Appendix 1 :

Internal Audit Interim Progress Report 22.23

1. Introduction

1.1 Management is responsible for the system of internal control and establishes policies and procedures to help ensure that the system is functioning correctly. On behalf of the Corporate Governance Committee, Internal Audit acts as an assurance function by providing an independent and objective opinion on the control environment.

1.2 This report provides an update on the recent work completed by Internal Audit. The information included in the progress report will feed into and inform our overall annual internal audit opinion within the Head of Internal Audit report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement which accompanies the Statement of Accounts.

1.3 Where appropriate, reports are given an overall opinion based on four levels of assurance. This is based on the evaluation of the control and environment, and the type of recommendations we make in each report.

2. Resources and Team update

2.1 The Internal Audit (IA) Team has three members of staff at a resource level of 2.2 FTEs for general audit. A contract is used for the provision of IT audit of the ICT Service, which is hosted by HDC across the 3Cs shared ICT service.

2.2 From January 2023 a permanent resource of only 1.2 FTE is in place, due to maternity leave of the full-time Audit Trainee. SLT approval has been given for the recruitment of an auditor to cover maternity leave. Given the current nationwide shortage of experienced auditors, if recruitment to this post is not successful the back-up plan will be to request additional audits to be carried out via the IT Audit Contract which will have provision for general audits to be carried out.

3. Progress against the Plan

3.1 Committee approved the Audit Plan at its March 2022 meeting. The Plan was based upon known areas that were assessed as warranting assurance attention and took the form of a prioritised Plan of areas, together with the rationale for the review, the type and area of review proposed, links to risk register risks (allowing assurance assessment update) and corporate objectives. Number of days resource assigned to each audit has not been stated in the last few audit plans to allow for flexibility on scoping the audit. Committee members and senior management were asked for any proposals and input into the Plan, and the areas included were discussed with the Corporate Leadership Team to ensure they were of value and the Plan agreed.

4. Audit Plan Progress: Audits Reports Issued, the audit opinion and summary of findings

Some findings have previously been notified to CGC in the Annual Report

(where the report is still at Draft or Final Report stage this is stated)

Audit	Assurance and Actions	Summary of report and findings
2021.22 Audits		
ICT Asset Inventory	Limited 8 Actions	This review was to provide assurance that HDC's ICT hardware assets were being managed, distributed, and tracked effectively following the implementation of working from home (due to the pandemic). Inventory records were in need of update with location and custodianship for unrecorded assets. Eight actions were agreed – from tighter inventory processes and asset tagging to a donation policy for no longer required hardware to be donated for community enrichment. Seven actions have been notified as implemented.
Overtime	Adequate 5 actions	The review focussed on the management of overtime spend and compliance with the overtime policy across the Council. It considered trends by service / job, potential for capacity issues and sample tested claims to provide assurance that the policy is being complied with. The five actions introduced better monitoring of overtime at management level to ensure overtime is not excessive, is better controlled and better for staff wellbeing.
Compliance with Code of Transparency	Limited 3 actions	The Transparency Code 2015 requires the Council to publish, and make available, a wide range of data about its services. A compliance review was conducted to establish that the data held on the our website was compliant with the Code; that the data uploaded was accurate and complete; the data was accessible; and the frequency of the uploads were compliant to the Code. The audit agreed improvements to ensure that all required data is published and in a timely manner, easier to locate and reduce avoidable contact from the public.
Sickness Reporting follow-up	Limited 3 further actions	This reviewed the implementation and operation of agreed actions from the previous year's review of Sickness Monitoring. It found that sickness was still not being recorded on the system. Further actions were agreed to ensure that services are aware of requirements and that HR monitor this, to ensure appropriate action over absence is taken and sickness triggers are still activated.

