



2022-2023 INTERNAL AUDIT PLAN PROGRESS REPORT

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘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.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Audit Executive is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Internal Audit Manager’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The contractor has adopted the new CIPFA recommended standard terminology and definitions to be used in internal audit engagements across the whole Public sector and for a standard set of opinions and supporting definitions for internal audit service provider to use. This has resulted in minor amendments to those previously used by Southern internal Audit Partnership and adopted by the internal inhouse provision in accordance with best practice.

The recommended CIPFA classifications:-

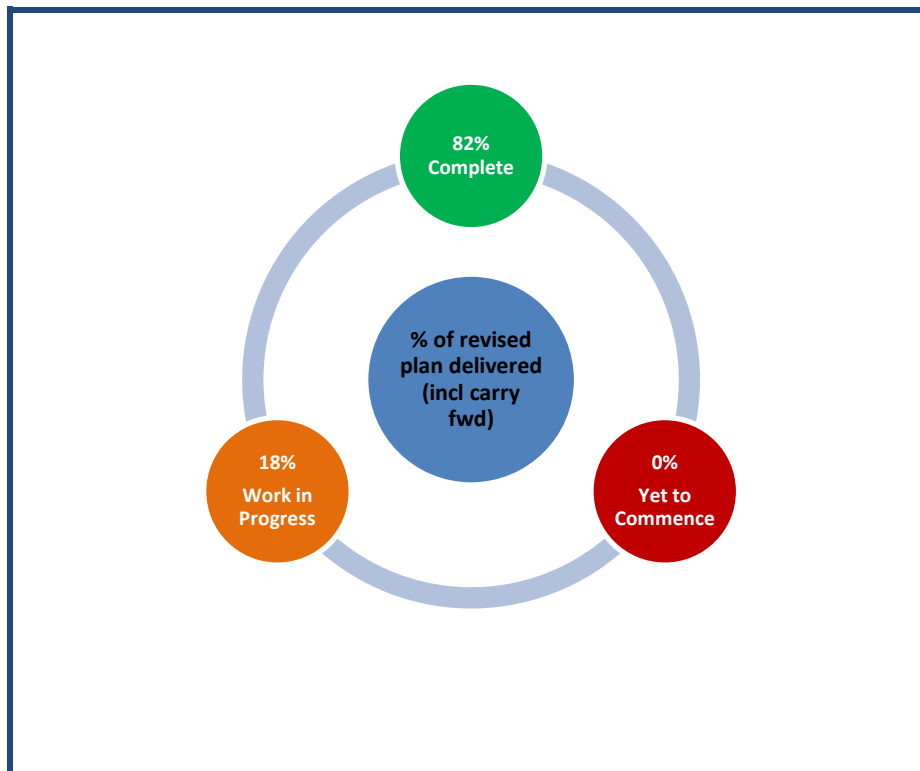
Substantial A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable 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 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 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.

3. Performance dashboard



% Includes those reviews completed by the contractor in 2022-23 does not include deferred reviews.

Compliance with Public Sector Internal Audit Standards



An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Completed' audit plan reviews

Audit Review	Final Report Issued Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Actions Reported	Not Accepted	Not Yet Due	Complete	Overdue Actions		
								L	M	H
Business Transformation	27/10/2022	EHOOD	Reasonable	3			2		1	
Revenues Open Portal	27/10/2022	S151	Reasonable	4		3	1			
Changes Made in Agresso	11/10/2022	S151	Advisory	15			15			
Petty Cash	12/10/2022	S151	Advisory	6			6			
Creditors (Accounts Payable)	27/01/2022	S151	Reasonable	4		2	2			
Housing Support Vouchers	24/02/2023	S151	Advisory							
Cyber Security Protection Measures	24/04/2023	EHOOC & CS	Reasonable	15		12	2		1	
Risk Management	24/04/2023	EHOOD	Limited	11		11				
Refund Process	27/04/2023	S151	Limited	9		8	1			

