

AUDIT COMMITTEE

22 APRIL 2021

REPORT OF INTERNAL AUDIT MANAGER

A.1 REPORT ON INTERNAL AUDIT: MARCH 2021 - APRIL 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 March 2021 – April 2021.

EXECUTIVE SUMMARY

- A total of 5 audits have been finalised since the previous update in March 2021. Nine audits remain in progress, six audits are in fieldwork phase and three audits are at 'Draft Report' phase.
- 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. The impact on resourcing is marginal at this stage.

RECOMMENDATION(S)

That the contents of the report and its appendix be 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 five audits have been completed since the previous update to the Audit Committee in March 2021. Fieldwork has been completed on a further three audits with the draft report yet to be finalised. Fieldwork is ongoing on another six audits.

Three of the six audits at fieldwork stage are close to completion, therefore the majority of audit resource for the 2020/21 Internal Audit Plan will be used for the final three audits with the Revenues and Benefits Department.

Four of the five audits complete received a satisfactory level of assurance. One audit (Fleet Management) received an overall opinion of 'Improvement Required'.

Sufficient work will be completed prior to providing the Head of Internal Audit Annual Opinion in July 2021.

During this time the Internal Audit Team is also planning and scoping audits within the 2021/22 Internal Audit Plan for the coming financial year.

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

There has been no changes to the resources available to the Internal Audit Manager since the previous update in March 2021. The Internal Audit Plan is expected to be completed in order to provide the Head of Internal Audit Annual Opinion.

The Internal Audit Team continues to support the Silver Cell and Community Hub in the COVID-19 Emergency Planning response. The impact on resourcing is marginal at this stage.

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 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	Green	0	5	
Adequate	Light Green	4	9	
Improvement Required	Yellow	1	2	
Significant Improvement Required	Red	0	0	
No Opinion Required	Grey	0	4	Four 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: -

Fleet Management

Fleet Management Policy

Issue identified;

There is no Fleet Management Policy in place which would set the standards and regulations for employees to comply with when using Council vehicles. There is a set of guidelines for staff to follow; however, they do not incorporate key legislative requirements and lack key processes and procedures to ensure adequate accountability and effective monitoring is in place, ensuring all operational requirements are recorded in one policy.

Agreed action;

It is recommended that a Fleet Management Policy be finalised, reviewed and communicated to ensure fleet operations and drivers are compliant with both legal and corporate requirements, effectively monitored and provide adequate Officer accountability.

Fleet Management Structure

Issue identified;

The Council has plans to appoint a Transport Manager with the relevant qualifications, who will have responsibility to manage all Council fleet.

Currently, the Officer acting up as Transport Manager is responsible for managing all Council vehicles, excluding Building Services vehicles.

Agreed action;

It is recommended that the Transport Manager has responsibility of all Council Fleet, including Building Services to mitigate the risk of vehicles being inadequately managed.

Departmental Vehicle Tracking

Issue identified;

Service Managers have use of the Hubio Tracking Software. This is a real time monitoring system, which should be used to monitor and manage vehicle use, to regulate the purpose of which Council fleet are being used for. Not all vehicles are able to be tracked due to the increased number of lease vehicles being used within the Building Services Team and Engineering Team as well as the tracking systems available not being used effectively as possible through system errors and irregular monitoring.

Agreed action;

All vehicles to be fit with Hubio trackers that can be removed and installed when lease vehicles are changed to ensure all vehicles being used by Council staff can be continuously monitored. There will be an additional cost to the service which is currently being explored.

Fuel Card System

Issue identified;

The majority of fuel cards are allocated to a vehicle rather than an employee, this allows flexibility to use different drivers for each vehicle. However this creates a lack of accountability if the fuel cards are abused and driver records are not kept up to date. Without restrictions in place regarding fuelling activity, it is difficult to monitor fuel consumption. Anything outside of business use, could be classified as a benefit and have further financial implications on the employee and the Council.

Agreed action;

Controlled fuelling processes and procedures to be included within the Fleet Management Policy which all drivers must agree to and follow ensuring that adequate accountability is in place

Both avenues of allocating to individual staff or vehicle to be explored regarding the allocation of fuel ID cards. Both processes will require improved supplementary processes to ensure adequate controls are in place.

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	0	
Not yet due	5	

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix – 2020/21 Internal Audit Plan Progress Report