
**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

NEW FOREST DISTRICT COUNCIL
Internal Audit Report & Opinion 2022-23

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May 2023

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 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’.

The 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 organisation’s objectives.



2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisation's success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

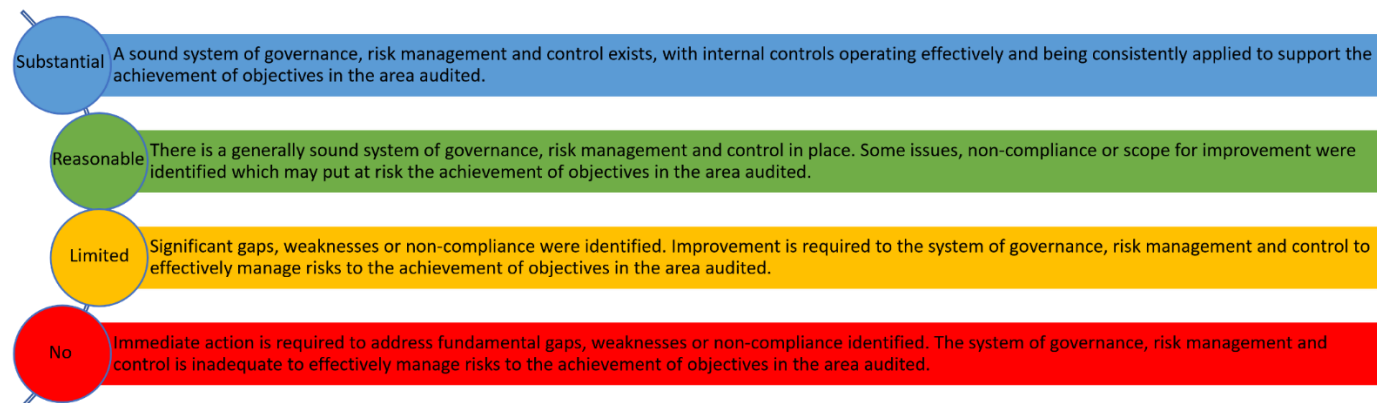
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Audit Committee in March 2022. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Executive Management Team and reported to the Audit Committee in the internal audit progress reports which were reviewed at each meeting.

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:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

Annual Internal Audit Opinion 2022-23

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

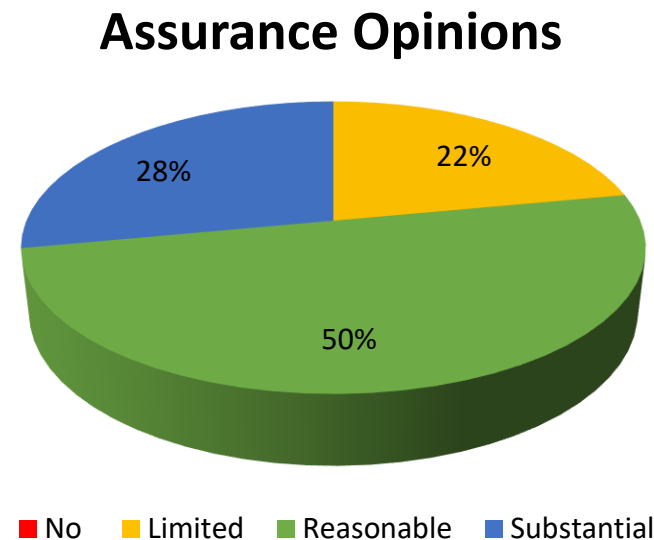
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2022-23 reviews

The findings from our reviews have been reported to the Audit Committee throughout the year and a summary of the assurance opinions is outlined below.



Annex 1 provides further information on the audits completed and their respective opinions, together with a summary of the audit findings. Annex 1 also provides the detail of audit activity which did not culminate in an assurance opinion and audits that remain in progress, but have not sufficiently progressed to inform the 2022-23 assurance opinion and will therefore contribute to the 2023-24 report.

Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

Based on the work completed during the year, in our opinion the governance frameworks in place across the Council are generally robust and fit for purpose although common opportunities for improvement include documenting or updating policies and procedures to increase resilience and help ensure consistent practice; clarifying roles and responsibilities within updated job descriptions; and developing or enhancing performance measures and associated reporting arrangements.