Audit Review	Final Report Issued Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Actions Reported	Not Accepted	Not Yet Due	Complete	Overdue Actions		
								L	M	H
Ukrainian Host Payments Process	31/05/2023	EHOS	Reasonable	7		7				

Audit Sponsor	
JEHOF	<i>Joint Executive Head of Finance (S151) - Peter Vickers</i>
JEHOL&DS	<i>Joint Executive Head of Legal & Democratic Services – Susan Sale</i>
JEHOCS	<i>Joint Executive Head of Commercial Services - Kelvin Mills</i>
JEHORS	<i>Joint Executive Head of Regulatory Services - Richard Homewood</i>
JEHOR&P	<i>Joint Executive Head of Regeneration & Planning Policy – Abi Lewis</i>
JEHOCS	<i>Joint Executive Head of Community Services – Sam Hutchison</i>
JEHC&CS	<i>Joint Executive Head of Communications and Customer Services - Nicola Haymes</i>
JEHOH	<i>Joint Executive Head of Housing – Andrew Smith</i>
JEHOA&P	<i>Joint Executive Head of Assets and Property – Marieke Van Der Reijden</i>
JEHOP	<i>Joint Executive Head of Planning – Claire Upton Brown</i>
JEHOES	<i>Joint Executive Head of Environmental Services – Chris Wheeler</i>
JEHOOD	<i>Joint Executive Head of Organisational Development – Robin Taylor</i>

JCEO	<i>Joint Chief Executive Officer - Tom Horwood</i>	JSDOT & G	<i>Joint Strategic Director of Transformation and Governance – Ian Doyle</i>
JSDOCW	<i>Joint Strategic Director of Community Wellbeing – Annie Righton</i>	JSDOP	<i>Joint Strategic Director of Place – Dawn Rudd</i>

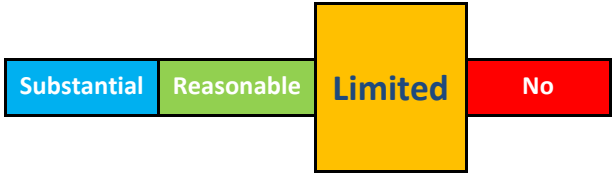
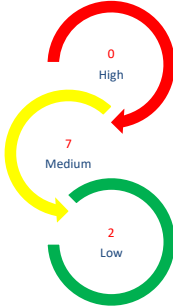
5. Executive Summaries ‘Limited and ‘No Assurance opinions

Risk Management (IA23-04)		
<p>Directorate Sponsor:</p> <p>Ian Doyle</p> <p>Final Report Issued: 25/04/2023</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Areas where the framework of governance, risk management and control could be improved</p> <ul style="list-style-type: none"> • Risk Management Policy and Toolkit, setting out the process for managing risk, was approved by Audit Committee in March 2019, there is no indication of when this policy is due for further review. • The Risk Management Policy and Toolkit (Roles and responsibilities) refers to a Risk Management Strategy, which could not be located. Whilst the introductory section of the policy includes objectives for risk management that would be part of a strategy, it does not include all aspects of a strategy. • Within the Risk Management Policy and Toolkit there is a “do’s and don’ts” table that states that risks should not be the converse of the objective, however our review of the Corporate Strategy Risk Register highlighted that several risks were written as such. A log of risk movement should also be kept, however, review of the Corporate Strategy Risk Register highlighted that this was not in place. 		

- Quality Assurance is currently undertaken by the Executive Head of Finance, who reviews the register, and discusses further with risk owners as is considered necessary. The Risk Management Policy and Toolkit does not define quality assurance expectations. We also noted that there was no evidence that the Risk Register was discussed collectively with the Senior Management Team or any other operational corporate governance group during 2022.
- Our review of the risk heat maps reported to Audit Committee, the risk matrix in the Risk Management Policy and Toolkit, and the risk appetite statement identified some discrepancies between these documents.
- Roles and responsibilities are documented in the Risk Management Policy and Toolkit, however we identified some omissions and some non-compliance with those documented. There is no mention of the frequency of reporting to Audit Committee, and although it is stated in paragraph 5.13 that risk management arrangements will be reported to the Executive, there is no reference to the Executive in Section 4 – Roles and Responsibilities. Additionally, although we were informed that the updated Corporate Strategy Risk Register is reported to the Senior Management Team (SMT) quarterly, no evidence of this could be found in the minutes of SMT meetings held during 2022.
- Whilst our review of the Corporate Strategy Risk Register confirmed that each risk was assigned an owner as required by the Risk Management Policy and Toolkit and discussions with two Heads of Service found them to be aware of their ownership of the relevant risks as recorded, the recently introduced joint management structure for Waverley and Guildford Borough Councils has resulted in some changes in risk owners which have not yet been updated within the Corporate Strategy Risk Register. Further to this, the roles and responsibilities detailed in the Risk Management Policy and Toolkit have not yet been updated to reflect the new structure.
- The Risk Management Policy and Toolkit requires all Service Plans to be supported by a risk log (paragraph 5.12.1). However, we were informed by four Heads of Service that there was no service wide risk log for their areas. Although we were provided with nine non-strategic risk registers (relating to two service areas and three corporate projects), these were not maintained in a consistent format.
- We were informed that staff do not receive risk management training as part of their induction, nor has risk management training been provided to current staff for several years.
- The Corporate Strategy Risk Register includes a column to record additional mitigating controls if required. Our review found that additional controls had been recorded against risks where there was no difference between the current score and target score, so it was unclear whether the additional controls had any impact or were required. Additionally, there were no control owners identified and recorded against the additional mitigating controls as required by the Risk Management Policy and Toolkit (paragraph 6.5).

Management Response / Update:

The Executive Head of Organisational Development has confirmed that the Risk Management process will be reviewed and changes will be cascaded to those dealing with risk.

Refund Process (IA23-06)		
<p>Directorate Sponsor:</p> <p>Ian Doyle</p> <p>Final Report Issued: 27/04/2023</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Areas where the framework of governance, risk management and control could be improved</p> <ul style="list-style-type: none"> • To prevent the processing and issue of refunds above personal limits. • Authorisation of individual transactions is not enforced by the system; refunds over £2,500 were not consistently documented, business rule setting the delegation of approval for refunds was found to not be documented anywhere at the time of sample testing. • There are no verification checks of bank account details that are provided in letters or emails. There are also no detailed procedures on how to process accounts in credit when known bank accounts are closed, staff currently are only aware through experience and knowledge. • No specified expectations for processing refunds within the required timescales. • Documenting of refund actions and authorisations was not always in place within the audit trail/note log on the accounts. • Review of procedures found that while procedures are in place there was no documented review or reviewer noted in the procedure documentation. Refund policy only applies to Council Tax and not NNDR. The policy was authorised by the Revenues and Benefits Team Leader and there was no other authorisation from Management. We note that there is currently no policy to write-back credits which are deemed to be “un-refundable”. 		
<p>Management Response / Update:</p>		

6. Planning & Resourcing

The internal audit plan for 2022-23 was approved by the Audit Committee on 28th March 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Section 6 details the reviews that have been added/removed/deferred to the original plan approved by the Audit Committee March 2022. Progress against the plan is detailed below in Section 6. This plan will be delivered within the budget allocated as detailed in Section 9 of this report.

7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
INFORMATION TECHNOLOGY											
Assessment of the Cyber Security Protection Measures (C)	JEHC&CS	H	10	Q2	✓	✓	✓	✓	✓	Reasonable	
APPLICATIONS SYSTEMS IN SERVICE AREAS											
Revenues Open Portal (C)	JEHOF	H	7	Q1	✓	✓	✓	✓	✓	Reasonable	
KEY FINANCIAL SYSTEM											
Creditors (C)	JEHOF	H	10	Q1	✓	✓	✓	✓	✓	Reasonable	
Business Rates (C)	JEHOF	H	10	Q2	✓	✓	✓	✓			

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Main Accounting (C)	JEHOF	H	10	Q2	✓	✓	✓	✓		
Refund Process (C)	ALL JHOS	H	5	Q1	✓	✓	✓	✓	✓	Limited
Ukrainian Host Payments Process (C)	JEHOF	H	7	Q2-3	✓	✓	✓	✓	✓	Reasonable
SERVICE AREAS										
Property Terrier (C)	JEHOF	H	10	Q3-4	✓	✓	✓			Provide to SIAP as LC replacement.
Housing – Use and Occupation Accounts (C)	JEHOH	M	7	Q2	✓	✓	✓	✓		
Repairs Recharges for Void properties to vacating Tenants (C)	JEHOH	M	10	Q3	✓	✓				
Ground Maintenance (C)	JEHOES	M	10	Q3	✓	✓	✓			
Waverley Training Services/Memorial Hall (C)	JEHOCS	M	10	Q4	✓	✓	✓			
Events and Filming (C)	JEHOCS	H	10	Q4	✓	✓	✓			

Customer Services Team (C)	JEHC&CS	H	10	Q3	✓	✓	✓				Deferred re Charter changes
CORPORATE/CROSS CUTTING											
Anti-Social Behaviour (C)	JEHOCS (S Hutchison)	H	10	Q4	✓	✓	✓				
Business Transformation – Project Management (C)	JEHOOD	H	10	Q2	✓	✓	✓	✓	✓		Reasonable
Asset Management – including information Governance, Data Classification, Retention and Disposal. (C)	JEH ALL	H	10	Q4	✓	✓	✓				Advisory /Position Statement
Risk Management (C)	JEH ALL (Lead R Taylor)	H	12	Q1-2	✓	✓	✓	✓	✓		Limited
Other IAM Reviews											
Petty Cash (IAM)	JEHOF		15	Q1	✓	✓	✓	✓	✓		Advisory
Agresso Changes (IAM)	JEHOF		20	Q1	✓	✓	✓	✓	✓		Advisory

Trace and Trace Return testing re Certification (IAM)	JEHOF	5	Q1	✓	✓	✓	N/A	N/A	Verification
Housing Support Fund (IAM)	JEHOF	10	Q3	✓	✓	✓	✓	✓	Advisory
No of Audit Plan days allocated		220							
Days currently allocated to Southern Internal Audit Partnership		168							
Audit Plan Days currently completed by Internal Audit Manager		52							Includes (2 Days re Green Waste)

8. Adjustments to the Internal Audit Plan

Audit reviews removed or deferred		
IT Business Continuity Disaster Recovery Planning (Defer 2023/24 re Jan 2023 SAN delivery)	7	November 2022 Audit Committee
Land Charges (Defer 2023/24 re changes in process central government)	10	November 2022 Audit Committee
Mutual Exchanges (Defer 2023/24)	10	
Green Waste (Defer 2023/24)	8	
Council Tax (Replaced with Council Tax Base Maintenance in 2023-24)	10	
Housing invoice process re Orchard to Agresso – new contract (Defer 2023/24)	10	
Customer Services	10	

Total 65 Days

Audit reviews added to the 2022-23 Audit plan	
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Petty Cash (IAM)	15
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Changes to Agresso (IAM)	20
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Declarations re Test & Trace and RCOM (IAM)	5
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Ukrainian Host Payments Process (SIAP)	7
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Housing Support Fund (Vouchers) process (IAM)	10
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Total 57 Days

9. Other activities to be resourced from the Audit Service

National Fraud Initiative (NFI) - Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office.

Investigation work required by service areas or to support the HR function.

10. Budget Expenditure to date

Cost Centre R0202 Internal Audit	Current Approved Budget	Committed/Salaries and NI and Service Costs.	Remaining Balance at 31/03/2023	Estimated Number of Audit Days Planned to be delivered (Incl all IAM)
Total Internal Audit Budget	£164,000	£140,000	£24,000	363 Days