Audit	Assurance and Actions	Summary of report and findings
IT Audit Actions implemented– follow up		All IT audit actions from 2020.21 reports onwards that have been closed by the ICT Service as implemented have been followed up. Actions were reopened where testing evidenced that the control /action was not suitably in place. These have since been reworked and implemented/closed again.
Core Financial Systems		**Quarterly reviews are untaken on core financial systems reviewing and providing assurance on the key controls.**
Main Accounting system	Adequate 2 actions / 3 previous actions	This review gave assurance that majority of controls were operating as expected with only a small number of lapses in control. 3 actions agreed as part of the 20.21 report remained outstanding.
Debtors	Limited 3 actions / 1 previous action	Lapses in control in a number of areas were identified throughout 2020.21. Findings at both reviews (Q2 & Q4) found no improvement or implementation of the agreed action. This supported a Transformation Analyst to work with the Team to review the processes and support improved working practices across these service areas.
Creditors	Limited 1 action / 3 previous action	The reviews indicated a decline in the implementation of many key controls throughout the year. This supported a Transformation Analyst to work with the Team to review the processes and support improved working practices across these service areas.
Housing Benefit Debtors	Adequate 0 actions	This review gave assurance that the key controls are operating as expected and the inherent risks are well managed.
Housing Benefit Creditors	Adequate 0 actions	This review gave assurance that the key controls are operating as expected and the inherent risks are well managed.
General Audits		
Corporate Enforcement Policy	Adequate 8 actions	This reviewed the management of how the Council carries out its enforcement activity, specifically how the Corporate Enforcement Policy is working and its impact since introduction. Eight actions were agreed to improve the policy, training, case reviews, and enforcement.
IT: Contract Management	Adequate	Final report agreed
IT: Shadow IT Systems	Adequate	Final report agreed

Audit	Assurance and Actions	Summary of report and findings
2022.23 audits		
Payroll – Payments	Adequate 8 actions	This reviewed the management of risks in the payroll system specifically in relation to payments. Payments were found to be accurate, but improvement actions were agreed around process notes, key person dependency, access controls, ghost employees and disaster recovery. One further action proposed was not agreed with regard to investigation into restricting the full access rights of the other 2Cs Payroll managers. Management was happy to accept the risk on the basis of confidentiality agreements with the other councils.
Grant assurance - Disabled Facilities Grants	Adequate	Certification of the annual grant payment from the Better Care Fund allocated to District Councils via the County Council. Review of a sample of payments made in respect of disabled facilities.
Covid Grant Declarations: • Contain Outbreak Management Fund • Covid Compliance & Enforcement Grant • Test & Trace Payment Scheme Grant	Adequate	Govt. required the Council's declarations that the significant Covid funding given in respect of each of these three areas was spend in accordance with the grant's terms and conditions. Audit reviewed the expenditure allocated against this grant funding and provided the assurance declaration that the Council followed the grant conditions.
Recovery Grant Declaration	Adequate	Govt. required the Council's declarations that the significant Covid funding given in respect of each of these three areas was spend in accordance with the grant's terms and conditions. Audit reviewed the expenditure allocated against this grant funding and provided the assurance that the Council followed the grant conditions.
Planning Applications KPIs	Adequate 6 actions	This review looked at the accuracy and robustness of data submitted to central Government and internal KPIs. Six actions have been agreed which will improve the robustness and reliability of data collected.
Main Accounting System Q2	Adequate	
Housing Benefit Debtors Q2	Adequate	
Housing Benefit Creditors Q2	Adequate	

* Assurance definitions are below at Annex A

5. Work in progress from the Audit Plan and Forward Plan

5.1 The table below shows assurance work planned for the remaining year. This will be revised as any new risks or request arise and is subject to resourcing.

A detailed list of the approved Plan and status of the audits is attached at Annex B.

Audit	Status	Assurance rationale
Debtors key controls – Q2	Completed but not yet issued	
Creditors key controls – Q2	Completed but not yet issued	
S.106 Agreements 21.22	Final Report – awaiting acceptance	
Purchasing Cards	Field work completed	*Are cards used appropriately/economically and not to circumvent the controls mechanisms of the purchase ordering system?* *Was purchasing during lockdown and working from home still appropriate spending and adequately controlled?*
Market Towns Programme – Finance review	Inclusion to be confirmed	*Suggested review of expenditure within St. Neots project and specifically awareness over use of consultants.*
Social Value in Procurement	Fieldwork completed	*Is social value embedded into our Procurement activities across Council?* *Is there adequate awareness to fulfil this?*
Shared Services Costs Allocation	Started	*Is there reasonable assurance that all costs are included and appropriately recharged/allocated to 3Cs (not just ICT but Legal and BC too)?*
Financial Management Code	Started. Fieldwork started but is now being done in conjunction with a self-assessment review carried out with Finance.	*is there key assurance in compliance with this Code - Financial control of budget setting, review, etc.; S.151 Action Plan. Required to give assurance of compliance to external audit.*
Risk Management	Not started	*Is the Risk Management process in place and is it appropriate and working effectively? Is sufficient information presented to Corporate Governance Committee?*
Fleet Management: Fuel Payments & Usage.	Started	*Given recent world events and impacts on fuel demand and costs, is the Council protecting itself as best it can in preparedness for the risks against fuel demand to ensure operational impact is minimised?* *To also consider controls around the usage of fuel cards and the physical safeguarding of fuel as a valuable asset.*