Risk management

We reviewed risk management arrangements in the Council during 2021-22 which resulted in a limited assurance opinion. During 2022-23, we conducted a follow-up review to assess the progress with addressing the issues identified within the original audit and found that all initial actions had been completed, primarily through the development of a new risk management policy which was approved by Full Council in October 2022. The policy provides a clear framework for risk management including roles, responsibilities and procedures. The strategic risk register has been reviewed and will be regularly assessed by EMT before reporting to Members.

The rollout of the new risk management framework to service areas has only recently commenced, by initially trialling in one area. An action plan and timelines will need to be developed, and training provided, to rollout the framework to all service areas. We have therefore not completed a full audit at this stage as further work is needed to implement and embed the new framework within the Council.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2022-23 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible officers. Progress with implementing agreed actions is reported to the Audit Committee throughout the year through the regular internal audit progress reports.

As outlined in section 4, we enjoy an open and honest working relationship with the Council and our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. It is therefore expected that areas of challenge will be identified or confirmed through our work as outlined below:

Use of Agency Staff – Limited Assurance Opinion

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 issue of the final report in June 2022, the responsible officers have confirmed that all 10 of the agreed management actions have been implemented, including updating procedures; and confirming responsibilities, the processes to follow and providing targeted training to Service Managers. Quarterly performance reports from framework agencies are now received and assessed. Framework and non-framework agency spend for 2022/23 has been collated and assessed and the reasons why non-framework agencies have been used will form part of future HR Metrics reports to EMT and the HR Committee.

IT - Asset Management – Limited Assurance Opinion

We established there are no policies and procedures for IT asset management at NFDC although we note that they are currently being drafted. There are no policies and procedures for disposal of IT assets.

We visited five NFDC sites and found access to IT assets is restricted via multiple locked doors. When visiting we found nine assets were seen in the correct site location however 18 assets could not be located at the assigned site although one of these assets was later found to have been returned as faulty. Whilst the secondary datacentre within Appletree Court requires a code to enter as well as an access card, security could be improved as 50% of the access cards are not assigned to individuals and the code to enter the secondary datacentre has not been changed for at least one year.

Access to amend and delete records within the IT asset database is restricted to eight members of staff who all require access as a part of their role. The database is updated to reflect starters and leavers. However, we found 513 assets were missing a serial number on the IT asset database including 246 laptops.

Jamie's recycle and dispose of IT equipment for NFDC. We checked the documentation from Jamie's to confirm our sample of assets had been disposed of however the "barcode" number for each asset related to Jamie's records and not NFDC's, therefore there was insufficient audit

trail to confirm which assets had been disposed of. Restore Data Shred are used to cleanse and dispose of Hard drives from PC/Laptops. Certificates of destruction confirm total numbers of hard drives destroyed however individual assets are not listed therefore there is a lack of audit trail confirming the hard drives removed from devices and the hard drives being destroyed.

Open Spaces and Playground Safety Checks – Limited Assurance Opinion

The review focused on how the Council's Open Spaces and Housing Teams inspects and maintains its playgrounds and other open space assets. Open Spaces have the responsibility for inspecting the vast majority of NFDC play and open spaces assets with the exception of seven playgrounds which are the responsibility of the Housing Team, as these were funded through the Housing Revenue Account.

The audit confirmed that all playgrounds and open spaces assets are recorded on either the Ezyasset (Opens spaces) or Keystone (HRA Housing Service) systems as appropriate and have an assigned inspection timeframe (monthly, quarterly or annually), with inspection details and images held. All weekly, quarterly and annual inspections were found to be up to date. Inspection records are fully completed and retained, to assist the Council to appropriately defend against any legal action and comply with investigations carried out by the Health and Safety Executive.

Whilst no issues were found with the inspections, the audit identified the absence of governance arrangements for the Open Spaces Team. Housing have a documented maintenance and inspection strategy for their play areas and the assets within these facilities, outlining the legal responsibilities and how the Council will meet these responsibilities through a system of inspection, assessing risk and responses to faults and risks. There is currently no such policy document for the Open Spaces Team. Bar the Open Spaces Inspection Criteria Flowchart (last reviewed in 2018), there is no formal guidance, policies, or operational procedures in place for inspections regimes within the Open Spaces Team. There is also no formal performance measures or reporting.

Both the Housing Asset and the Open Spaces Team have risk assessed the open space areas that they are responsible for and the assets within them, however the Open Spaces Team risk assessments could be reviewed more frequently.

