

Council Report

Audit Committee Meeting – 23rd March 2021.

Title

Internal Audit Progress Report for the period 1st January to 28th February 2021.

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

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Ward(s) Affected

All wards.

Report Summary

This Progress Report provides the committee with an up to date position on the Internal Audit Plan, a summary of Internal Audit work completed during the period 1st January to 28th February 2021 and the key issues that have arisen from it, and the status of actions arising from audits. It also provides information regarding the performance of the Internal Audit function during the period.

Recommendations

The Audit Committee is asked to:

- 1) Note the Internal Audit work undertaken since the last Audit Committee, 1st January to 28th February 2021, and the key issues that have arisen from it.
- 2) Note the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of their performance.

List of Appendices Included

Internal Audit Progress Report for the period 1st January to 28th February 2021.

Background Papers

Public Sector Internal Audit Standards and Associated Local Government Application Note.

Accounts and Audit (England) Regulations 2015.

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No.

Council Approval Required
No.

Exempt from the Press and Public
No.

Internal Audit Progress Report for the period 1st January to 28th February 2021

1. Background

- 1.1 CIPFA guidance for Audit Committees in Local Authorities gives the Audit Committee a clear role in supporting the effectiveness of the internal audit process. This role is reflected in the Terms of Reference of the committee. To fulfil this role the committee receives updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. In addition, it receives information on performance relative to the audit plan.
- 1.2 Public Sector Internal Audit Standards require that the Head of Internal Audit reports periodically to the Audit Committee. This is reflected in the Audit Charter which provides for Progress Reports to be presented to the Audit Committee regarding the audit plan and progress against it; resource requirements; the results of audit activities; the tracking of audit recommendations; and the performance of the audit team.
- 1.3 This report includes the position up to the end of February on the completion of the annual plan for 2020/21, the reports finalised in January and February, the latest position on overdue actions arising from audit reports and performance indicators for the team.

2. Key Issues

2.1 Internal Audit Annual Plan

Internal Audit produced a risk based Annual Audit Plan for 2020/21 and intended to present it to the Audit Committee at its meeting on 24th March 2020. The plan was revised as a result of Covid-19 and was presented to the committee on 18th August 2020. Work is continuing on this plan. The current position with regards to the plan is given in **Appendix A**. Consultation has taken place with DLT's regarding the remainder of the plan. Several audits were identified where it would be beneficial to postpone them until the next financial year. This will not affect the requirement to reach an annual audit opinion. The changes are shown in **Appendix B**.

2.2 Audit Work Undertaken During the Period

Internal Audit provides an opinion on the control environment for all systems or services which are subject to audit review. These are taken into consideration when forming our overall annual opinion on the Council's control environment. There are four possible levels of assurance for any area under examination, these being "Substantial Assurance", "Reasonable Assurance" "Partial Assurance" and "No Assurance". Audit opinions and a brief summary of all audit work concluded since the last Audit Committee are set out in **Appendix C**. Three audits have been finalised since the last Audit Committee, all with Substantial or Reasonable Assurance.

- 2.3 In addition to the planned audit assurance work, Internal Audit also carries out unplanned responsive work and investigations into any allegations of fraud, corruption or other irregularity. There have been no reports of this type issued since the last meeting.

2.4 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is summarised in **Appendix D**. Target Performance was not achieved for productive time. This is affected by the need to work from home and the time spent on Business Support Grants. There were no client satisfaction surveys received in the period.

2.5 Management Response to Audit Reports

Following the completion of audit work, draft reports are sent to or discussed with the responsible managers to obtain their agreement to the report and commitment to the implementation of recommendations. This results in the production of agreed action plans, containing details of implementation dates and the officers responsible for delivery. Draft reports are copied to the relevant Head of Service and Assistant Director and final reports are also sent to the Strategic Director.

Confirmation of implementation of audit recommendations is sought from service managers when the implementation date is reached. This is automated, with alerts being sent out a week before the due date to the Responsible Manager and Head of Service, and overdue alerts sent out weekly, copied into the Assistant and Strategic Director. Managers should enter the system and provide an update on the action – either implemented or deferred.

Summary reports of outstanding actions are produced monthly and distributed to Strategic Directors. A presentation has been given to more than 50 Assistant Directors and Heads of Service outlining the issue and asking them to ensure that realistic dates are set when draft reports are agreed and to endeavour to clear actions on time if possible in the future. As a result, many of the actions have been given revised implementation dates which should be more realistic. They are being monitored at SLT/AD meetings on a monthly basis.

