AUDIT COMMITTEE

27ᵗʰ JANUARY 2022

REPORT OF INTERNAL AUDIT MANAGER

A.1   **REPORT ON INTERNAL AUDIT – OCTOBER 2021 TO DECEMBER 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 2021 – December 2021 as required by the professional standards.

EXECUTIVE SUMMARY
• A total of 10 audits have been completed since the previous update in September 2021. Seven audits are in fieldwork phase and fieldwork is complete in one audit which awaits agreement of the draft report. The final six audits have been allocated.   • All audits complete in this period received a satisfactory level of assurance.   • A request for a minor restructure has been made in order to increase the part time Audit Technician role to a full time role and remove the part time Senior Auditor post from the establishment.   • A request is made to defer the review of the Quality Assurance Improvement Program to complete in time for the March 2022 Audit Committee

RECOMMENDATION(S)
• **That the reports be considered and noted;**   • **The Procurement Audit be changed to a consultative review to support the transition of new procurement arrangements; and**   • **The Quality Assurance Improvement Program (QAIP) be deferred until March 2022.**

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 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, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

INTERNAL AUDIT PLAN PROGRESS 2021/22

A total of 10 audits have been completed since the previous update in September 2021. Seven audits are in fieldwork phase and fieldwork is complete in one audit which awaits agreement of the draft report. The final six audits have been allocated.

All audits completed within this period received a satisfactory level of overall assurance, receiving either an 'Adequate' or 'Substantial' assurance statement.

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

Office Transformation

The office transformation programme is coming to its end therefore there is no longer a requirement to attend any further meetings. Some finishing work is still required such as snagging, once complete a publication is due to be released along with a report to Cabinet with an overall summary of the programme and a lessons learnt report is to be complete.

The time allocated to the transformation programme can now be retained and used elsewhere within the Internal Audit Plan going forwards.

Project Management

There is no further information to report from Internal Audit regarding project management as there has not been any further Project Board meetings since the last update to the Audit Committee.

Procurement

Procurement was due to have its own audit within the 2021-22 financial year. However, Tendring District Council (TDC) has entered into a partnership agreement with Essex County Council (ECC) whereby ECC will undertake and manage a significant percentage of TDC's procurement activities. Therefore, instead of undertaking an audit on historic procurement activities over the past nine months, it is felt that the time allocated for the audit would add better value in supporting the transition of procurement activities to ECC and helping them create a baseline of current processes and issues that may need to be resolved going forwards.

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 currently has two part time vacant posts; a Senior Auditor (22 hrs p/w) and an Audit Technician (22.5 hrs p/w). A request has been made to carry out a minor restructure where the Senior Auditor post be removed from the establishment and the Audit Technician hours to be increased to a full time post of 37 hours per week.

The administrative burden of ensuring that our systems are up to date and the follow up process on outstanding actions can be time consuming and therefore encroach on the

available audit days for each audit therefore by increasing the hours of the Audit Technician post, this will remove the administration activities from the Auditors as well as provide some development of audit skills when they support the Internal Audit Manager and Auditors to complete audits and even undertake their own audits when the required skills and experience have been achieved.

This will also provide a saving of around £9k per annum from the salary budget which would be transferred to the consultancy budget to be used for external independent consultancy work or to cover for staff sickness if and when required.

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 2021/22 Plan	
Substantial		1	3	
Adequate		9	9	
Improvement Required		0	0	
Significant Improvement Required		0	0	
No Opinion Required		0	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: -

There were no significant issues identified within audits completed during this period.

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	1	Planning Enforcement – A further update is provided below
Overdue less than 3 months	0	
Not yet due	0	

Update on previous significant issues reported

Fleet Management Policy

The Fleet Management Policy went back to HR Committee in September 2021 for approval. The committee requested for some additional changes to be made to the policy and it has now been adopted.

The Acting Transport Manager has passed his final exam and has now been officially appointed as the responsible officer for the Council's fleet.

Planning Enforcement Policy

The last update to the Audit Committee explained that the Planning Enforcement Manager had recently left the organisation. The department has now appointed an agency Planning Enforcement Manager. The latest update from the service in December is that three permanent members of staff have since left the organisation therefore the new manager has been tasked with filling those vacancies as well as finalising the Planning Enforcement Policy together with our legal team. The Assistant Director for Strategic Planning and Place has advised that the policy is expected to be finalised in the next few months as some changes are required to ensure that the policy mirrors and complements the objectives established within the Local Plan.

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 four 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 was assessed in 2020/21 and the report was provided to the Audit Committee in January 2021 for review. The Internal Audit Manager has not been able to complete the self-assessment against the Public Sector Internal Audit Service due to other priorities in this period. It is requested that the assessment be deferred and brought back to the March 2022 committee for review.

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix A – 2021/22 Internal Audit Plan Progress Report