

Council Report

Audit Committee Meeting – 30th September 2021.

Title

Internal Audit Progress Report for the period 1st June to 31st August 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

Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

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 June to 31st August 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 June to 31st August 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 June to 31st August 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 – partially exempt.

An exemption is sought for Appendix C under Paragraph 7 (Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

Internal Audit Progress Report for the period 1st June to 31st August 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 August on the completion of the annual plan for 2021/22, the reports finalised in June, July and August, 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 23rd 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**. Twelve audits have been finalised since the last Audit Committee, all of which one had 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 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 for the issue of reports was almost achieved in

March, two complex reports took longer than usual to review. All other indicators were achieved in June to August.

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.

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 June to 31st August 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 30th September 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.
Tel 01709 823282 E mail david.webster@rotherham.gov.uk

Appendix A

Internal Audit Plan 2021-22

<u>ASSISTANT CHIEF EXECUTIVE</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
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	WIP
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	3
HR Policies		Risk Based	Review of policies and procedures to provide assurances that they are fit for purpose.	20	3
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	4
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	FINAL
Establishment Control		Risk Based	Follow-up of 19/20 Audit	5	FINAL
Give As You Earn Payroll Deductions		System Based	Review of processes for staff donations to charities made by deductions from Payroll	10	FINAL
Total Planned Days – Assistant Chief Executive				105	

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

	ACS22		embedded.		
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	WIP
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	WIP
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	WIP
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	WIP
Transition from Children's Care to Adult Care		Follow up	Follow up of review in 2020/21	5	3
Total Planned Days – Adult Care and Housing				120	

CHILDREN AND YOUNG PEOPLES SERVICE					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
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	20	WIP

			prior to commencement of audit.		
School Exclusions		Risk Based	Review the Council's procedures in respect of permanent exclusions to ensure compliance with statutory requirements	15	4
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	3
Rating of Schools	ES2 / ES14		Review of the arrangements to ensure maintained schools are rated highly.	10	3
Fostering and Adoption Allowances		Follow up	Follow up of review in 2020/21	5	DRAFT
Total planned days - Children and Young People's Services				115	

<u>FINANCE AND CUSTOMER SERVICES</u>					
<u>Finance</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
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	WIP
Debtors		Systems Based	Assess the degree of compliance with Finance Procedures by Directorates.	15	WIP

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	WIP
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	FINAL
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	WIP
<u>Customer Information & Digital Services</u>					
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	2
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	DRAFT
Vulnerability Management (Salford)		Risk Based	Confirm that vulnerabilities in the IT 'estate' are effectively managed in a timely & controlled manner.	10	3
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
<u>Legal Services</u>					

Adult Care Protection Legal Support		Risk Based	Provision of effective Adult Care Protection legal support to Adult Care, Housing and Public Health Services.	10	4
Whistleblowing		Risk Based	Provide assurance that reported cases are investigated and there is supporting evidence to justify the investigations overall findings.	15	3
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	FINAL
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	4
Total Planned Days – Finance and Customer Services				205	

<u>REGENERATION AND ENVIRONMENT</u>					
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	3
Enforcement	Directorate Risk R&E2	Risk Based	Ensure the arrangements around community-based enforcement and environmental health meet statutory requirements.	10	3
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	3
Building Security	Directorate Risk R&E26 /Operational Risk PRT39	Risk Based	Ensure adequate building security arrangements are in place across the property estate. To include follow-up of agreed actions relating to security at Hellaby Depot.	15	WIP

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	3
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	4
Home to School Transport		Follow up	Follow up of review in 2020/21	5	3
S106 & Community Infrastructure Levy		Follow-up	Follow-up of review in 2020/21	5	FINAL
Total Planned Days – Regeneration and Environment				90	

<u>OTHER</u>	Provision	Days Used
Follow Up reviews	20	0
Grants	50	18
Provision for investigations	100	91
Pro-active fraud	30	10
Contingency	90	10
Covid – grant work	75	21
Other Work Total	365	150
Overall Plan Total	1000	

