

Committee Name and Date of Committee Meeting

Audit Committee – 28th June 2022.

Title

Internal Audit Progress Report for the period 1st March 2022 to 31st May 2022.

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 March 2022 to 31st May 2022 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 March 2022 to 31st May 2022, 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

Appendix A – