Huntingdonshire
D I S T R I C T   C O U N C I L

Internal Audit Quarterly Update Report
September 2023

Contents:

1. Resources and Team Update

Our Trainee Internal Auditor, Claire, remains on maternity leave until January 2024. She plans to resume her studies for professional qualification on her return.

We are pleased to report that our Interim Internal Auditor, Rebecca, has agreed to a permanent part-time contract starting September. Rebecca now represents 0.5 FTE. Rebecca is a professionally qualified internal auditor (CMIIA Institute of Internal Auditors).

We welcome our new Trainee Internal Auditor Laura, who started in September. It is planned that Laura will enrol on a training programme to achieve professional qualification with the Institute of Internal Auditors probably via the apprenticeship route. She already holds the Certificate of Enterprise Risk Management qualification (Institute of Risk Management) and has experience of risk assurance reviews.

For completeness: the Internal Audit Manager is part time at 0.8 FTE and holds the CMIIA qualification (Institute of Internal Auditors).

IT audit: following a setback with the successful tenderer, HDC has withdrawn from this contract offer and has instead contracted with BDO, who were our previous IT auditors and are familiar with both our staff and systems. BDO and HDC ICT are currently assessing areas for the audit plan which should be completed by the end of September.

2. Progress against the Internal Audit Plan

The risk-based Internal Audit Plan was agreed at Corporate Governance Committee (CGC) in July 2023. It was anticipated that revision of the Plan would be made once services had identified and assessed their inherent risks. This intention remains. It is anticipated that any amended plan will be provided at the next progress report.

The Plan enables me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and internal control). This opinion will inform the Annual Governance Statement for the year.

Audit Reports issued:

The following audits were started during the last quarter. This includes one Position Statement which is advisory in nature and does not provide an audit opinion or tracked audit actions. The table details the assurance opinion given and a summary of the key findings from the final audit reports.

Findings from the BCP audit have also been included with the caveat that this is at draft stage reporting.

Report Area/Title	Status of report	Assurance Opinion	Summary of key findings
Risk Management	Final report	Limited Assurance	• There is limited awareness and understanding amongst management, of their role and responsibility in the effective implementation of the Risk Management Strategy. • The 2017 Risk Management Strategy is poorly, and inconsistently, implemented across the Council. • There is no formal and standardised approach to risk reporting, which enables regular review of output from the risk management framework and oversight/ monitoring of its effective implementation. • The proposed risk appetite statement cannot be applied to all risks, and therefore does not support management in determining whether their individual residual risks are within, or outside, acceptable levels. • Risks to service objectives are not being routinely identified, assessed and recorded within the 4Risk system, as part of the annual service planning process.
Business Continuity Plan	*Draft report or position statement*	Limited Assurance	Draft stage only. The findings show: • There is no Business Continuity Management (BCM) Policy to govern the Council's approach to managing business continuity risk. • Roles and responsibilities for BCM are not formally assigned and designated, or comprehensively understood throughout the Council. • Staff have not been provided with BCM training to support them in meeting their BCM responsibilities effectively. • The overarching HDC BCP (2020 version) is largely out of date and requires enhancement. • The business impact analysis and hazard analysis table, which should provide the framework for tailored BCM, do not inform any subsequent BCM process and require enhancement. • There are very limited arrangements in place at service level, should a Business Continuity event arise. • There has been no recent testing of Business Continuity Plans (BCP), to ensure plans are effective, staff are rehearsed, and systems tested. • There is very limited monitoring and oversight of BCM arrangements. HDC has taken immediate action, with assignment of responsibility for BCP and creation of templates and guidance to help Services prepare a BCP. Audit will carry out a follow up to confirm that BCPs are in place and the risk is adequately controlled.

