

### **Council Report**

Audit Committee Meeting – 22<sup>nd</sup> June 2021.

### **Title**

Internal Audit Progress Report for the period 1<sup>st</sup> March to 31<sup>st</sup> May 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)**

David Webster, Head of Internal Audit

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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 1<sup>st</sup> March to 31<sup>st</sup> May 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, 1<sup>st</sup> March to 31<sup>st</sup> May 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 1<sup>st</sup> March to 31<sup>st</sup> May 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**

Yes – Appendix C

*An exemption is sought for this Appendix under paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains sensitive commercial information of letting a tender.*

*It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information, as the Councils commercial interests could be prejudiced by disclosure of this commercial information.*

# Internal Audit Progress Report for the period 1<sup>st</sup> March to 31<sup>st</sup> May 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 May on the completion of the annual plan for 2021/22, the reports finalised in March, April and May, 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 2021/22 and presented it to the Audit Committee at its meeting on 23<sup>rd</sup> March 2021. Work has commenced on this plan. The current position with regards to the plan is given in **Appendix A**.

### 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 B**. Eleven audits have been finalised since the last Audit Committee, of which one had Partial Assurance – Hellaby Depot.

- 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 has been one report of this type issued since the last meeting, see **Appendix C**.

### 2.4 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is summarised in **Appendix D**. Target Performance was almost achieved in March, because of some sickness, and achieved for all indicators in April/May.

## 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. The previous issue of a high number of outstanding actions has largely been resolved through the actions of the Chief Executive and SLT.

The number of aged outstanding actions has decreased to seven, of which four have not yet reached their agreed due dates and three were deferred because of the election.

**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 1<sup>st</sup> March to 31<sup>st</sup> May 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 June 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 Plan 2021-22

<b><u>ASSISTANT CHIEF EXECUTIVE</u></b>					
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Payroll	Directorate Risk ACX20	Fundamental System	Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention.	35	3
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	2
HR Policies		Risk Based	Review of policies and procedures to provide assurances that they are fit for purpose.	20	
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	
Members Allowances		Risk Based	Review of allowances paid to members following May 21 Borough Elections, including a follow-up of 2020/21 audit actions.	10	2
Establishment Control		Risk Based	Follow-up of 19/20 Audit	5	DRAFT
<b>Total Planned Days – Assistant Chief Executive</b>				<b>95</b>	

<b><u>ADULT CARE HOUSING AND PUBLIC HEALTH</u></b>					
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Liberty Protection Safeguards	Strategic Risk SLT22 ACS22	Risk Based	Review of compliance with new legislative changes and requirements. Detailed scope to be agreed in Q3 / Q4 after new procedures have been embedded.	10	3 / 4

Public Health		Risk Based	Scope to be agreed for a review of elements from the What Good Looks Like (WGLL) Programme.	10	3
Homecare and Support Delivery Model	Directorate Risk PH16	Risk Based	Review new delivery model to ensure services are being delivered to vulnerable people on date of contract implementation.	15	4
Direct Payments		Risk Based	Review the updated policies and procedures and ensure that all previous Internal Audit recommendations, covering this service, have been addressed and incorporated into these policies and procedures.	20	2
Repairs & Maintenance Contract	Housing Services Risk No.8	Risk Based	Review and provide assurance on the new repairs and maintenance contract; and ensure that previous Internal Audit recommendations have been addressed within the new contract.	20	2
Housing Rents		System Based	Audit examines key areas within the system on a cyclical basis.	10	4
Rothercare Service		Risk Based	Support Housing's internal review of systems and operations of Rothercare and Assistive Technology	20	3
Homelessness	Housing Options Risk 18	Risk Based	Review of findings from Housing's internal review of processes.	10	2
Transition from Children's Care to Adult Care		Follow up	Follow up of review in 2020/21	5	
<b>Total Planned Days – Adult Care and Housing</b>				<b>120</b>	

