

**Public**  
**Key Decision - No**

## **HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title/Subject Matter:** Internal Audit Service: Annual Report 2021/22

**Meeting/Date:** Corporate Governance Committee – 13th July 2022

**Executive Portfolio:** Executive Councillor for Corporate & Shared Services, Councillor Martin Hassall

**Report by:** Deborah Moss, Internal Audit Manager

**Ward(s) affected:** All Wards

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### **Executive Summary:**

The Public Sector Internal Audit Standards (PSIAS) require the Committee to receive an annual report on the work of the Internal Audit Service. The report is required to include:

- The opinion
- A summary of the work that supports the opinion; and
- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

This report details the work undertaken by Internal Audit during the year ending 31 March 2022 to support the following opinion statement.

### **Audit Opinion:**

Based upon the work undertaken and knowledge of working arrangements, it is my opinion that the Council's governance, internal control environment and systems of internal control as at 31 March 2022 provide adequate assurance over key business processes and financial systems.

A limitation of scope is placed on the aspect of risk management, which is excluded from the above opinion. At the year-end there was insufficient assurance available for the Internal Audit Manager to offer reasonable assurance for this area.

**Deborah Moss**  
**Internal Audit Manager**

July 2022

There is some evidence to suggest that the assurance level has dropped in some areas, which have been drawn to management's attention, but generally internal control is adequate. Senior Management has agreed that an action plan will be put in place to ensure that the specific areas of lower opinion will be addressed and internal control assurance improved.

A limitation of scope remains in place for the area of Risk Management, which remains outside of this assurance opinion. However, within the new financial year 2022/23 specific attention has been made towards risk management and development made to increase risk management at HDC.

The opinion is based on the outcome of: 12 audit reviews, 3 follow ups; and 7 key financial systems. These produced 48+ (some still to be agreed) new audit actions.

The following new areas are brought to Committee's attention:

- 1) Risk Management: no assurance opinion is given, but it is acknowledged that between the end of the year and the preparation of this report, action has been taken to move risk management in the right direction.
- 2) Cyber Security: two of the red priority actions remained outstanding.
- 3) Debtors and Creditors: decline in performance in relation to a number of controls.
- 4) Implementation of Audit Actions: managers continued poor performance in introducing actions that they have already agreed to.
- 5) Small Works expenditure - risk of purchasing activity in breach of our Code of Procurement and poor control over spending generally.

The Internal Audit Manager continues to report functionally to the Corporate Governance Committee and maintains organisational independence. There were no constraints placed upon her in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

### **Recommendation(s):**

It is recommended that the Committee:

1. Consider and comment upon the report; and
2. Take into account the audit assurance opinion when considering the Annual Governance Statement (AGS) for 2021/22.

## **1. PURPOSE OF THE REPORT**

- 1.1 This is the annual report of the Internal Audit Manager (IAM). It covers the period 1 April 2021 to 31 March 2022.
- 1.2 The report includes the IAM's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

## **2. WHY IS THIS REPORT NECESSARY**

- 2.1 The Accounts and Audit (England) Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) require an annual report to be considered by the Committee as they fulfil the role of the Board (as defined by PSIAS).

## **3. OPTIONS CONSIDERED/ANALYSIS**

- 3.1 The Internal Audit Service Annual Report 2021/22 at Appendix 1 provides details of the work undertaken by Internal Audit during the year ending 31 March 2022 to support the annual opinion statement. This annual assurance opinion and any governance issues are to be included within the Council's AGS for the year.
- 3.2 The PSIAS details the matters that are required to be included in the annual report. These are:
  - a) The opinion
  - b) A summary of the work that supports the opinion; and
  - c) A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.
- 3.1 There are a number of matters within the audit reviews that are brought to the Committee's attention. These are detailed in the annual report and may be taken forward to the AGS as governance issues.

## **4. KEY IMPACTS / RISKS**

- 4.1 Failure to provide an annual report would lead to non-compliance with the PSIAS and require the matter to be reported in the AGS.

## **5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION**

- 5.1 The annual report will be considered by the Committee during the preparation of the AGS.

**6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES**

6.1 The Internal Audit Service provides assurance to management and the Committee that risks to the delivery of the Corporate Plan across all of its areas are understood and managed appropriately.

**7. REASONS FOR THE RECOMMENDED DECISIONS**

7.1 In fulfilling its obligations under the PSAIS, the Committee is required to receive an annual report on the work of the Internal Audit Service. The outcomes of the report, particularly the annual opinion statement, will be included within the Council's AGS.

**8. LIST OF APPENDICES INCLUDED**

Appendix 1 – Internal Audit Service Annual Report 2021/22

**9. BACKGROUND PAPERS**

Internal Audit Reports

Internal Audit performance management information

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## Appendix 1: Internal Audit Service: Annual Report 2021/22

### 1. INTRODUCTION

- 1.1 This is the annual report of the Internal Audit Manager (IAM) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2021 to 31 March 2022.
- 1.2 The report includes the IAM's annual opinion on the overall adequacy and effectiveness of the Council's internal control, governance, and risk management processes. The opinion is based upon the work carried out by Internal Audit during the year, together with any other assurances and general knowledge gained throughout.
- 1.3 The report provides information on:
- Delivery of the annual audit plan;
  - Audit reports issued and issues of concern;
  - Implementation of agreed actions;
  - Internal Audit's performance; and
  - Quality assessment and improvement programme.

### 2. OVERALL OPINION

**Audit Opinion** on the Council's internal control environment and systems of internal control in providing adequate assurance over key business processes and financial systems:

Based upon the work undertaken and knowledge of working arrangements, it is my opinion that the Council's governance, internal control environment and systems of internal control as at 31 March 2022 provide adequate assurance over the key business processes and financial systems.

A limitation of scope is placed on the aspect of risk management, which is excluded from the above opinion. At the year-end there was insufficient assurance available for the Internal Audit Manager to offer reasonable assurance for this area.

**Deborah Moss**  
**Internal Audit Manager**

July 2022

- 2.1 Assurance can never be absolute. The audit opinion reflects the IAM view on the current state of the internal control environment and the effectiveness of the systems of internal control across the Council and provides the Committee with an opinion for inclusion in the Annual Governance Statement (AGS).

If significant changes occur to the internal control environment prior to the Committee approving the AGS the Committee will be informed.

- 2.2 Last year 2020/21 the annual audit opinion was stated as adequate assurance. This year 2021/22, there is some evidence to suggest that this assurance level has dropped in some areas, which have been drawn to management's attention, but generally the internal control is adequate. Senior Management has agreed that an action plan will be put in place to ensure that the specific areas of lower opinion will be addressed, and internal control assurance improved.
- 2.3 Whilst no assurance opinion is given for risk management for the year, it is acknowledged that between the end of the year and the preparation of this report, action is being taken to move risk management in the right direction. A corporate risk register has been drafted. The intention is now to review the service level risk registers and update them. The Risk Management Strategy is being reviewed and revised and will include a review of our risk appetite. All of these are considered to be positive moves towards getting risk management back in place and of value to the organisation.  
The Risk & Controls Group, made up of various second line disciplines and third line of defence Internal Audit, continues to meet and provides advice and oversight to all Services and report to the Senior Leadership Team on a monthly basis.
- 2.4 The assurance opinion is based on the outcome of 12 audit reviews (some still to be formally issued on), 3 follow-up reviews and the review of key controls within 7 core financial systems. There have been nil substantial assurance, seven adequate assurance and five limited assurance audit reports (general and IT) issued in 2021/22. These audits have identified 48+ actions for improvement (some still to be formally agreed). None of these actions have been classified as 'red' or 'high risk' actions (ie meaning the uncontrolled risk has the potential to seriously affect service delivery).
- 2.5 The core financial audits also identified actions in addition to outstanding actions from last year and action is ongoing to address these areas eg accounts receivable. An adequate opinion has been given to each except for Accounts Receivables which was given limited assurance and council tax/NNDR (which has yet to be finalised but is anticipated as adequate assurance).
- 2.6 During the year, Managers were asked if they were aware of any planned reviews by external organisations from which assurance could be obtained on the operation of the internal control environment and systems of internal control. All Services were asked to provide details of any third party or external assurances they obtained for their Service or any self-assessments they had carried out. The purpose of this was to gain any assurance to support the assurance in that Service area and to further support the overall corporate annual audit opinion.
- 2.7 The IAM continues to report functionally to the Corporate Governance Committee and maintains organisational independence. In 2021/22 the Audit Manager had no constraints placed upon her in respect of determining overall audit coverage, audit methodology, the delivery of the

audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

### 3. DELIVERY OF THE 2021/22 INTERNAL AUDIT PLAN

#### 3.1 Resourcing

The Acting Internal Audit Manager became permanent in April 2021.

This appointment left an auditor vacancy to be backfilled. Recruitment to this post proved difficult with a national shortage of auditors generally and fewer with public sector experience. Following an unsuccessful recruitment campaign, we decided to advertise internally and 'grow our own'. This was successful and a new trainee internal auditor started in September 21, learning on-the-job and studying for the professional Institute of Internal Auditors qualification.

3.2 Supporting a trainee within a very small team has had an effect on Service delivery but is a worthy investment for future capacity and long-term sustainability.

3.3 The service is now resourced as follows:

Internal Audit Manager - 0.8 FTE

Auditor - 0.4 FTE

Trainee Internal Auditor - 1.0 FTE

Total for general audit 2.2 FTE

IT audit provision is contracted out (currently being retendered).

#### 3.4 Internal Audit Reports Issued

Internal Audit reports issued are listed in the table below - grouped by assurance opinion (see Appendix B for definitions). It also details the number and priority of actions from each audit review.

Audit area	Audit Actions	
	Red	Amber
<b>Substantial</b>		
<b>Adequate</b>		
Parking: MiPermit 21.22	0	3
Overtime 21.22	0	6
Towns Programme 21.22	0	0
Section 106 Agreements 21.22 **	0	4
Shadow IT / Service-procured systems 21.22 *	0	3*
Corporate Enforcement Policy 21.22 *	0	7*
IT Procurement & Contract Management 21.22 *	0	2*
<b>Limited</b>		
Compliance with Code of Transparency 21.22	0	3
ICT Asset Inventory 21.22	0	8

Audit area		Audit Actions	
		Red	Amber
	Right to Work 21.22	0	3
	Small Works Contract 21.22	0	4
	Sickness – follow up review	-	-
<b>No opinion given</b>			
	Disabled Facilities Grants District Certification 2020/21	-	-
	Delivery of Capital Plan follow up	Further follow up recommended	
	Land Charges follow up review		

\* Report not yet issued – anticipated number of actions are stated

\*\* Draft report status

3.5 Appendix A provides a summary of the main findings from each audit report issued.

3.6 As in previous year's, the audit plan included the review of key controls within a number of key financial systems. The assurance opinions given on these systems are set out below:

Audit area	Level of assurance				Action Actions	
	Substantial	Adequate	Limited	Little	Red	Amber
Council Tax *		✓				*
Non-Domestic Rates *		✓				*
Housing Benefits – payments		✓				0
Housing Benefits – recovery		✓				0
Main accounting system		✓				2
Accounts payable (Creditors)*		✓				*
Accounts receivable (Debtors)			✓			3

\* an opinion/report has not yet been issued for these areas.

The frequency of continuous auditing quarterly reviews has been carried out on a risk v. value evaluation; where the opinion from previous quarters has been adequate or substantial it was deemed unnecessary to review every quarter, and similarly, where audit actions remained outstanding from last quarters, then the audit review was not always carried out.

A quarter 4 /end of year review was undertaken in all areas, and an audit opinion and agreed audit actions to redress any recurring/outstanding issues were provided.



### 3.7 **Other activities undertaken**

In addition to the reports listed above, review or audit involvement has also been undertaken on the following areas and are considered to be the 'value add' that Internal Audit provides to HDC:

- HDC Governance Processes: eg participating in the Council's Information Governance Group, review of data breaches and the process to be followed, running diligence checks on subjects of complaints to the Council or subjects of review, whistleblowing allegations and reports, commenting on the use of consultants and IR35 compliance.
- Additional support provided on an adhoc basis to services: eg Reviewing and advising upon waivers to the Procurement process, policy review for cash/cashing up at One Leisure, internal and external insurance advice, advising on the Energy Rebate Payment controls, advice on legal claim against HDC for compensation, new Leaver's for, review within the Ideas Process.
- Income certification to Govt: declaration of spend for additional income such as Disabled Facility Grants and the Government's COVID support grants
- Risk and Control: membership of the Council's Risk and Control Group, contributing to the assessment and update of the Council's risk register, providing lone working advice to the board, advice on risk/control issues.
- Collaboration and knowledge sharing with other Local Authorities through various networking groups and online requests for information.
- Provision of Management information eg monitoring and reporting of audit actions, review of AGS issues, audit committee reports.

### 3.8 **Areas of Concern**

There are a number of matters within the audit reviews and from other work undertaken that need to be brought to the Committee's attention. These may be taken forward to the Annual Governance Statement as governance issues.

- 1) Risk Management: no assurance opinion could be given for the year, but it is acknowledged that between the end of the year and the preparation of this report, action is being taken to move risk management in the right direction.
- 2) Cyber Security: 2 of the red priority actions and 2 amber priority actions remained outstanding. Work is continuing to implement these actions which should then increase the assurance opinion for the area and risks.
- 3) Debtors and Creditors have seen a decline in performance in relation to a number of controls. Debtors – whilst invoices are raised and reminder letters issued, the recovery work following remains sporadic with the volume of work. Creditors – performance has dropped generally.

- 4) Implementation of Audit Actions: managers continued to miss deadlines for implementing actions they have already agreed to. The performance indicator (% of agreed internal audit actions introduced on time) provides an assessment of the commitment and effectiveness of management in implementing actions. Managers who do not implement agreed actions arising from internal audit findings expose the Council to continued risk.
- 5) Small works contract - Spend has continued despite the absence of a formal contract and this heightens risk of purchasing activity in breach of our Code of Procurement and poor control over spending generally.

#### **4. IMPLEMENTATION OF AGREED ACTIONS AND FOLLOW-UP WORK**

- 4.1 The Corporate Leadership Team has set a target of 100% of agreed actions to be implemented on time, based on a rolling 12 month timeframe. As at the 21<sup>st</sup> June 2022 the figure achieved was 33% (20 actions due from a total of 61 were on time). This increases to 54% (33 actions from a total of 61) when actions implemented on time and late are combined. 46% / 28 actions were not introduced (due but not acted upon) – two of these are red priority actions.
- 4.2 Statistics on the implementation of actions have been provided regularly to CGC for monitoring purposes. These are also reported in the monthly report of the Risk & Controls Board which is discussed at the SLT meeting. A significant drive was made by Internal Audit to remind and support managers to implement their actions before they fell due and to update the actions database. Extensions to implementation deadlines have been stopped in favour of an action owner update to be provided on the status and progress towards an overdue action. This allows both management and CGC to have better oversight on reasons for delay and whether to allow the risk to continue unmitigated.
- 4.3 Not all the introduced actions are routinely followed up. Our process is that the IAM decides if a follow-up review is required after considering the action's classification, the action itself, the evidence provided by a manager to support the closure of the action and own knowledge of the action taken.
- 4.4 Follow- ups (on implemented audit actions) were very limited during 2021/22 due to resources, and priority was given instead to audit reviews. The exception was IT audit actions where all implemented actions were reviewed to provide assurance that they had been implemented and were operating effectively. It is the intention that priority will continue to be given to audit reviews and not to follow-up work, which can be monitored by Management. Follow ups of non-IT actions will be limited to high priority (red) or significant actions.
- 4.5 The 2022/23 Audit Plan contains planned pieces of assurance work that are follow-ups to previous reviews that are considered significant.

## **6. INTERNAL AUDIT PERFORMANCE**

### **6.1 Service delivery targets**

It is usual practice for Internal Audit to maintain a series of internal performance targets. However, given the level of resourcing and the volume of reviews that could be carried out in 21/22, measuring performance was not carried out.

6.3 Data on performance indicators is usually presented in the annual report. However, it is not included for 2021/22 as it is deemed not representative; where few audits are carried out, each carries a disproportionate weighting. Furthermore, it was considered to be not best use of very limited resource time. Consideration is being given to which performance targets and indicators may be introduced for 2022/23.

6.4 Customer satisfaction surveys were not carried out this year due to the limited number of reviews performed and the need for an updated survey. Comments received informally from managers have, however, been favourable. For activities in 2022/23 a new end of audit survey will be sent to client services for their feedback. The intention is also to resume monitoring of key service delivery targets.

## **7. QUALITY ASSESSMENT & IMPROVEMENT PROGRAMME (QAIP)**

7.1 One of the elements of the PSIAS (Public Sector Internal Audit Standards) is the requirement to maintain a quality assessment and improvement programme. This has been in place throughout the year. A self-assessment review was undertaken in May 2018 to evaluate Internal Audit's conformance with the PSIAS ahead of a planned independent external assessment. Since then, the decision has been that delivery of the internal audit plan was more important than allocating resources to the QAIP.

7.2 The main issues identified from the self-assessment (and which remain) are:

- Auditor training on PSIAS changes introduced
- On-going assessment and identification of auditor training and development needs
- Full review of the audit manual and amendments to reflect several initiatives introduced in recent years.

7.3 This position remains unchanged for last year 2021/22 as there were no plans to carry out an external review. It is unlikely that the Service will be able to support an external review in 2022/23 as it continues to concentrate its limited resources on planned reviews and other work priorities. It is hoped that another self-assessment against PSIAS will be considered later in the year if it is supported by management and the team has capacity.

## **Appendices**

- A. Summary of key findings and good practice identified from 2021/22 internal audit reviews.
- B. Assurance Definitions used in the report

Deborah Moss: Internal Audit Manager  
Huntingdonshire District Council  
July 2022

**Summary of key findings and good practice identified  
from 2021/22 Internal Audit reviews**

<b>Substantial Assurance Reviews</b>		
<b>Audit</b>	<b>Key Findings</b>	<b>Good Practice Reported</b>
None to report		-
<b>Adequate Assurance Reviews</b>		
<b>Audit</b>	<b>Key Findings</b>	<b>Good Practice Reported</b>
Towns Programme 21.22	A high-risk area identified at the start of the review related to long term resourcing and skills availability to support programme delivery. Through reporting and escalation, work is now in hand to recruit officers for both the short and longer term aspects. This is a positive move for the programme team, but will require ongoing monitoring and management to ensure that resourcing risks continue to be mitigated.	clear governance structure in place, which can be adapted as the programme develops and expands.  clear lines of reporting and escalation and processes for capturing and reporting on performance and progress, which incorporate financial information, risks and issues.
Overtime 21.22	<ul style="list-style-type: none"> <li>• Overtime Policy is not widely available and is in need of review</li> <li>• no reporting / review of overtime levels</li> <li>• small number of service based anomalies in the application and management of overtime</li> <li>• The Council routinely overspends against budget for overtime</li> <li>• On average 15,000 hours (approx. £300K) are worked as paid overtime, and this does not include flexi hours accrued (and in some cases lost) by staff across the Council</li> <li>• cases of persistently high overtime levels, with some officers regularly working over 300 overtime hours per year and earning £9-£11K in overtime alone</li> <li>• Overtime and flexi hours accrued by staff can be excessive, uncontrolled and detrimental to staff wellbeing</li> </ul>	The HR and Payroll team have recently migrated to the new HR / Payroll system, iTrent. Efforts have been made to establish clear processes for electronic overtime claims and online authorisations. Despite the overtime policy not being widely accessible, staff and managers are generally well-versed in the subject.