People Capacity	Position statement	Advisory – no audit opinion	Draft Stage. As a position statement no audit opinion is given but advisory actions have been given to the Service and Senior Management. Audit believes that this timely advice can be used by the Service in formulation of its HDC Workforce Strategy.
Disabled Facilities Grants (DFG)	Annual declaration	Reasonable Assurance	The Internal Audit Manager is required to give an annual declaration that the DFG funding is administered in accordance with grant conditions. This review has provided assurance that our disabled facilities grants are being administered correctly. Knowing that HDC overspends its allocation and it is a risk that our reserves are used to fulfil this statutory obligation, Audit has taken steps to contact the Ministry to find out whether the unused DFG funding of neighbouring authorities can be passed to HDC to be used for our residents in need. Advice on pooling the funding is now underway.
Code of Financial Management	In progress		*To be included in the next Progress Report.*

Whilst only key findings are provided above, Committee Members may ask for any full audit report to be made available to them.

3.   Significant Issues

Risk Management
Audit actions have been agreed. At the time of writing, the Risk Management Strategy is still being prepared, and it is hoped the Strategy will be presented by management at the September CGC meeting.

Business Continuity Plan
Following an audit review, steps are now being taken to prepare service BCPs and review the overall corporate BCP. Responsibility has been assigned, templates designed and roll out of instructions to managers, within a tight timescale.

4.   Tracking of Audit Actions

The 4Action software continues to be used for real-time management and reporting on the implementation of audit actions.

Performance statistics at September 2023
27 overdue actions still to be implemented
 9 actions implemented and closed in last 90 days
57 audit actions closed in last year
52 open audit actions

The table below shows audit actions that management have agreed to undertake but are currently overdue having missed their agreed implementation date. The table presents the action owner's update as to progress towards the action.

Overdue Audit Actions and the Service Progress Update @ 13/09/23

Ref	Audit Area	Agreed Action	Agreed Implementation Date	Priority Level	Service Area	Last Update Date	Progress Update (provided by Service)	Months Late
1568	Land Charges 18.19 / 3	Written procedures should be in place to support how the costs and calculation process is carried out.	30/06/2021	Amber	Corporate Resources	13/06/2023	We are still awaiting responses from the Land Charges Team, which are still outstanding despite chasing. The new model is attached for reference.	26
1592	Main Accounting System 2020.21 / 3	The Payroll reconciliation will be remapped / worked up for the new HR / Payroll system. Instructions will be documented and the routine task handed over to the Payroll Team for actioning.	30/09/2021	Amber	Corporate Resources	14/06/2023	Work continues on finalising the process. Slight delay while Finance Team have been working on external audit. Ryan aims to have this closed of by end of Q2.	23

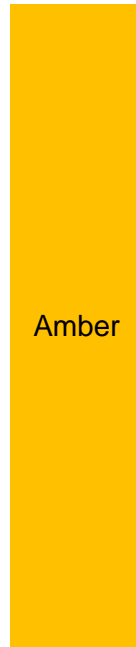| 1571 | Budgets and MTFS 2020.21 / 1 | Management should perform a training needs analyses to identify and assess the level and type of training required by members of staff and Members with regards to the Medium Term Financial Strategy and the use of the budget module, which should also identify any training needs for Members.

A mandatory training programme should be put in place that is based upon the requirements of the training needs analysis.

Training completion should be recorded and monitored and training records should be maintained for audit purposes. | 31/12/2021 | Amber | Corporate Resources | 13/06/2023 | The external audit for 2021/22 has taken far longer than anticipated, and the pressures this has put upon Finance staff at an already busy time of year, means that this has slipped off the radar. I have tasked a member of the team to review and update the guidance notes ready for this year's budget process (September 2023). | 20 |

1594	Main Accounting System 2020.21 / 4	Debtors reconciliation issues will be investigated and resolved. The process for the reconciliation going forward will be documented and responsibility handed over to the Exchequer Officer.	31/03/2022	Amber	Corporate Resources	13/06/2023	Process has passed to the Account Receivable Team. Procedure notes attached. We are advised that the differences identified seem to relate to the timing of the clear down of the disbursement accounts. Due to the nature of these, it is not always possible to clear down immediately. We will continue to monitor.	17
1610	Small Works Contract 21.22 / 1	A dedicated small works contract or framework agreement will be tendered and formalised for use across the authority.	30/04/2022	Amber	Corporate Resources	14/06/2023	Information from TechOne was analysed to identify the main users of the small works contract. This was identified as the Strategic Estates Team. On the basis of this, a sub- team comprising Estates and Facilities Management (as subject matter experts) are compiling the information necessary to allow the Small Works Contract to either be re-tendered or to propose an existing framework that can be used.	16
1611	Small Works Contract 21.22 / 2	Staff responsible for procurement will be made aware of the contract, its use mandated, and details of pricing / rates and staff responsibility will be communicated.	31/05/2022	Amber	Corporate Resources	14/06/2023	Information from TechOne was analysed to identify the main users of the small works contract. This was identified as the Strategic Estates team. On the basis of this, a sub team comprising Estates and FM (as subject matter experts) are compiling the information necessary to allow the Small Works Contract to either be re-tendered or to propose an existing framework that can be used.	15

