

AUDIT COMMITTEE

30 JANUARY 2020

REPORT OF THE INTERNAL AUDIT MANAGER

A.1 PERIODIC REPORT ON INTERNAL AUDIT – SEPTEMBER TO DECEMBER 2019 AND UPDATED INTERNAL AUDIT CHARTER

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period September 2019 – December 2019.

EXECUTIVE SUMMARY

- A total of eleven audits have been completed since the previous update in September 2019. A further ten are still in fieldwork phase and a final four audits have been allocated.
- Four consultative reviews are ongoing; Digital Transformation Programme, Office Transformation Programme, Project Management and Northbourne Security Review
- Two audits in the period received an overall audit opinion of 'Improvement Required'
- Compliance with the Public Sector Internal Audit Standards (PSIAS) has now been reviewed by self-assessment and a Quality Assurance Improvement Program (QAIP) has been developed for review.

RECOMMENDATION(S)

That the Audit Committee:

- (a) considers and notes the periodic report; and
- (b) approves the Quality Assurance Improvement Program (QAIP), to be assessed periodically and ensure the actions within it are implemented.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The Internal Audit function is operating within the budget set.

Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

LEGAL

The Council has a statutory responsibility to maintain adequate and effective internal audit.

The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards and guidance.

OTHER IMPLICATIONS

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.
Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION**BACKGROUND**

- The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit Manager to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year.
- Reporting arrangements also provide an indication on whether the Head of Internal Audits Annual Assurance Opinion can be provided at the end of the financial year.

INTERNAL AUDIT PLAN PROGRESS (2019/20)

A total of eleven audits have been completed since the previous update in September 2019. A further ten audits are in fieldwork phase and the final four audits have been allocated to be complete.

Nine of the eleven audits have received a satisfactory level of assurance, however; two audits; Planning Enforcement and Housing Repairs and Maintenance, have received an overall audit opinion of 'Improvement Required'.

With only four audits to be allocated and completed between January – April 2020.

As there are a number of audits that are continuous or consultative, it is necessary to provide a summary of progress below;

Office Transformation Programme

The transformation board continues to meet on a regular basis to review progress with the Office Transformation Program. No significant issues have been raised regarding operational processes or internal controls.

Digital Transformation Programme

At the last digital transformation meeting attended by Internal Audit, no operational or internal control concerns were raised within the meeting. Cloud migration is the current priority within the programme.

The next phases of the program were discuss. As there is a lot of work being carried out within the Council depot as part of the Northbourne Security Review that we have been working with the service on, it was raised at the meeting that a new field management software was due to be implemented which would improve the efficiency of day to day operations and provide an electronic solution for Job and workflow management, scheduling and resource management and parts and stock management. It was agreed for IT to be involved in the process and determine how the new system would work with the Councils self-service objectives.

Project Management

As reported at the September 2019 Audit Committee, the Project Management Board is now in place with projects being assessed under the headings / criteria as previously reported to ensure adequate assessments of projects are undertaken to ensure all relevant information is available prior to the progression of a project.

No significant issues have been identified to date and the feedback from Officers has been positive as it has allowed constructive challenge to take place and further development of business cases prior to approval and progression.

Northbourne Security Review

Internal Audit have been supporting the Head of Building and Engineering Services in improving the security arrangements of Northbourne Depot. An electronic gate is due to be installed within the next month where only authorised personnel will have access. Improved CCTV is also being installed covering all areas of the depot.

As mentioned above, a new field management system is to be implemented to improve stock control, job and workflow management and scheduling efficient, logistical workloads.

Quality Assurance

The Internal Audit function issues satisfaction surveys for each audit completed. In the period under review 100% of the responses received indicated that the auditee was satisfied with the audit work undertaken.

Resourcing

At the previous audit committee it was reported that a member of the audit team was on long term absence and another member of the team was on maternity leave. Both Officers have now left the Councils employment.

An assessment of resourcing will be undertaken with an update to the Audit Committee in March 2020. In the short term, if any material resourcing issues arise, third party suppliers will be sought to cover any potential delays in the delivery of the Audit Plan as we successfully commissioned earlier in the year.

Outcomes of Internal Audit Work

The standards require the Internal Audit Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report five audits have been completed. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues.

Assurance	Colour	Number this Period	Total for 2019/20 Plan	
Substantial		2	4	
Adequate		7	8	
Improvement Required		2	3	
Significant Improvement Required		0	0	
No Opinion		0	0	

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

Significant Issues arising from audits completed in the period under review receiving an 'Improvement Required' opinion and requiring reporting to Committee are: -

Planning Enforcement

The scope of this review was to assess the processes and controls in place when managing public complaints, investigating potential planning breaches, enforcement action and appeals.

The following significant issues and associated actions have been identified within the audit;

1. The current planning enforcement policy is dated November 2010. As well as questions whether the policy reflects current regulations, working practices and political thinking, it is noted that it also contains references to former council officers and former government departments.
 - *An up to date Enforcement Policy is to be reviewed and adopted, following correct authorisation.*
2. Once it has been established that a planning breach has occurred, a scored HARM assessment should be carried out and checked to evaluate whether further action and resource is justified.

Throughout the audit, there were cases where no assessment could be located or had not been checked by the Planning Enforcement Manager, in line with guidance notes which provides evidence of an independent check.