<b><u>CHILDREN AND YOUNG PEOPLES SERVICE</u></b>					
<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Early Years Education	ES6	Risk Based	Review of policies and procedures to ensure compliance with statutory duties. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit.	20	WIP
School Exclusions		Risk Based	Review the Council's procedures in respect of permanent exclusions to	15	4

			ensure compliance with statutory requirements		
Schools CRSA and Themed Audits		Risk Based	Reviews based on the results of the schools' Control and Risk Self-Assessment. Includes School Visits.	30	WIP
Special Education Needs and Disability	CYPS03	Risk Based	Review of the management of SEND requirements. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit.	20	4
LAC Sufficiency (Children's Homes)	CPQ42	Risk Based	To provide an independent risk based review on progress with the LAC Sufficiency Strategy. This review can be used to support any further project changes and provide independent assurance on any changes in delivery post Covid.	15	
Early Help	EH2 / EH3		Review of the engagement of partners in developing and delivering Early Help	10	
Rating of Schools	ES2 / ES14		Review of the arrangements to ensure maintained schools are rated highly.	10	
Fostering and Adoption Allowances		Follow up	Follow up of review in 2020/21	5	WIP
<b>Total planned days - Children and Young People's Services</b>				<b>125</b>	

## **FINANCE AND CUSTOMER SERVICES**

### **Finance**

<b>Audit</b>	<b>Risk Register and Rating</b>	<b>Audit Classification</b>	<b>Auditable Area</b>	<b>Number of days</b>	<b>Planned Quarter</b>
Annual Governance Statement		Risk Based	Review of the process for the production of the AGS.	10	4
NNDR		Systems Based	Fundamental system. Previously no concerns, audit resources to examine changes to the system.	10	3
Debtors		Systems Based	Assess the degree of compliance with Finance Procedures by	15	2

			Directorates.		
Capital Procedures		Risk Based	Review the updated capital procedures and provide assurance that they are being complied with and that expenditure is appropriately approved, controlled and monitored.	15	4
Social Values		Risk Based	Review of compliance with Social Value policy requirements for procurement and provide assurances that controls are in place to ensure the policy is embedded.	15	WIP
Procurement Governance	Operational Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20	4
IR35 Anti-Avoidance Tax Legislation		Risk Based	Review procedures and provide an assurance on compliance with IR35 legislation	15	3
<b><u>Customer Information &amp; Digital Services</u></b>					
Cyber Attacks	Directorate Risk FCS14	Risk Based	Provide assurance on how the Council manages the risk of threats from cyber-attack in terms of preventative & reactive measures.	10	3/4
Physical Security of servers / data		Risk Based	Provide assurance that the Councils server / data areas are secure and resilient to withstand physical & environmental attack.	10	
Hardware Asset Management		Risk Based	Confirm the adequacy of arrangements for managing the issue of new IT equipment (laptops) and any items that are returned and overall stock management.	15	WIP
Vulnerability Management (Salford)		Risk Based	Confirm that vulnerabilities in the IT 'estate' are effectively managed in a timely & controlled manner.	10	2
Network Management (Salford)		Risk Based	Provide assurance that the Council's IT infrastructure (network, server and storage) is robust, fit for purpose, secure & resilient.	10	2
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	WIP

<b>Legal Services</b>					
Adult Care Protection Legal Support		Risk Based	Provision of effective Adult Care Protection legal support to Adult Care, Housing and Public Health Services.	10	
Whistleblowing		Risk Based	Provide assurance that reported cases are investigated and there is supporting evidence to justify the investigations overall findings.	15	
Contract Sealing		Risk Based	Partial Assurance level reported in 2021 audit review, follow up audit to ensure agreed actions are in the process of, or have been, implemented.	5	DRAFT
Right to Buy		Risk Based	Review of Right to Buy procedures from receiving instructions to completion of sales to highlight any delays in the processes and reduce risk of complaints.	10	
<b>Total Planned Days – Finance and Customer Services</b>				<b>205</b>	

<b>REGENERATION AND ENVIRONMENT</b>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Property Estate Management	Strategic Risk SLT27 / Directorate Risk R&E13	Risk Based	Review Health & Safety arrangements in management of property estate & follow-up previous audit actions from 20/21 audit.	10	
Enforcement	Directorate Risk R&E2	Risk Based	Ensure the arrangements around community-based enforcement and environmental health meet statutory requirements.	10	
Historic Sites	Directorate Risk R&E8 / Operational Risk CST15	Risk Based	Review the adequacy of arrangements for the management of the health & safety programme for maintenance of the Council's historic sites.	10	
Building Security	Directorate Risk R&E26	Risk Based	Ensure adequate building security arrangements are in place across the property estate. To include follow-up of agreed actions relating to security	15	