1621	Inventory of IT Assets 2021.22 / 5	Review the inventory to locate gaps in the asset number sequence and create entries to explain the reasons for these gaps.	29/07/2022	Amber	3C ICT	11/09/2023	New procedure to ensure that there are no gaps in numbers is being followed. There have been no gaps in numbers since new procedure.	13
1638	Debtors 21.22 Action 3	Monthly management information and debt collection performance data will be prepared and reviewed to support the ongoing monitoring of activity and workload.	30/09/2022	Amber	Corporate Resources	14/09/2023	Action temporarily on hold pending further investigation.	11
1612	Small Works Contract 21.22 / 3	Formal contract management monitoring arrangements will be established, including review of spend, spot checking procurements and routine liaison meetings with service users and the supplier.	30/11/2022	Amber	Corporate Resources	14/06/2023	Information from TechOne was analysed to identify the main users of the small works contract. This was identified as the Strategic Estates team. On the basis of this, a sub team comprising Estates and FM (as subject matter experts) are compiling the information necessary to allow the Small Works Contract to either be re-tendered or to propose an existing framework that can be used. Once the contract is re-tendered, information from TechOne will be reviewed in the usual way by budget managers for appropriateness of spend, and reports can be run by supplier to monitor usage.	9

| 1613 | Small Works Contract 21.22 / 4 | Spend outside of the contract will continue to be monitored. | 30/11/2022 | Amber | Corporate Resources | 14/06/2023 | Information from TechOne was analysed to identify the main users of the small works contract. This was identified as the Strategic Estates Team. On the basis of this, a sub- team comprising Estates and FM (as subject matter experts) are compiling the information necessary to allow the Small Works Contract to either be re-tendered or to propose an existing framework that can be used. As part of the extract of information from TechOne, the actual spend was reviewed. Some of the spend previously identified as being small works procurement was actually Capital Spend and was procured under a different exercise, meaning non-compliant spend previously referred to was overstated. | 9 |

| 1650 | Corporate Enforcement Policy 21.22 / 2 | Reminder to all officers that case notes should cover: all discussions and decisions made on a case; explanation as to why cases have been closed; notes detailing the outcome of a case; provide updates for reasons why cases are not going to be investigated; explain any potential delays to an investigation; any previous investigations or enforcement action taken on an individual. Managers/Team leaders should also discuss with teams whether they need further training and support in case management and whether the case management system supports the notes function or if improvements could be made. | 30/12/2022 | Amber | Chief Operating Officer | 14/06/2023 | Following implementation of a new management structure, the new managers have prioritised all team members being aware of the expectations around case notes. The Tascomi Review has enabled dip samples to take place and where Officers have been identified as not being consistent with the information they are providing, this has been dealt with on an individual basis. | 8 |

1654	Corporate Enforcement Policy 21.22 / 6	Managers to review a percentage of open and closed cases each month to ensure that the cases are progressing or being closed where necessary.	30/12/2022	Amber	Chief Operating Officer	29/06/2023	Now recruitment to the teams is near completion, it will be possible to agree how many reviews per service area will be completed per year. This will be decided by the end of July 2023 and the first reviews carried out by the end of September.	8
1643	Payroll - Payments 22.23 / 3	Create formal process notes to cover all elements of the Payroll process including dates of when processes need to be completed; details of officer responsibility; payslip processes for those that can't access them online; where to save all information and confirmation emails	31/03/2023	Amber	Corporate Resources	14/06/2023	Work continues on documenting processes. Ideally complete by end of Q2.	5