The annual Open Spaces works budget (circa 30K) is spent on reactive maintenance however little routine maintenance is planned or undertaken.

Engineering Works – Limited Assurance Opinion

The Engineering Team are primarily a reactive service, responding to requests from other service areas to complete emergency works although some planned works are also undertaken. Once a request is received into the team, it is recorded in a Job Log Database however the Log is simplistic, for example it does not enable prioritisation of works and there is no option for deadline reminders to be set. This has resulted in a manual, largely paper-based process, heavily reliant on one Supervisor to manage the workload of the team to ensure works are completed in a timely manner.

The Job Log is routinely monitored by the Supervisor to assess how many outstanding works need to be actioned and a review of the Log showed that there are no jobs outstanding having exceeded their set deadline. Through testing of a sample of emergency jobs, we were able to confirm that the team were able to respond to emergency works and complete them within the deadlines set by the Engineering Supervisor however we found that there is no time management guidance or measures in place to monitor how long jobs should take, or expected deadlines. The current arrangements do not facilitate effective performance measures or management.

Although the Team is primarily reactive, testing of planned works cases confirmed that the Team had received sufficient advanced notification to undertake the agreed work within expected deadlines although the Cemeteries department is the only client out of twelve who provides an annual plan for routine works. Planned works scheduled in advance would help with the allocation and management of the team's workload. The Supervisor is able to decline jobs if the Team cannot resource them, however records are not kept therefore we are unable to confirm how frequent an issue this is.

We were advised that the processes for staff to follow are clear and understood by the team, however, they are not documented. There are no internal documents in place, including job descriptions, to outline roles and responsibilities for the Team. The Engineering Supervisor utilises the Job Log Database however there is limited understanding within other members of the Engineering Management Team on how to use the Database, therefore the service lacks resilience due to reliance on a single officer.

The Engineering Team uses a paper filing system to evidence completed jobs. The paperwork is not stored in a structured system, for example job number order, chronologically or by client. Testing found that paper copies are being destroyed after some time or lost as documentation requested to inform the audit could not be located.

6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the 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.'

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

8. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. Complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An internal quality assessment against the IPPF, PSIAS & LGAN.

9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	93%
Positive customer survey response		
● New Forest District Council	90%	100%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2023).

10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey
Deputy Head of Southern Internal Audit Partnership

May 2023

Annex 1

Summary of Audit Reviews Completed 2022-23

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.

Review area	Summary
HR – Pay Awards and Spinal Point Review	The audit assessed the process followed to authorise and implement inflationary pay awards and apply the payroll spinal point review and confirmed a sound governance framework to ensure staff received the correct increases in salaries.
Main Accounting and Reconciliations	The audit found a robust framework to ensure the integrity and security of information input to the general ledger, including journal entries, clearing of suspense accounts and bank reconciliations, with no issues identified.
Leisure Contract Management	There is a clear and complete contract in place with Freedom Leisure which is managed through an effective governance framework, including regular formal meetings to discuss performance against KPIs, building maintenance and safety checks.
Boundary Commission Changes	The audit found there was a clear, systematic process followed to ensure that changes recommended by the Electoral Boundary Commission for England review were fully implemented ahead of the May 2023 elections.
Environmental Health – Food Hygiene Inspections	The audit assessed the governance framework to ensure that Environmental Health Team inspect (and enforce if required) food premises and found robust arrangements to inspect premises in line with legislative requirements, document outcomes, serve improvement or prosecution notices when required, and investigate/action complaints when received such as suspected hygiene breaches. There is regular performance monitoring and reporting, including progress against the Food Standards Agency Recovery Plan following the pandemic.

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.

