

AUDIT COMMITTEE

25 APRIL 2022

REPORT OF INTERNAL AUDIT MANAGER

A.1 REPORT ON INTERNAL AUDIT – JANUARY 2022 - MARCH 2022

(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 January 2022 – March 2022.

EXECUTIVE SUMMARY

- A total of 6 audits have been finalised since the previous update in January 2022. Seven audits remain in progress at fieldwork stage.
- One audit in the period received an overall audit opinion of ‘Improvement Required’
- An annual self-assessment of the Internal Audit Team has been conducted by the Principal Auditor against the Public Sector Internal Audit Standards (PSIAS). Where it is considered that a standard has not been met or partially met, this has been recorded to form a Quality Assurance Improvement Programme (QAIP) for the Audit Committee to review.

RECOMMENDATION(S)

- (a) That the contents of the report be noted; and
- (b) That the Quality Assurance Improvement Programme be agreed.

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, a report that is used to inform the Annual Governance Statement.

INTERNAL AUDIT PLAN PROGRESS 2021/22

A total of six audits have been completed since the previous update to the Audit Committee in January 2022. Fieldwork is ongoing on another six audits. We currently have audits on Depot Operations and Depot Waste Management in the audit plan. Initially when we adopted the audit plan we were unsure of the level of work needed for both of those reviews which is why two separate audits were set up. After initial discussions it is now felt that the two audits can be merged and reported under one title of Depot Operations as the areas are linked and it will save on time with regards to Officer meetings and reporting arrangements.

Five of the six audits completed received a satisfactory level of assurance. One audit (Careline) received an overall opinion of 'Improvement Required'.

Progress on all audits in the 2021/22 Internal Audit Plan is evidenced in Appendix A.

Sufficient work will be completed prior to providing the Head of Internal Audit Annual Opinion in June 2022.

During this time the Internal Audit Team is also planning and scoping audits within the 2022/23 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

The Internal Audit Team have opted out of the 30 day consultation period required when a restructure takes place. This will allow the team to begin the recruitment process for the vacant Audit Technician post in the coming weeks.

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 2021/22 Plan | |
|----------------------------------|--------|--------------------|------------------------|----------------------------------|
| Substantial | | 1 | 4 | |
| Adequate | | 3 | 12 | |
| Improvement Required | | 1 | 1 | |
| Significant Improvement Required | | 0 | 0 | |
| No Opinion Required | | 0 | 6 | Six 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: -

Careline (Internal Audit completed February 2022)

Strategic Direction of Careline

Issue identified;

In 2021, Careline won the contract to provide local Careline out of hours' coverage for Essex County Council (managed by Provide), using its established team and building on work already undertaken for them.

During the audit, it became apparent that the service struggled to provide the expanded contractual service required and consistently underperformed call response times, with the major contributing factors being the availability of trained officers and increasing volume of calls.

Risk:

If the contract is exited without due attention to detail and evaluating all options, there is considerable financial and reputational risk to the council which could affect budget performance and future effectiveness and integrity of the Careline service.

Agreed action;

Following the cessation of the contract, it would be timely to review the strategic direction of the service, especially considering the operational and staffing issues and difficulties of fulfilling larger contracts.

For the short term, the service will concentrate on exiting the Provide contract in a professional manner, including continuing liaison meetings and ensuring all data and GDPR obligations are carried out as required.

Subsequently, the service will be reviewed and future strategic direction decided. Current options include a pivot to organic growth from private users, smaller contracts and continuing to work with Provide in other capacities. There are also other options to explore, including integration of some healthcare services.

Any options or direction chosen should be undertaken in consultation with, senior management, the Portfolio Holder and the appropriate committee.

Management of Careline Debtors

Issue identified:

Service users should pay on a monthly basis, using a direct debit mandate. Where funds are unable to be taken, the council's debtors procedure is initiated and a series of up to three letters are sent until payment is made.

Should no payment be received, then the debt is returned to the department for further decision and action.

Currently, there is only a very ad hoc process in place and no scheduled monthly action. A spreadsheet is maintained and updates added by the officer managing the debt. The spreadsheet shows that several months can elapse between contacts with the debtor, and follow up is not always prompt.

This has led to a build-up of debt, some quite long term.

Risk:

Without managing debtors, there is risk of payments not being collected at the due time, or at all, which has an adverse financial and resource impact.

If long term debtors are not managed, it could lead to the position of unfairly allowing some users to continue to use the service for no charge, while the majority continue to pay.

Agreed action;

Outstanding debts are to be reviewed and actions taken to progress a resolution and substantially reduce the outstanding amount.

Options may include write off, further chasing or review supply of service in the event of longer term non-payment. In the latter, there needs to be a formal process developed where especially vulnerable users are concerned.

In addition, a new process involving a responsible officer will be introduced to monitor and manage ongoing outstanding debtors on a consistent regular basis, once the Corporate Debtors Policy process of automated debt management letters has been exhausted and the debt returned to the department.

The service have developed a Careline Recovery Plan (Appendix B) which incorporates the actions highlighted above as well as more operational actions identified during the audit. The recovery plan has been reviewed and approved by Senior Management ready to be progressed and 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 | 1 | Planning Enforcement Policy – Now added to the table of outstanding actions since the last update from the Acting Director (Planning). |
| Overdue less than 3 months | 0 | |
| Not yet due | 2 | |

Quality Assurance Improvement Programme (QAIP)

As discussed at the January 2022 Audit Committee, the Internal Audit function are required to undertake an annual self-assessment against the Public Sector Internal Audit Standards (PSIAS). This assessment is then used to create a Quality Assurance Improvement Programme (QAIP) which we use for continuous improvement of the service.

Due to resource limitations the Internal Audit Manager was unable to undertake this assessment for the January 2022 Audit Committee and requested that it be deferred to a later date. The assessment has now been completed by the Principal Auditor and the attached QAIP (Appendix C) has been reviewed and updated.

The review identified that a number of actions have been completed and therefore are compliant with the standards particularly around staff training and experience. As our Auditor has completed her apprenticeship and is now a qualified Internal Audit Practitioner with over two years' experience it was felt that the experience of the current team is sufficient to meet those standards and therefore have been removed from the QAIP.

The actions relating to aligning Internal Audits assessment of risk with the Councils risk management framework remains ongoing with further work needed at a departmental / operational level.

Actions in the QAIP relating to 'Proficiency' remain unchanged. We remain a small team and we are continuing to do the best we can to meet those standards with limited resources. It has been identified that although all members of the team have had training in fraud detection historically, it may be worthwhile to refresh our knowledge base.

A new action has also been identified relating to policy and procedures. The Internal Audit Manual has not been updated since 2017. Although the main body of the manual is still relevant it will need to be updated to reflect changes in software usage and audit techniques for future staff training.

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix A – 2021/22 Internal Audit Plan Progress Report

Appendix B – Careline Action Plan

Appendix C – Quality Assurance Improvement Programme