1644	Payroll - Payments 22.23 / 4	Create a disaster recovery/business continuity plan that covers all scenarios, including what to do if HDC servers go down or a cyber-attack leading to long term outage (to include workarounds to continue the payroll service).	31/03/2023	Amber	Corporate Resources	14/06/2023	Key data now stored monthly for emergency situation. Payroll Manager and HR Manager confident this is sufficient to ensure employees continue to be paid.	5
1645	Payroll - Payments 22.23 / 5	Payroll Manager to input parameter data changes into the iTrent system and send a copy of the input data to HR officer to check and confirm that the input is correct. This confirmation will then saved within the relevant file.	31/03/2023	Amber	Corporate Resources	14/06/2023	Process created, whereby HR System Analyst checks the changes applied. Process note to be finalised.	5

1658	Shadow IT / Service-Procured Systems 21.22 / 1	The Council's Procurement Lead should review and, where necessary, update the Council's Code of Procurement so that it establishes a requirement for the procurement of any service to include the involvement of all relevant stakeholders, including the procurement of any IT system requiring the involvement of the ICT Service. This should be approved, in consultation with various key stakeholders across the Council, communicated to members of staff and reviewed on a routine basis or following any significant changes to the Council's operations.	31/03/2023	Amber	3C ICT	14/06/2023	Amendments are been made and awaiting authorisation of how to proceed.	5

| 1661 | ICT Procurement and Contract Management 21.22 / 1 | Note: 2 responsible owners; This action is assigned to the Deputy Head Of ICT – Operations and the Procurement Lead.

The ICT Service and the Council's Procurement Lead should review and, where necessary, update the Council's contract register so that it is aligned to the Council's Application Support Matrix and includes, but is not limited to:

• Supplier identification and contact details;

• The products and services they deliver;

• Contract start and end dates and contract duration;

• Whether they process personal data or provide IT services on which critical services rely and an assessment of the data protection risk associated with the supplier.

The register should be updated on a regular basis to ensure that it accurately reflects the Council's ICT supplier landscape. | 31/03/2023 | Amber | 3C ICT | 14/06/2023 | The Procurement Team are working alongside ICT and are collating data/contracts which is being entered onto HDC's contract register. | 5 |

| 1676 | Social Value in Procurement (SVP) 22.23 Action 6 | Arrangements will be considered and agreed for how social value is embedded in service planning and the new ideas processes going forward. | 31/03/2023 | Amber | Corporate Resources | 14/06/2023 | The New Ideas process asks proposers to include details of how their idea links into the Corporate Plan, which gives an opportunity for SVP benefits to noted at this stage. However, this is not relevant to all ideas submitted. Where ideas are deemed "business as usual" and are returned to the service to implement, the Code of Procurement will be the control for SVP, if procurement is required. Other projects, if progressed, will be subject to Major Change Board review and monitoring. Service plans do not include procurement decision points and it would be difficult to implement SVP through these. | 5 |
| 1675 | Social Value in Procurement 22.23 Action 5 | A series of Lunch and Learn sessions, covering key aspects of social value, contracting and procurement will be developed and delivered. Training will be supported by signposting to key documents / sources of information. | 30/04/2023 | Amber | Corporate Resources | 14/06/2023 | HDC Procurement have received slides from South Cambs which need adapting to reflect HDC's Social Value commitments. I would suggest an ext. on this action to September 2023 for full roll out of small training/information | 4 |

| 1649 | Corporate Enforcement Policy 21.22 / 1 | Community Support, Public Safety, Food Hygiene, Licensing and Planning Enforcement teams to produce procedure notes. Procedure notes should include, but not be limited to, opening notes and checks, when to close a case and what enquires can be made using legislations. Procedure notes should be produced and saved where all officers have access to them. | 31/05/2023 | Amber | Chief Operating Officer | 29/06/2023 | Recruitment into the teams is near completion meaning that the work around the procedure notes can be finalised. To date, the notes for CPE and Licensing are complete and the ones for Environmental Health are near completion. | 3 |

