

AUDIT COMMITTEE

25 FEBRUARY 2021

REPORT OF INTERNAL AUDIT MANAGER

A.1 REPORT ON INTERNAL AUDIT – OCTOBER 2020 - JANUARY 2021

(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 October 2020 – January 2021 as required by the professional standards.

EXECUTIVE SUMMARY

- A total of 9 audits have been completed since the previous update in October 2020. Eight audits are in fieldwork phase, fieldwork is complete on a further three audits and a final four audits have been allocated.
- Internal Audit continue to have some involvement in the following consultative reviews; Digital Transformation Programme, Office Transformation Programme and Project Management
- One audit in the period received an overall audit opinion of 'Improvement Required'
- The Internal Audit Team continues to support the Silver Cell and Community Hub in the COVID-19 Emergency Planning response
- An update on progress on actions relating to the Quality Assurance Improvement Program (QAIP) is provided (Appendix B). Two outstanding actions are now compliant and one action has been delayed.

RECOMMENDATION(S)

- a) That the reports be considered and noted; and
- b) That the Quality Assurance Improvement Program (QAIP) be reviewed and noted.

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 require the Acting Audit and Governance Manager to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

INTERNAL AUDIT PLAN PROGRESS 2020/21

A total of nine audits have been completed since the previous update to the Audit Committee in October 2020. Fieldwork has been completed on a further three audits with the draft report yet to be negotiated. Fieldwork is ongoing on another eight audits with a final four audits allocated.

Eight of the nine audits complete received a satisfactory level of assurance. One audit (Princes Theatre) received an overall opinion of 'Improvement Required'.

Fieldwork has been completed on three audits; GDPR – Data Sharing Agreements, Fleet Management and Impact on Governance – COVID-19.

Consultancy and advice continues to be provided on Digital Transformation, Office Transformation and Project Management where required. There are no significant issues to report in this period.

The final four audits have started in February 2021. Three of which relate to the revenues and benefits service which have purposely been left as late in the year as possible due to the impact that issuing business grants has taken on the service.

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

Internal Audit is currently working with an establishment of 3 fte with access to a third party provider of Internal Audit Services for specialist audit days as and when required.

The Internal Audit Team did recruit an apprentice in October 2020; however, due to the impact of COVID-19 on workloads and the changes in processes across all service areas there has not been enough administrative work to keep them busy full time and there has also not been enough time to adequately manage and monitor the apprentice's progress. Therefore, the apprenticeship has been put on hold and will be reassessed later in the year.

The Internal Audit Team continues to support the Emergency Planning function as required.

At the last update in October 2020 it was expected that the Internal Audit Plan would be on track to be complete earlier than anticipated. However, since the end of the third quarter and the start of the latest lockdown, it has been a challenge for some services to provide enough resource to support the audit.

Because of this we have been risk assessing each audit to determine the level of work needed and negotiating with service managers on resource requirements to ensure that we can complete enough work to still be able to provide an overall opinion. Limitations to the scope are then reported in the Draft and Final Audit Reports.

Outcomes of Internal Audit Work

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

Assurance	Colour	Number this Period	Total for 2020/21 Plan	
Substantial		3	5	
Adequate		4	5	
Improvement Required		1	1	
Significant Improvement Required		0	0	
No Opinion Required		1	3	Three consultative reviews to date

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

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

Princes Theatre

Management Examination of Reconciliations

Reconciliations between systems are required and undertaken to ensure all payments have been received correctly and allocated to correct accounting codes.

At present these are carried out by the Operational Services support team and discrepancies are not viewed and approved by Theatre Management

Agreed action;

Reconciliations are viewed by a member of theatre management to evidence reconciliations have been completed accurately and promptly. There should also be evidence of this check being carried out.

Inadequate Till System

The Essex Hall bar uses tills to record bar sales when it is used for events and hire.

The tills are standalone and do not offer the analytics available to most till systems used in the industry. Because of IT issues connecting the tills to the council's network, the full functionality and office based reporting are not available.

Agreed Action;

Replacement till system to be installed, tested and working in liaison with IT in time for theatre re-opening. Till system to have full stock tracking functionality, back office interrogation and analysis and other suitable features as required for robust modern financial and stock processes.

Lack of Stock Takes

No formal stocktaking is undertaken so it is problematic to ascertain if, or how much, shortfall of stock there is.

This could be caused by wastage, fraud/theft, leakages or stock incorrectly logged.

Agreed action;

Once the new till system is installed, regular stocktakes and line checks to be undertaken to ensure stock management is carried out in a consistent and robust manner. Audit and accountancy to advise and assist as required.

Periodic stock takes will be undertaken manually in the short term until the new till system is implemented.

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	2	The two outstanding issues relate to Housing Allocations and Planning Enforcement with further updates reported below
Not yet due	3	

Update on previous significant issues reported

Housing Allocations

The outstanding action for Housing Allocations relates to the implementation of a new Housing Allocations system. The latest update from the service is that the system is at its final stages of testing. Internal Audit has used the days available in the follow-up review to support the service in implementing the new system and ensuring that as many different scenarios are tested as possible before going live. The system is expected to go live on 1st March.

Planning Enforcement

The Planning Enforcement Follow-Up audit is now in progress. The Auditor is currently reviewing whether all previous issues have now been addressed and will gather evidence to support the actions implemented.

There is currently one major action outstanding regarding the update of the Planning Enforcement Policy. There is a draft policy which is currently being reviewed by our legal team. The policy will then go to the Planning Committee to be approved and adopted.

Impact on Governance – COVID 19

It was reported at the October 2020 Audit Committee that Internal Audit would undertake a review on the impact of governance within TDC due to COVID-19. An external consultant was commissioned to undertake the work due to the Internal Audit Managers involvement with the emergency planning response, which would ensure that the review remained independent.

The work is close to completion and is currently being assessed prior to drafting a report. A more detailed update can be provided at the March 2021 Audit Committee where the outcomes of the review can be reported.

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 three 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 been reassessed and the agreed actions have been updated where the Internal Audit Team are now compliant where they previously were not. One area to highlight where we are partially compliant relates to risk appetite. Aligning the risk appetite of Internal Audit and Risk Management remains outstanding. An opportunity to liaise with Senior Management and the Fraud and Risk Manager to assess the complexities of risk management across all departments has not presented itself over the past year.

Please see Appendix B for the latest QAIP update.

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix A – 2020/21 Internal Audit Plan Progress Report
Appendix B – Quality Assurance Improvement Programme