	/Operational Risk PRT39		at Hellaby Depot.		
Private Rented Housing		Risk Based	Review policies & procedures and gain assurance that the Council is compliant with regulations surrounding selective licensing and administration of the scheme	10	
Household Waste Recycling Centres		Risk Based	Seek assurance adequate contract management arrangements are in place & operating effectively.	10	WIP
Catering / Cleaning (Facilities Services)		Risk Based	Review adequacy of health & safety arrangements around catering & cleaning and that appropriate PAT testing is in place.	15	
Home to School Transport		Follow up	Follow up of review in 2020/21	5	
S106 & Community Infrastructure Levy		Follow-up	Follow-up of review in 2020/21	5	2
<b>Total Planned Days – Regeneration and Environment</b>				<b>90</b>	

<b><u>OTHER</u></b>	<b>Provision</b>	<b>Days Used</b>
Follow Up reviews	20	0
Grants	50	0
Provision for investigations	100	41
Pro-active fraud	30	5
Contingency	90	0
Covid – grant work	75	21
<b>Other Work Total</b>	<b>365</b>	<b>67</b>
<b>Overall Plan Total</b>	<b>1000</b>	

## Appendix B

### 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
<b>Assistant Chief Executive</b>				
Members Allowances	To provide assurance on the accuracy of Members Basic Allowances and Special Responsibility Allowance payments.	31.3.21	Reasonable Assurance	The review found a few errors in the amounts paid to Members, but most payments were correct.
Payroll	To review the payroll system and provide assurance on procedures for carrying out reconciliations and error resolution and prevention	26.4.21	Reasonable Assurance	There was a need to follow up discrepancies in standby rates and review balances on the overpayments control account.
Risk Management	To provide assurance on the effectiveness of the Council's Risk Management arrangements.	14.5.21	Substantial Assurance	The review found that Risk Management was effective. Two minor recommendations were made.
<b>Children and Young People's Services</b>				
Traded Services for Schools	To provide assurance that controls are in place for system security and full recovery of income for CYPS Traded Services provided via the TRaDE	3.3.21	Reasonable Assurance	There was a need to develop the SLA template and review the reference guide.

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
	Rotherham website.			
Direct Payments	To assess the adequacy of the control framework for Direct Payments.	12.3.21	Reasonable Assurance	The system for monitoring the return of overpayments need to be improved.
Looked After Children and Leaving Care Payments	To assess the adequacy of the control arrangements surrounding payments made to Looked After Children and those Leaving Care.	25.3.21	Substantial Assurance	The review found that payments were well controlled
<b>Finance and Customer Services</b>				
Treasury Management	To review the policies and procedures in place to ensure an efficient treasury management service.	24.3.21	Substantial Assurance	The review found that treasury management was well controlled.
Council Tax	To provide assurance on the processes and controls within the Council tax system to ensure there are proper arrangements for processing discount applications.	25.3.21	Substantial Assurance	The review found that arrangements for processing discount applications within Council Tax were well controlled.
Right of Access Requests	To provide assurance that the process for dealing with Right of Access Requests are robust and ensure best performance towards legislative requirements.	26.3.21	Reasonable Assurance	There was a need to improve ownership of RoARS within Directorates and monitoring of progress by the Information Management team.
Business Grants	To review the operation of payments of Local Restrictions Support Grant and Additional Restrictions Grant	21.5.21	Substantial Assurance	The review found that the operation to make payments under these grant scheme was well controlled.
<b>Regeneration and Environment</b>				
Hellaby Depot	To assess the adequacy of the	4.5.21	Partial	There was a need to improve security, access control

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
	governance arrangements for the services based at Hellaby Depot.		Assurance	and alarms at the site.

## 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>

**Internal Audit Performance Indicators**

<b>Performance Indicator</b>	<b>Target</b>	<b>Mar 2021</b>	<b>Apr to May 2021</b>
Draft reports issued within 15 working days of field work being completed.	90%	86%	100%
Chargeable Time / Available Time.	80%	75%	80%
Audits completed within planned time	90%	86%	100%
Client Satisfaction Survey.	100%	100%	100%

## Appendix E

### Consolidated Agreed Action Due Date 1.6.21

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

### 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