1671	Social Value in Procurement 22.23 Action 1	An outline Business Case will be developed through commissioned discovery and quantification work, which identifies areas of highest value and best use of resource, and involves key officer stakeholders. Consideration will be given to using Blue Light Commercial to support and direct this work. Results of the review will be reported back to the Outcomes Board.	30/06/2023	Amber	Corporate Resources	16/06/2023	Additional resource has been recruited for the Procurement Team to allow capacity to progress this.	2
1682	Fuel Usage and Payments 22.23 Action 6	The Velocity fuel card contract will be reviewed in terms of value and compliance with the code of procurement.	30/06/2023	Amber	Operations	08/09/2023	I have done some research into other providers and found that there is a cheaper alternative. This will save approximately 15% on the current prices. I will investigate ways to procure this in accordance with current rules.	2
1690	Debtors Continuous Auditing 22.23 / 1	Review and update the Debt Management Policy. Obtain appropriate approval of the revised policy.	30/06/2023	Amber	Corporate Resources	16/09/23	In progress	2

1697	Shared Service Cost Allocations 22.23 / 1 phase 2	As planned a revised recharge model will be established and agreed with the partner authorities. The model will specify charging and apportionment rules (which are applied consistently), supported by metrics / data in the event of challenge. Periodic review of metrics will be used to agree changes to the charging models at specified intervals during the contract, and any changes will be clearly documented and communicated to the relevant officers. Care will be taken to ensure that the model agreed is reflective of the time, cost and value in administering, and that recharging decisions are in line with the spirit of the shared service agreement. Phase 2 – Workshops with Councils	30/06/2023	Amber	3C ICT	-	*[No updated provided by the Service].*	2
1694	Debtors Continuous Auditing 22.23 / 5	Month end reporting to include aged debt reports and write off levels.	31/07/2023	Amber	Corporate Resources	-	*[No updated provided by the Service].*	1

| 1703 | Shared Service Cost Allocations 22.23 / 4 | As part of the launch of the new recharge model services across the partner authorities will be reminded of the processes to log and request work, of the importance of planning to ensure that resource is available and the implications if this is not followed. | 31/07/2023 | Amber | 3C ICT | 28/07/2023 | The follow up meetings / workshops to discuss the cost apportionment and to agree the details of the model have changed to August at the request of the Shared services board. Now taking place 31st August. | 1 |

TOTAL OVERDUE = 26

5. Governance update

National Fraud Initiative (NFI)
Brief explanation: Every two years the Council provides data to the NFI which is run by the Cabinet Office for the purpose of data matching and to help prevent and detect fraud. The Council provided its data files from payroll, housing benefits, suppliers etc back in October 2022 and the matching data results were provided back to HDC for analysis in January 2023. It was agreed that the analysis work will be undertaken by the Fraud and Finance teams due to lack of audit resource.

HDC's Annual Governance Statement – and use of Assurance Statements
The Council's AGS 2022.23 is due to be presented alongside the draft statement of accounts at the September meeting.
Senior Management Assurance Statements via Service questionnaires have been used in line with responsibility and accountability for good corporate governance. In addition to assurance, these questionnaires should identify areas where improvement or further work can be undertaken to ensure basic good governance is achieved. This will be fed back into the Annual Governance Statement and compliment the Audit Plan work.

CGC Effectiveness Review
CGC have arranged to meet in September to undertake an effectiveness review using the CIPFA self-assessment tool. The expectation is that this will produce a gap analysis and suggest skills/training that may enhance Committee's collective knowledge. Committee's Terms of Reference are also planned to be reviewed to ensure it remains current and fit for purpose. An update on the outcome of this review will be given in the next progress report.

Independent Member
A job description for our new Independent Member on CGC is planned to be shared with Committee at their above review meeting and will then be forwarded to the Renumeration Panel. Once established the post will be advertised for recruitment.
This is still a non-legislative requirement but recommended as a step for good governance.

Peer Review Action Plan
The action plan is being progressed and an update will be presented next quarter to show progress.

ASSURANCE OPINIONS

Opinion	Descriptor
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

In applying the most appropriate level of opinion the internal auditor will use their professional judgement, based on the results of the audit, consideration of risk and consequences of areas of weakness for the organisation.