The number of aged outstanding actions has decreased to 26. Provided that the new realistic dates are achieved and new actions are completed on time this will reduce over the next six months.

Appendix E shows the number of outstanding recommendations that have passed their original due date, age rated. In the detailed spreadsheet, where they have been deferred, the comment received from the Manager is given.

3. Options considered and recommended proposal

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit. It provides a summary of Internal Audit work completed and the key issues arising from it for the period from 1st January to 28th February 2021 and information about the performance of the Internal Audit function during this period.

4. Consultation on proposal

- 4.1 The Internal Audit plan was produced after consultation with management teams. All Internal Audit reports referred to in this report have been discussed and agreed with management in the respective service areas.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its March 2021 meeting.

6. Financial and Procurement Advice and Implications

- 6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

- 7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“A relevant authority 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.”

- 7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

- 8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 This document includes a report of progress against delivery of the Internal Audit Plan. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People’s Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

- 10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for Partners

- 11.1 Internal Audit is an integral part of the Council’s Governance Framework, which is wholly related to the achievement of the Council’s objectives, including those set out in the Council Plan.

12. Risks and Mitigation

12.1 An effective Internal Audit Department helps to minimise the Council's exposure to risk.

13. Accountable Officer(s)

David Webster, Head of Internal Audit.

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Internal Audit Annual Plan 2020/21

<u>CORPORATE</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	4
Annual Governance Statement		Advisory	Review of the process for the production of the AGS.	10	4
Schemes of Delegation		Advisory	Review 'sub-schemes' of delegation across each directorate / service for compliance with policy and processes.	10	4
Social Value		Risk Based	Review of compliance with Social Value policy requirement that for contracts below £25,000, where the Council invites written quotations, Services must ensure that a minimum of 1 of these quotes is from a local supplier.	10	FINAL
Total Planned Days – Corporate				40	

ASSISTANT CHIEF EXECUTIVE

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Payroll	Directorate Risk ACX20	Risk Based	Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention.	20	DRAFT
HR Policies		Risk Based	Review of policies and procedures for the new payroll system to provide assurances that they are fit for purpose.	20	WIP
Leavers		Risk Based	Provide an assurance on the procedures in place for ensuring leavers are processed efficiently and that all aspects across respective Directorates are complied with (return of equipment; recycling of software licences etc).	15	4
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	TO 21/22
Recruitment		Risk Based	To review the modified recruitment process set up as a response to Covid-19.	10	FINAL
Community Hub		Risk Based	To review the operation of the shopping arrangements set up in the Community Hub as a response to Covid-19	10	FINAL
Members Allowances		Risk Based	To provide assurance on the accuracy of allowances paid to Members.	10	DRAFT
Total Planned Days – Assistant Chief Executive				100	

ADULT CARE, HOUSING AND PUBLIC HEALTH

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Target Operating Model / Liquid Logic	Directorate Risk ACOP15	Follow Up	To review the Social Care Pathway (Target Operating Model) to provide assurance that it is being applied correctly and consistently by social workers, including the use of liquid logic.	25	FINAL
Rothercare Service	Operational Risk ACOP11	Risk Based	Review the policies and procedures in place to ensure the effective and efficient operation of the Rothercare Service and Assistive Technology	20	TO 21/22
Court of Protection (Appointees)		Risk Based	Review the policies and procedures in place to ensure the effective and efficient provision of a Court of Protection Appointeeship Service.	15	FINAL
Homelessness	Operational Risk 18	Risk Based	Review of policies and procedures and provide assurance on compliance with the Homeless Reduction Act 2017.	15	TO 21/22
Housing Rents		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system	10	4
Financial Support after Covid-19		Risk Based	To review the application of additional funding provided as a response to Covid-19	20	DRAFT
Total Planned Days – Adult Care Housing and Public Health				105	

CHILDREN AND YOUNG PEOPLES SERVICE

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Placements	Directorate Risks CYPS1	Risk Based	Review policies and procedures for sourcing and agreeing placements to ensure that they are correctly considered, authorised and costed	20	WIP
Unregistered and Unregulated Placements	Directorate Risk CPQ43	Risk Based	Review of policies and procedures and provide assurance that unregulated placements are authorised and monitored and unregistered placements do not take place.	20	WIP
Traded Services for Schools	Directorate Risk CPQ45	Risk based	Review the processes in place to ensure traded services are controlled and accounted for correctly.	20	DRAFT
Fostering / Adoption / SGOs		Risk Based	Review of the controls around the allowance payments systems and linkages with the financial information system, E5.	15	FINAL
Payments		Risk Based	Review of the policies and procedures in place for requisitioning payments, including Section 17 payments.	20	DRAFT
Schools Control and Risk Self-Assessment			Self-Assessment questionnaires for schools	5	COMPLETED
Schools Themed Review		Risk Based	Sample visits to schools based on the results of CRSA	15	TO 21/22
School Exclusions		Risk Based	Review the Council's procedures in respect of permanent exclusions to ensure compliance with statutory requirements.	15	TO 21/22
Direct Payments		Risk Based	Review policies and procedures and ensure all previous audit recommendations in this area have been implemented.	10	DRAFT
Total planned days - Children and Young People's Services				140	

FINANCE AND CUSTOMER SERVICES**Finance**

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Procurement Governance	Operational Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20	TO 21/22
Council Tax		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	WIP
NNDR		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	TO 21/22
Treasury Management	Operational Risk	Risk Based	Review of policies and procedures in place to ensure an efficient treasury management service.	10	WIP
Purchasing Cards		Risk Based	Review policies and procedures and gain an assurance that expenditure on procurement cards is appropriate and supported by receipted records.	10	4
Procurement "Feeder" Systems		Risk Based	Examine feeder systems, e.g. ContrOcc, and gain assurance that payments generated through systems are approved, controlled and monitored.	20	WIP
Payment and Support to Suppliers		Risk Based	Review the operation of payment and support to suppliers introduced as a response to Covid-19	10	FINAL
Business Support Grants		Risk Based	Review the operation of payments to businesses introduced as a response to Covid-19	10	FINAL
Discretionary Grants		Risk Based	Review the operation of payments to businesses introduced as a response to Covid-19	10	FINAL

<u>Customer Information & Digital Services</u>					
Cyber Security Attacks	Directorate Risk FCS14	Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	TO 21/22
Data Loss	Operational Risk	Risk Based	Review of the controls around the security of data transferred to mobile devices (via InTune Portal and 365).	10	FINAL
Right of Access Requests		Risk Based	Review of the system for processing RoARs.	10	WIP
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	ONGOING
<u>Legal Services</u>					
Child Protection Litigation Service to CYPS	Directorate Risk FCS6	Risk Based	Provision of an effective child protection litigation service to CYPS	10	FINAL
Adult Care Protection Legal Support	Operational Risk	Risk Based	Provision of an effective adult care protection legal support	10	TO 21/22
Total Planned Days – Finance and Customer Services				175	

REGENERATION AND ENVIRONMENT

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Estate Management	Strategic Risk SLT27	Risk Based	Review policies and procedures and gain an assurance that the Council maintains a safe and operational property estate.	10	FINAL
Sales and Participation targets	Directorate Risk R&E31	Risk Based	Provide an assurance on the processes for controlling and accounting for sales and income.	15	TO 21/22
Vehicle Fleet		Risk Based	Review the policies and procedures for the insourcing of the fleet maintenance service by September 2020 and provide assurance on the benchmarking and performance data collected to allow full consideration of appropriate future delivery model for fleet maintenance.	25	4
Highway Network		Risk Based	Provide an assurance on the performance results of the completed Roads2020 roads programme and for arrangements for control and monitoring of the latest 36m funding.	15	FINAL
Private Rented Housing		Risk Based	Review policies and procedures and gain an assurance that the Council are compliant with the regulations surrounding Selective Licencing and administration of the scheme.	10	TO 21/22
Section 106 and Community Infrastructure Levies (CIL)		Risk Based	Review of the policies and procedures and gain an assurance on the collection and utilisation of Section 106 and CIL contributions.	15	FINAL
Licensing & Enforcement		Risk Based	Delivery of an effective, fit for purpose licensing service. Follow up of previous review of Licensing & Enforcement.	5	TO 21/22
Licensing Applications		Risk Based	To review the licensing application process changes as a result of the response to Covid-19	10	FINAL
Home to School contracts		Risk Based	To review the changes to Home to School Contracts introduced as a result of the response to Covid-19	10	FINAL

Total Planned Days – Regeneration and Environment	115
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<u>OTHER</u>	Provision	Half Year Update	Days used
Grants	50	50	32
Provision for investigations	170	170	35
Pro-active fraud	30	30	0
Contingency	40	40	40
Covid Contingency	30	30	30
Total	320	320	137
Overall Plan Total	975		

Changes to the Audit Plan.