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
Corporate				
Annual Governance Statement	To provide assurance on the processes and systems in place to ensure the AGS is produced and published in line with Accounts and Audit Regulations	7.7.21	Substantial Assurance	The review found the process was well controlled. No significant issues were found.
Sub-Schemes of Delegation Follow Up	To provide assurance that the actions arising from the previous audit have been fully implemented.	14.6.21	Reasonable Assurance	There were a few minor points still to be addressed. Most of these were cleared in the closing meeting.
Assistant Chief Executive				
Establishment Control Follow Up	To provide assurance that the actions arising from the previous audit have been fully implemented.	14.6.21	Substantial Assurance	The actions were found to have been completed
Give As You Earn Payroll Deductions	To provide assurance that there are proper processes in place for the payment of staff donations to third parties made via payroll deductions	12.7.21	Reasonable Assurance	Procedures were not fully documented and records of contracts with third parties were not available in some instances. A change in the method of payment had not been actioned, resulting in payments not being processed.
HR Policies	To provide assurance that	22.7.21	Reasonable	The HR system does not automatically identify when

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
	policies are fit for purpose, in particular those relating to Attendance management and Restructuring, Redeployment and Redundancy.		Assurance	sickness triggers are met. The policies for Restructuring, Redevelopment and Redundancy have not been updated since 2014. Post-implementation reviews had not been completed for recent restructures.
Members Allowances	To provide assurance on the accuracy of allowances paid to Members following the May 2021 elections and to follow up actions from a previous review.	22.7.21	Substantial Assurance	Previous actions had been implemented and payments before and after the election were found to be correct.
Children and Young People's Services				
Placements	To review policies and procedures for sourcing and agreeing placements to ensure they are correctly considered, authorised and costed.	6.7.21	Reasonable Assurance	Fully completed and authorised Placement Approval forms could not be found in all instances, and not all of the forms and Residential Panel Meeting minutes were attached to the child's record in Liquid Logic.
Unregistered and Unregulated Placements	To review policies and procedures and provide assurance that unregulated placements are authorised and unregistered placements do not take place.	6.7.21	Reasonable Assurance	A small number of children (normally 3-7) are in unregulated or unregistered placements at any one time, to meet emergency requirements. The placements manual needs to be updated, and not all Placement Approval Forms could be traced.
Finance and Customer Services				
Self-Isolation Grants	To review the arrangements for making Test and Trace Support payments and Local Self Isolation Support Payments to individuals.	14.6.21	Substantial Assurance	The review found that the process was well controlled with the appropriate checks being made.
Contract Sealing Follow Up	To provide assurance that the actions arising from the previous audit have been fully	18.6.21	Substantial Assurance	Most actions had been implemented. There is still a need for guidance for staff in R&E to ensure contracts over £100k are passed to Legal Services for signing and

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
	implemented.			sealing.
Procurement Social Values	To provide assurance that the Council is complying with Social Value policy requirements for procurements of contracts of £25k and above.	29.7.21	Substantial Assurance	Analysis of contracts showed that where applicable they followed the requirements for social values in including local suppliers in the procurement process.
Purchasing Cards	To provide assurance that expenditure on purchasing cards is appropriate and supported by receipted records.		Reasonable Assurance	The guidelines needed to be re-issued to ensure managers were aware of them, further controls were needed to ensure cards were retrieved/cancelled for leavers and not all transactions were supported by receipts.

Definitions

Rating	Definition
Substantial Assurance	Substantial assurance that the system of internal control is designed to achieve the service's objectives and this minimises risk. The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.
Reasonable Assurance	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. 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.
Partial Assurance	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. There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently

Rating	Definition
	developed. Recommendations may include high priority (3 star) and medium priority (2 star) matters.
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

Performance Indicator	Target	Mar 2021	Apr to May 2021	Jun to Aug 2021
Draft reports issued within 15 working days of field work being completed.	90%	86%	100%	83%
Chargeable Time / Available Time.	80%	75%	80%	84%
Audits completed within planned time	90%	86%	100%	92%
Client Satisfaction Survey.	100%	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 31.8.21

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
Adult Care, Housing & Public Health	0	0	2	0	0	2
Assistant Chief Executive	1	1	0	0	2	4
Children & Young Peoples Services	0	0	0	0	0	0
Finance & Customer Services	0	0	0	2	1	3
Regeneration & Environment	0	0	0	0	0	0
Totals	1	1	2	2	3	9