**Summary of key findings and good practice identified  
from 2021/22 Internal Audit reviews**

Parking MiPermit 21.22	<ul style="list-style-type: none"> <li>• No specific written procedure notes for validating permits and how to run reports on MiPermit.</li> <li>• No review process to pick up undeclared changes of circumstances for Historic Permits.</li> <li>• Supporting evidence is not saved when a change of vehicle reg is requested by a customer.</li> <li>• No declaration or reference to the privacy notice on the application form itself.</li> </ul>	<p>The MiPermit portal is clear and intuitive to use, with minimal complaints received from customers.</p> <p>Controls are in place to address a number of risk areas</p>
S.106 Agreements 21.22	<p><i>Report not yet issued:</i></p> <ul style="list-style-type: none"> <li>• Whilst processes are in place over the Section 106 Agreement process, resource limitations both within the team and across the authority are having an adverse impact on the management and monitoring of agreements and the delivery of planning conditions</li> <li>• The corporate appetite for Section 106 monitoring has not been formalised, resulting in inconsistent approaches, poor service buy in and low level resource commitment</li> <li>• Corporate commitment to Section 106 Agreement monitoring has not been formalised</li> <li>• Staff changes and turnover has impacted on gaps in process knowledge and responsibilities</li> <li>• The Section 106 Agreement template requires review and update</li> <li>• Resourcing has an adverse impact on the monitoring of cases and progression of schemes</li> <li>• Local level programme being established for the revision of processes within the team</li> </ul>	<p><i>Report not yet issued</i></p> <p>Despite the limited resource and high volume of clauses the team has worked hard to establish a process for monitoring agreements. Good use is being made of the system to capture activity and flag cases for review. The Finance and Implementation Admin Officer demonstrates a really good understanding of the process, live cases and the action required to drive delivery, and shows commitment to deliver the conditions which underpin the agreements.</p>
Shadow IT / Service-procured systems 21.22	<p><i>Report not yet issued</i></p>	<p><i>Report not yet issued</i></p>

**Summary of key findings and good practice identified  
from 2021/22 Internal Audit reviews**

Corporate Enforcement Policy 21.22	<i>Report not yet issued</i>	<i>Report not yet issued</i>
Main Accounting System 21.22	<ul style="list-style-type: none"> <li>• Oversight review of reconciliations</li> <li>• Larger value items in suspense account.</li> </ul>	
Housing Benefits Creditors 21.22	No significant issues were identified within the review	
Housing Benefits Debtors 21.22	No significant issues were identified within the review	
Council Tax and NNDR 21.22	<i>Report not yet issued</i>	<i>Report not yet issued</i>