Review area	Summary
Leased Income	The audit assessed the governance framework to ensure the Council effectively charge and collect lease income for their investment properties. The audit found recent property acquisitions were in line with the Asset Investment Strategy and followed the correct approval process. Up to date files are maintained for all leases including appropriate legal agreements; rent reviews/lease renewals are taking place in line with the legal agreements; and accurate rent invoices are issued on a timely basis. There is an opportunity to increase resilience as the Property Team are reliant upon a single officer for many of their administrative processes, which had not been documented.
Community Safety Partnership	The scope of the audit was to provide assurance on the effectiveness of the Council's approach to the Community Safety Partnership. Effective, documented and agreed governance arrangements are in place including the publication of an approved strategic Safer New Forest Partnership Plan; priorities are informed by a strategic assessment which is reviewed and agreed annually; and progress with achieving priorities are monitored and reported at regular meetings. Opportunities to enhance action tracking, measure success and formalise risk registers were identified during the review.
Statutory Safety Checks – Corporate Estate	The scope of this review focussed on statutory safety checks (including lifts, fire, asbestos, legionella etc) to ensure that the corporate estate is appropriately maintained and safe for staff and the public to use. The review did not cover the safety checks of the Council's housing stock as these are subject to separate reviews. The audit found that safety checks/inspections are completed in an efficient and timely manner to meet legislative requirements; and are undertaken by competent / appropriately qualified staff or contractors. However, a basic spreadsheet is used to monitor and record inspection schedules which is simplistic and does not provide reportable alerting to highlight when inspections are becoming due or facilitate performance reporting; operational processes have not been documented; and roles and responsibilities have not been reflected in updated job descriptions.
Accounts Receivable and Debt Management	The audit found an effective framework for raising invoices and collecting money due to the Council. Court action to recover unpaid debts had ceased during the pandemic with current recovery action passed directly to a Collection Agency. At the time of review, there were issues with accessing collection information / performance reporting from the Collection Agency although we understand this has been resolved.
IT – Identity Management	The audit assessed whether there is effective and secure use of a user's identity to the Council's IT environment, including to three higher risk business applications (HR, Finance and Housing systems due to the personal and/or sensitive data held). The audit found effective processes for managing starters, movers and leavers promptly and accurately; access to (in scope) business applications is effectively managed; and higher privilege (e.g. system and domain administrator) accounts have strong password

	requirements and are only available to IT staff with a legitimate need. Some processes (within IT and specific to individual business applications) have not been documented and there is an opportunity to provide a more a consistent application of security standards to business applications through single sign-on.
Homelessness - Triage	Following a restructure of the Homelessness Team, the team have been divided into three distinct areas (Triage, Prevention and Relief). The purpose of this audit was to review the triage process once a new referral has been received from a household at risk of homelessness, through to the subsequent transfer of cases to the Prevention Team. The review found the team effectively use the 'LocataPro' system to allocate households to Case Officers, prioritise cases, undertake all necessary checks/complete actions in a timely manner, and document decisions made. Performance is regularly monitored a reported. At the time of review, processes and procedures have not been formalised. A review of the Prevention and Relief stages is included within the 2023/24 plan.
Housing – Legionella Checks	The audit confirmed there is a sound framework to ensure all relevant checks, maintenance and remedial works are undertaken promptly, and at the correct frequency, with all relevant documentation held. Regular, formal contract management meetings are held with Integrated Water Services and performance is monitored and reported. Whilst there is a sound framework, the review identified the Council's Policy has not been recently reviewed to ensure it reflects current requirements, operational processes have not been documented and roles and responsibilities have not been updated.
Fleet Management	The audit found that all vehicles and some specialist equipment are recorded on the fleet management system (Truckfile) and assigned an appropriate service and inspection schedule. Parts, consumables and engineer's time for servicing, maintenance and repair are recorded against each vehicle's record which are retained for the life of the asset. At the time of review, a long-term fleet strategy had not been documented and performance indicators, monitoring and reporting were being developed but had not been formalised.
Keyhaven Income	The review found that income is collected in line with published fees which are reviewed and approved annually. Whilst all income collected is reconciled and logged on the Council's financial system, enhancements to the process were identified and at the time of review, operational income collection processes had not been documented.

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.

Review area	Summary
Use of Agency Staff	Please refer to pages 8-9
IT Asset Management	Please refer to pages 9-10
Open Spaces – Safety Checks	Please refer to page 10
Engineering Works	Please refer to page 11

Whilst not resulting in an assurance opinion, other planned internal audit activity for the year included:-

Test and Trace Payment Scheme; Contain Outbreak Management Fund; and Biodiversity Net Gain Grant – we certified that all grant conditions were met (9 grants in total)

IT Disaster Recovery and Business Continuity Planning; and Risk Management (follow-up audits).

Whilst in progress, the Business Continuity and Housing Asset Management – Electrical Safety Check audits have not sufficiently progressed to inform the 2022-23 Annual Internal Audit Report and Opinion and will therefore contribute to the 2023-24 report.