Audits transferred to the 2021/22 Audit Plan

Performance Management. A new performance management system is being introduced.

Rothercare. The service is currently under review.

Homelessness. Under pressure because of Covid. Review in six months

Schools Themed Review. Schools closed until recently

Schools Exclusions. Schools closed until recently

Procurement Governance. Working on propose changes to procedure rules

NNDR. No issues in previous audits, currently under pressure because of Covid

Cyber Security Attacks. Currently working on PSN compliance, complete audit after that

Adult Care Protection Legal Support. Restructure, complete the audit after that

Sales and Participation Targets. Impacted by Covid

Licensing and Enforcement. Recent LGA review

Appendix C

Summary of Audit Work Completed since the last meeting

Note:- Internal Audit uses an Executive Summary and reporting structure which gives four levels of overall assurance for areas under examination. Within each area audited an overall assurance opinion is assessed as being either “Substantial Assurance”, Reasonable Assurance”, “Partial Assurance” or “No Assurance”, taking into account the results of all the risks assessed.

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
Adult Care, Housing and Public Health				
Social Care Pathway	To provide assurance that the Social Care Pathway is being applied correctly and consistently and has been enabled via the use of its Liquid Logic software.	5.2.21	Substantial Assurance	The review found that the Pathway had been implemented and was working as planned. No recommendations were made.
Finance and Customer Services				
Payment and Support to Suppliers	To review the application and compliance with changes to payment arrangements as a result of Covid-19.	15.1.21	Substantial Assurance	The review found compliance with national and local guidelines and processes. No recommendations were made.
Data Loss	To review the controls around the security of data transferred to external email addresses via mobile devices.	3.2.21	Reasonable Assurance	There was a need to update and develop a policies in this area to cover the transfer of data.

Definitions

Rating	Definition
Substantial Assurance	<p>Substantial assurance that the system of internal control is designed to achieve the service’s objectives and this minimises risk.</p> <p>The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.</p>
Reasonable Assurance	<p>Reasonable assurance that the system of internal control is designed to achieve the service’s objectives and minimise risk. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at risk.</p> <p>There are some areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations are no greater than medium (2 star) priority.</p>
Partial Assurance	<p>Partial assurance where weaknesses in the design or application of controls put the achievement of the service’s objectives at risk in a significant proportion of the areas reviewed.</p> <p>There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations may include high priority (3 star) and medium priority (2 star) matters.</p>
No Assurance	<p>Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable level of risk.</p> <p>There is significant non-compliance with basic controls which leaves the system open to error and / or abuse. Recommendations will include high priority (3 star) matters and may also include medium priority (2 star) matters.</p>

Appendix D

Internal Audit Performance Indicators

Performance Indicator	Target	Apr 2020	May to June 2020	July to Aug 2020	Sep to Oct 2020	Nov to Dec 2020	Jan to Feb 2021
Draft reports issued within 15 working days of field work being completed.	90%	0%	88%	100%	90%	89%	100%
Chargeable Time / Available Time.	80%	21%	59%	71%	66%	72%	69%
Audits completed within planned time	90%	100%	50%	100%	90%	78%	100%
Client Satisfaction Survey.	100%	n/a	n/a	n/a	100%	100%	n/a

Appendix E

Consolidated Agreed Action Due Date 31.12.20

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
Adult Care, Housing & Public Health	0	0	0	0	1	1
Assistant Chief Executive	0	1	0	0	3	4
Children & Young Peoples Services	2	0	2	0	13	17
Finance & Customer Services	0	4	0	0	3	7
Regeneration & Environment	6	0	1	0	3	10
Totals	8	5	3	0	23	39

Consolidated Agreed Action Due Date 28.2.21

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
Adult Care, Housing & Public Health	0	0	0	0	1	1
Assistant Chief Executive	0	0	0	0	3	3
Children & Young Peoples Services	0	0	0	1	11	12
Finance & Customer Services	1	0	0	0	3	4
Regeneration & Environment	0	0	4	1	1	6
Totals	1	0	4	2	19	26