

## Internal Audit Progress Report 2022-23

July 2022

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. 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**

With regards to the legacy outstanding actions (including four high priority actions) relating to two audits completed by the in-house team prior to the move to SIAP, the progress made to resolve the actions are summarised as follows:-

- Payment Card Industry Data Security Standards (PCI DSS) Compliance. A report was provided to the Audit Committee (May 2022) outlining the actions required and timescales for achieving PCI DSS compliance. It was agreed with the Audit Committee that an annual update on PCI DSS compliance will be presented to Members therefore future compliance will be monitored through the project team's report.
- Business Continuity. Actions completed - EMT have agreed a Business Continuity Policy and Incident Management Plan as part of a recent joint report on Emergency Planning and Business Continuity. Services that were considered to be critical have completed Critical Activity Plans. Threat response plans for loss of ICT, Staff and Accommodation have also been developed. The internal audit plan for 2022-23 includes reviews of both Business Continuity and Emergency Planning in order to provide assurance in both these areas. If any issues requiring additional management action are identified, the actions will be tracked against these audits in future progress reports.

There are currently no other high priority, overdue actions.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Yet Due	Complete	Overdue		
							L	M	H
<b>Programme and Project Management *</b>	<b>Nov 19</b>	<b>EHF&amp;CS</b>	<b>Adequate **</b>	<b>9</b>	<b>0</b>	<b>9</b>			
<b>Community Safety – CCTV *</b>	<b>Jun 20</b>	<b>SM (EM&amp;SS)</b>	<b>Adequate **</b>	<b>4</b>	<b>0</b>	<b>4</b>			
Housing Finance Management – Tenancies	Feb 21	SM (HO)	Reasonable	7	0	5		2	
Northgate Application Review	Mar 21	SM (ICT)	Reasonable	4	0	3		1	
Accounts Receivable and Debt Management	May 21	SM (R&B)	Reasonable	5	0	4		1	
<b>Contract Management *</b>	<b>May 21</b>	<b>SM (L)</b>	<b>Reasonable</b>	<b>5</b>	<b>0</b>	<b>5</b>			
<b>Health and Safety (COVID-19) *</b>	<b>Jun 21</b>	<b>SM (E&amp;R)</b>	<b>Reasonable</b>	<b>2</b>	<b>0</b>	<b>2</b>			
Income Collection and Banking	Jun 21	SM (R&B)	Reasonable	4	2	1	1		
<b>Procurement *</b>	<b>Jun 21</b>	<b>SM (L)</b>	<b>Reasonable</b>	<b>6</b>	<b>0</b>	<b>6</b>			
Main Accounting and Reconciliations	Jun 21	SM (R&B)	Reasonable	3	0	0	3		
Cyber Security	Jul 21	SM (ICT)	Reasonable	8	0	5		3	
<b>Development Management *</b>	<b>Aug 21</b>	<b>EHPR&amp;E</b>	<b>Reasonable</b>	<b>10</b>	<b>0</b>	<b>10</b>			
<b>Additional Restrictions Grants *</b>	<b>Sep 21</b>	<b>EHPR&amp;E</b>	<b>Substantial</b>	<b>1</b>	<b>0</b>	<b>1</b>			
Coastal Management and Protection	Oct 21	SM (C)	Reasonable	4	0	0		4	
IT Disaster Recovery Planning & Business Continuity	Nov 21	SM (ICT)	Limited	13	0	12		1	
Financial Stability – Medium Term Financial Planning & Budget Monitoring	Jan 22	EHF&CS	Substantial	2	1	1			
HR Performance Management	Feb 22	SM (HR)	Reasonable	6	4	2			
Affordable Housing Development Objectives and Delivery - New Homes Strategy	Mar 22	EHPR&E	Reasonable	1	1	0			
Payroll	Mar 22	SM (HR)	Substantial	1	1	0			
Tree management	Apr 22	SM (OS)	Reasonable	19	3	15	1		
Information Security – Website	Apr 22	SM (ICT)	Reasonable	9	8	1			
Risk Management	May 22	SM (FIN)	Limited	8	4	4			
Building Control	May 22	EHPR&E	Reasonable	9	9	0			
Use of Agency Staff	Jun 22	SM (HR)	Limited	10	5	5			
<b>Total</b>							<b>5</b>	<b>12</b>	<b>0</b>


\* 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.