Audit	Status	Assurance rationale
Leisure – Discounted Memberships	Being scoped	*Are our discounted memberships and their 'reduction of income' providing value by incentivising people to join and creating retention value?* *Are the discounts based on sound business calculations, are they viable, correctly applied and are they reviewed and monitored for compliance by the member?*
CT/NNDR key controls review	Not started	
HR : Leavers Form (& process)	Consultancy	
IT Audit:	Not started The areas to be reviewed will be decided once the contract is in place but will be risk-based around priority, current risk assessment, last review, any known issues.	
IT Audit:		
IT Audit:		
Other Internal Audit Activity		
Review of Internal Code of Corporate Governance	Started	
Self-assessment required for external PSIAS review	Not started	
Update of Council's Anti-Fraud & Corruption Strategy	Not started	
Annual review of Policies	Not started	

6. Audit Actions Data for the period April - Nov 22

New actions added since April 22   40 actions

Actions implemented and closed since April 22   56 actions

Number of audit actions open @ 8 Nov 22   37 actions

Number of audit actions overdue @ 8 Nov 22   17 actions

7. Verifications and follow ups

7.1   All IT audit actions from 2021.22 reports that have been closed by the ICT Service as implemented have been followed up. Actions were reopened

where testing evidenced that the control /action was not suitably in place. These have since been reworked and implemented/closed again.

7.2   Due to resource limitations, it was agreed that the Internal Audit Service would aim to carry out follow checks on those audit actions from a report with a Limited opinion or red priority actions. Follow ups have been carried out on Debtors and Creditors as part of the quarterly reviews; the remaining limited reports have not yet been followed-up, some awaiting implementation of actions before this can be done.

8. Third Party or Other Assurance

8.1   Services have been reminded of the need to record their self-assessment, third party or any other assurance work into the shared assurance record. Little input /evidence has been added to date. It is important that Services identify any sources of assurance in their areas as this can feed into the annual Audit opinion on internal control and governance, which will feed into the Council's Annual Governance Statement. Engagement should be supported at all levels of the organisation in order to receive true and reflective opinions. The Senior Leadership Team will be asked to support the assurance requests in order to assist with developing an assurance mapping process.

9. IT Audit Provision

9.1   The invitation to tender was published in August and tender submissions have been received. Discussions on who to award to are still under consideration. It is necessary for a contract award to be made imminently and the IT Audit Plan agreed, so that the audits can be undertaken this year and provide the assurance evidence for the annual audit opinion.

10. Performance Indicators & Issues/blockers

10.1   Formal KPIs are not collated on Internal Auditor's work but targets are still followed informally within the Team's processes.

10.2   A new end of audit customer survey has been reintroduced and is being sent to client Services for this year's audits

10.3   Delay and absence of replies is causing Audit to spend unnecessary time spent on reminders, chasers and escalations and produces untimely reports and actions. General delay by Services appears to be a result of general workload and priority of the BAU caseload over audit requests. Audit appreciates the workload and is accommodating, but escalation procedures are being followed.

12. Horizon scanning / Service pressures for Internal Audit Service

12.1   The following are highlighted as areas that may need to be factored into our resource time going forward and as a result impact the amount of assurance work that can be undertaken:

- NFI work (results work commences Jan 23 onwards) / capacity
- Maternity absence (from Dec/Jan 22) / capacity concerns
- Self-assessment of compliance with PSIAS (in preparedness for an external review in 23.24)
- Unplanned support for Risk Management work
- Future Covid grant declarations
- Independent person(s) on Audit Committee (decision, recruitment, induction)
- Documents and policies in need of review (incl the Internal Code of Corporate Governance)
- Assessment /preparation of 2023.24 Audit Plan
- Preparation/update of the Council's Anti-Fraud & Corruption Plan (in conjunction with the Fraud Manager)
- Strategic projects support (to be dropped to allow for a PSIAS self-assessment)

Annex A. Assurance Definitions

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 meetings its objectives.