	SM (C&PF)	✓	✓	✓	Jun 21	Oct 21	Reasonable	20.21 Opinion
2021-22								
Corporate / Governance Framework								
Corporate Plan / Performance Management	SM (E&BI)	✓						
Energy Management / Climate Emergency / Green Agenda	EHPR&E	✓						
Programme & Project Management	EHF&CS							Q3-4
Fraud Framework	SM (R&B)	n/a	n/a	✓				
Business Continuity & Emergency Planning	SM (HR)	✓	n/a	✓				Advisory role

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Risk Management	SM (HR)	✓						
Data Breach Investigation *	SM (HR)	✓	✓	✓	n/a	Jun 21	n/a	
Human Resources								
HR – Performance Management	SM (HR)	✓	✓	✓				
HR – Use of Agency Staff	SM (HR)							Q4
HR – Leisure Centre Staff Transfer - due diligence checks *	SM (HR)	✓	✓	✓				
Core Financial Systems								
Financial Stability – Budget Management/Monitoring	EHF&CS	✓	✓	✓				
Housing Benefits	SM (R&B)	✓	✓	✓	Oct 21			
Payroll	SM (HR)	✓						
Treasury Management	EHF&CS	✓	✓	✓				
Financial Systems – follow-up	SM (R&B)	n/a	n/a	✓				
Grant Certifications								
Additional Restrictions Grants *	EHPR&E	✓	n/a	✓	Jul 21	Sep 21	Substantial	
LG Income Compensation Scheme	EHF&CS	n/a	n/a	✓	n/a		n/a	Certification work in phases. Final claim due by end of October
Information Technology								
Data Management – Meridio to SharePoint Migration	SM (ICT)	✓	✓	✓	Oct 21			
Information Security – Website Phase 2	SM (ICT)	✓						
IT Disaster Recovery Planning & Business Continuity	SM (ICT)	✓	✓	✓	Oct 21			
PCI DSS Advice	EHF&CS	n/a	n/a	✓				Advisory role

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Portfolio Themes								
Housing Rents *	SM (HO)	✓	✓	✓	Sep 21			
Housing Management	SM (HDS)	✓						
Building Control	EHPR&E	✓						
Regeneration / Economic Development	EHPR&E							Q3-4
Health and Leisure (Mobilisation)	EHP&O	✓	✓	✓	Jul 21	Sep 21	Substantial	
Tree management	EHP&O	✓	✓	✓				
Fleet Management (follow-up phase 2)	SM (W&T)							Q4
Environmental Services	SM (W&T)							Q4
Development Management *	EHPR&E	✓	✓	✓	Jul 21	Aug 21	Reasonable	

* Denotes proposed plan additions

Annex 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	Comment
Additional Restrictions Grants *	To provide assurance that appropriate due diligence checks are completed prior to awarding discretionary grants to businesses in line with the published eligibility criteria and amounts. NB unable to undertake in 20-21 therefore carried forward to 21-22 audit plan.
Development Management *	To provide assurance on the end to end planning application process and development management system. NB unable to complete in 20-21 therefore carried forward to 21-22 audit plan.
Housing Rents *	To provide assurance on the systems in place which ensure the Council maximises rental income due from the billing, collection and recovery of rent for Council Housing. NB unable to undertake in 20-21 therefore carried forward to 21-22 audit plan.
Data Breach Investigation *	To provide an independent investigation into two data breaches incurred when responding to two FOI requests in 2018.
HR – Leisure Centre Staff Transfer - due diligence checks *	To provide assurance on the due diligence checks to ensure all necessary information was provided when transferring staff to the new Leisure Centre provider.

Proposed November 2021 *

Audit reviews removed from the plan (excluded from rolling work programme)	Comment
Universal Credit	Originally included within the three year audit plan in anticipation this could have an impact upon the Council however there is minimal risk in this area as Universal Credit is administered by the DWP.
Alternative Delivery Methods / Partnership Working	Removed from the plan as there has been sufficient coverage of alternative delivery methods / significant partnerships in previous years.

Proposed November 2021 *

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

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020-21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report that refer to SIAPs former assurance ratings which are detail below.

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.