<b>Audit Sponsor</b>		<b>Audit Sponsor</b>	
Executive Head of Financial and Corporate Services (\$151 Officer)	EHF&CS	Executive Head of Governance and Housing	EHG&H
Service Manager (Revenues & Benefits)	SM (R&B)	Service Manager (Housing Maintenance)	SM (HM)
Service Manager (Human Resources)	SM (HR)	Service Manager (Housing Options, Rents, Support and Private Sector Housing)	SM (HO)
Service Manager (Estates & Valuation)	SM (E&V)	Service Manager (Housing Strategy & Development)	SM (HS&D)
Service Manager (ICT)	SM (ICT)	Service Manager (Housing Compliance & Asset Management)	SM (HC&AM)
Senior Manager (Finance)	SM (FIN)	Service Manager (Elections & Business Improvement)	SM (E&BI)
Executive Head for Planning, Regeneration and the Economy	EHPR&E	Service Manager (Democratic Services)	SM (DS)
Service Manager (Policy and Strategy)	SM (P&S)	Service Manager (Estate Management & Support Services)	SM (EM&SS)
Service Manager (Development Management)	SM (DM)	Service Manager (Legal)	SM (L)
Service Manager (Coastal)	SM (C)		
Executive Head of Partnership and Operations	EHP&O		
Service Manager (Environment & Regulation)	SM (E&R)		
Service Manager (Waste & Transport)	SM (W&T)		
Service Manager (Open Spaces)	SM (OS)		



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

Use of Agency Staff		
Audit Sponsor	Assurance opinion	Management Actions
Service Manager (HR)	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: #28a745; color: white; padding: 5px; text-align: center;">Low 2</div> <div style="background-color: #ffc107; color: black; padding: 5px; text-align: center;">Medium 7</div> <div style="background-color: #dc3545; color: white; padding: 5px; text-align: center;">High 1</div> </div>

### Summary of key observations:

The policy for using agency workers and guidance/procedure notes are available to support managers. A multi-supplier Framework Agreement is in place which includes 15 agencies providing a range of operative, administrative and professional & technical temporary workers to match the range of skills requirements to support the Council’s day-to-day operations. If the Framework Agreement suppliers are unable to provide a temporary worker to suit the Council’s need (skillset or timeline) then the Council can source a temporary worker from a non-framework supplier. Under the Framework Agreement, the agencies are required to ensure all candidates have an up-to-date Disclosure Barring Service (DBS) check which is clear of convictions and are vetted to ensure they have the appropriate skills/qualifications for the role.

At the time of review, total agency expenditure for 2021-22 was approximately £480k, equivalent to 2% of budgeted staff pay. Analysis highlighted £183k of off framework expenditure, including aggregated spend of £103k and £75k with two agencies, however we were unable to ascertain documented senior management approval for recruiting off framework. We acknowledge that in certain situations e.g. refuse workers, maintaining services will be the priority; and in other situations, external factors such as the availability of workers during the COVID-19 pandemic, national shortage of HGV drivers or in other sectors where specific skills/qualifications are required, off framework spend may be required. However, the aggregated value of off framework/contract spend highlights that a contract should be in place with these providers if continuing use is anticipated.

The audit also found a general lack of awareness of the processes to follow/documentation to complete when using agency staff; an absence of formal contract/performance management of the Framework Agreement; or formal reporting specifically focussed on the overall use of agency staff to inform a strategic view on their use.

Following the audit, 5/10 management actions have been implemented, including updating procedures to reflect the process when using non-framework agencies; reminding Service Managers of their responsibilities and the processes to follow; and providing targeted training to one service area.