**Limited Assurance Reviews**

<b>Audit</b>	<b>Key Findings</b>	<b>Good Practice Reported</b>
Small Works Contract 21.22	<ul style="list-style-type: none"> <li>• Purchasing activity is in breach of the Council's code of procurement.</li> <li>• Increasing levels of reactionary work.</li> <li>• Controls around the checking of pricing and actual works completed are weak.</li> <li>• Invoicing is sporadic and does not provide a breakdown of works undertaken.</li> <li>• Sub-contracting arrangements and responsibility have not been formalised.</li> <li>• HDC is at risk of competitors' challenge</li> </ul>	-
Compliance with Code of Transparency 21.22	<ul style="list-style-type: none"> <li>• Information missing from data sets</li> <li>• Data is not up to date</li> <li>• No overall responsibility at SLT level</li> <li>• Data not easy to locate</li> <li>• Increase in avoidable contact</li> <li>• Data Protection Act link is incorrect.</li> </ul>	Although many data sets were not published in time, the financial data is uploaded in full and on time each quarter. Not only does the financial data meet minimum requirement, expenditure of over £250 is published which is best practice. Information is clear to read, easy to find and suggests that the individual responsible for uploading the data understands their duty.

**Summary of key findings and good practice identified  
from 2021/22 Internal Audit reviews**

ICT Asset Register 21.22	<ul style="list-style-type: none"> <li>• Hardware inventory not up to date with location and custodianship of HDC assets, excluding Council Anywhere Laptops.</li> <li>• Process (for administering ICT hardware or updating the location/custodianship of hardware on the inventory) has not always been followed resulting in an inaccurate inventory.</li> <li>• Number, location, and custodianship of 'old' laptops is unknown, impacting on effective recovery of these assets.</li> <li>• Gaps in the asset tag number sequence in the inventory and no record for the reason why.</li> <li>• No process to review or check for discrepancies in the inventory.</li> <li>• Hardware asset numbers misassigned to assets in the inventory.</li> <li>• No separation of duty during the ordering, receiving, and uploading of assets into the inventory.</li> <li>• Laptops considered to be 'surplus' are sometimes retained by the Services.</li> </ul>	<p>Clear written process in place for purchasing of hardware and administering hardware to employees.</p> <p>The majority of laptops have an assigned individual in the inventory.</p> <p>The inventory itself has the capacity to record a large amount of data.</p>	
Right to Work 21.22	<ul style="list-style-type: none"> <li>• Gaps in employee RTW documentation on file.</li> <li>• Absence of a clear defined process for recruiting managers</li> <li>• Trust ID tool no longer used</li> <li>• Lack of evidence of original ID</li> <li>• No indication ID checked against employee</li> <li>• No EUSS proof</li> </ul>	<p>Credit is given to the HR Team for reacting positively and promptly to the initial audit findings and putting into place a more robust process for the changing regulations.</p>	
Creditors 21.22	<p>Performance of the Creditors system is currently adequate simply because the Creditors system has not failed to achieve the objective of paying suppliers. However, performance against the controls has weakened leading to an increased risk of error and an uncontrolled process.</p>		



**Summary of key findings and good practice identified  
from 2021/22 Internal Audit reviews**

Debtors 21.22	<p>Three significant risk issues were reported together with several process/control failings/lapses.</p> <ul style="list-style-type: none"> <li>• Resource issues have impacted on recovery work undertaken and little formal recovery work is undertaken outside of the reminder letter process.</li> <li>• Administration of Estates recurring bills is a demanding task for the team which can fall behind as a result of competing workload.</li> <li>• Monitoring of payment plans remains ad-hoc and without formal structure / routine, and as a result missed payments may not be acted on and debts may not be escalated for recovery action</li> </ul>	The team continue to work hard to deliver the core Debtors service, prioritising tasks where possible.
Sickness – follow up review	<p>Unrecorded sickness on system.</p> <p>Review of 80 cases (162.5 days) of sickness absence on the timesheets revealed that only 52 cases (112 days) had been recorded on the Payroll system, resulting in 35% of sickness absences (50.5 days) not being reported. In a small number of cases the reporting of these absences would have affected sickness triggers and reviews.</p>	-

## **Appendix B: Assurance definitions: for information**

Substantial Assurance	There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.
Adequate Assurance	There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.
Limited Assurance	There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
Little Assurance	There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

### **Internal control environment**

The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.

### **System of internal control**

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.