- *The format of HARM assessments is to be reviewed and adopted. Use of the form is to be incorporated within Officer Guidance and used and recorded appropriately on the Enforcement System.*
3. Planning Enforcement have use of the Enterprise module of the Planning Software. This is a real time monitoring software, which shows what stage each case is at, and whether it has reached its' milestone.

Due to amount of technically overdue cases, this is not used to manage cases effectively due to volume. In addition, it was advised that some of the target timings on the software are wrong.

- *Use of the Enterprise software and pre-set milestones to be reviewed and amended, in liaison with IT. Use of global or diverted Uniform diaries also to be investigated and solution sought to enable other officer's access to overdue case diaries, as appropriate.*
4. To provide an effective and timely enforcement service, potential breaches need to be managed and a process followed.

There have been cases where there has been large gaps between any actions being taken, which could give the impression of allowing breaches to progress or complaints being ignored. Due to a lack of consistent procedures and notes, it is problematic to know the exact status at a glance, especially if an officer has left council employ.

- *All cases should have all activity, diary dates and next steps clearly recorded on the enforcement system, and officers reminded to this effect.*

Housing Repairs and Maintenance

The scope of the review was to review the processes and procedures in place for repairing and installing kitchens and bathrooms within Council Housing Stock and reactive repairs and maintenance.

1. Variation orders are not written down when changing the value of a job with a third party contractor, therefore no record is available to determine the nature of why the change was required.
 - *Written Variation orders to be enforced and retained. A linked process to be created to ensure these are managed and matched with invoices.*
2. The software used for Housing Repairs - Northgate - continues to lack full capability, with several subroutines defective.

Examples include reporting issues, adjusting Schedule of Rates items, and communication issues with third party e-mail recipients.

- *A workflow system is to be installed and used as the default software for recording Building Repairs jobs. Also to be used for other functionality such as stock control and electronic ordering.*

Information Governance – GDPR Review

No significant issues were identified during the review; however, an issue of non-compliance with the Data Protection Act 2018 was identified for consideration along with proposed actions by the Audit Committee.

1. There have been occasions in the past where personal and special category TDC data has been forwarded to personal emails by both Officers and Members. It is however recognised that this is for ease of use rather than anything malicious.

However Data Protection Act 2018 legislation, particularly Article 5, Paragraph 1(f), requires personal data to be “processed in a manner that ensures appropriate security of the personal data”.

We are unable to demonstrate compliance in this regard as personal devices and their cyber-security remain outside of the sphere of Council knowledge, control and management.

- *It is therefore recommended that Officers be reminded of the need to ensure that TDC data be retained within TDC encrypted, secure ‘official’ emails and not forwarded to personal emails. In respect of Members, the recommended control is that only Council issued equipment and email addresses should be used to prevent the need of forwarding data to personal emails and increasing the risk of non-compliance and the wider financial and reputational consequences if personal data is not secure.*

The IT & Resilience Team are reviewing this issue and exploring the most appropriate option in terms of providing the necessary equipment to Members.

Update on previously reported significant issues

Housing Allocations

Allocations System

Northgate has been used for many years for the administration of allocating available properties.

Despite attempts at workarounds, the software and current process has several inherent issues.

These include:

- Housing priority lists cannot be reproduced at a later date to evidence banding priorities at that time of allocation.
- Applicant preferences are not reflected within software, including location or disabled adaptations
- There are many manual processes involved that are completed outside of the allocations system, including notes on applications not being successful which ideally should appear on the list from the outset.

Agreed Action Update;

A business case is currently being written to adopt a new allocations system via Housing Partners.

Validation of Declarations

Applicants must make specific declarations on an application form, which need to be subject to a reasonable verification process as any incorrect information provided may lead to withdrawing an offer of housing or voiding a tenancy if it was identified at a later date.

Agreed Action Update;

The Housing Allocations Manager has been liaising with the Safer Communities Manager to determine the best way of getting relevant information quickly. TDC have adopted the Essex Wide Prisoner Release Protocol which has also been adopted by all other Essex Authorities. By being part of this group information relevant to a new applicant should be available.

Scanned Documentation

Scanned documentation relevant to an application and allocation should be retained for subsequent retrieval in case of query or challenge.

During the audit, it was identified that full documentation was not being retained for all applications sampled.

Agreed Action Update;

The Team have begun scanning documentation on to the Councils Corporate EDRMS System. They are currently working their way through the backlog of older hard copy files.

For reporting purposes, the number of significant findings identified with outstanding actions are listed below;

Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	0	
Not yet due	6	

QUALITY ASSURANCE IMPROVEMENT PROGRAMME (QAIP)

The Internal Audit function are required to be assessed externally every five years on compliance with the Public Sector Internal Audit Standards (PSIAS). This was undertaken two years ago and actions from the assessment have been implemented as previously reported to the Audit Committee. Within the five year assessment period, Internal Audit are required to undertake a periodic self-assessment against the PSIAS in order to develop a QAIP. The QAIP has now been completed identifying areas where further development and partial compliance has been recognised.

The QAIP can be reviewed as Appendix B of this report. Actions and target dates have been attached against the standards where further development is required.

BACKGROUND PAPERS FOR THE DECISION

Audit Report

APPENDICES

Appendix A – 2019/20 Internal Audit Plan Progress Report
Appendix B – Quality Assurance Improvement Programme (QAIP)