Periodic reporting to EMT and the HR Committee on the use of agency staff will be introduced; contract/performance management of the Framework Agreement will be formalised; and further training is planned for all Service Managers.

## 6. Planning & Resourcing

The Internal Audit Plan for 2022-23 was agreed by EMT and approved by the Audit Committee in March 2022. 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	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>Corporate / Governance Framework</b>								
Corporate Plan / Performance Management	SM (E&BI)	✓						Q2
Climate Emergency / Green Agenda	EHPR&E							Q3
Programme & Project Management	EHF&CS							Q3
Lease Income and Charges	SM (EV&IP)	✓	✓	✓	Jul 22			
Community Safety Partnership	SM (EM&S)	✓	✓	✓				
Statutory Safety Checks - Corporate Estate	SM (EV&IP)	✓	✓	✓				
Information Governance	ENG&H							Q4
Fraud Framework	SM (R&B)							On-going

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Business Continuity	SM (HR)							Q3
Emergency Planning	SM (E&R)							Q4
Risk Management	SM (FIN)							Q3
<b>Human Resources</b>								
HR – Use of Agency Staff	SM (HR)	✓	✓	✓	Jun 22	Jun 22	Limited	
HR Strategy and Monitoring Frameworks	SM (HR)							Q2
<b>Core Financial Systems</b>								
NNDR	SM (R&B)							Q4
Accounts Receivable and Debt Management	SM (R&B)	✓						Q2
Main Accounting and Reconciliations	SM (R&B)							Q3
<b>Grant Certifications</b>								
Test and Trace Payment Scheme	SM (R&B)	n/a	n/a	✓	n/a	Jun 22	n/a	6 Grants Certified
Contain Outbreak Management Fund	SM (E&R)	n/a	n/a	✓	n/a	Jul 22	n/a	Grant Certified
<b>Information Technology</b>								
Identity Management	SM (ICT)	✓						Q2
IT Governance – Theme TBC	SM (ICT)							Q4
IT Disaster Recovery and Business Continuity Planning (follow-up)	SM (ICT)							Q2/3
PCI DSS Advice	EHF&CS	n/a	n/a					
<b>Portfolio Themes</b>								
Homelessness	SM (HO)							Q3
Housing Management (new system)	SM (HO)							Q4
Housing Asset Management – Electrical Safety Checks	SM (HMAC)							Q3

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Housing Asset Management – Legionella Checks	SM (HMAC)							Q3
Open Spaces – Safety Checks	SM (G&S)	✓	✓					Q2
Leisure Contract Management	EHP&O	✓						Q2
Fleet Management (follow-up phase 2)	SM (W&T)	✓	✓	✓	Jun 22			
Environmental Health – Food Hygiene Inspections	SM (E&R)							Q3
Boundary Commission Changes	SM (E&BI)							Q4
Engineering Works	EHP&E	✓	✓	✓				
Keyhaven	EHP&E	✓	✓	✓	Jul 22			

**Annex 1 - Adjustments to the plan**

<b>Audit reviews added to the plan (included in rolling work programme above)</b>	<b>Comment</b>
HR – Use of Agency Staff *	Carried forward from 2021-22 plan as work in progress at the time of the Annual Internal Audit Report and Opinion.
Fleet Management (follow-up phase 2) *	Carried forward from 2021-22 plan as work in progress at the time of the Annual Internal Audit Report and Opinion.
Test and Trace Payment Scheme *	Government funding requiring formal certification that expenditure has been in accordance with the grant conditions.
Contain Outbreak Management Fund *	Government funding requiring formal certification that expenditure has been in accordance with the grant conditions.

\*Proposed June 2022

<b>Audit reviews removed from the plan (excluded from rolling work programme)</b>	<b>Comment</b>
None	

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**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.

<b>Substantial</b>	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
<b>Adequate</b>	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
<b>Limited</b>	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
<b>No</b>	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.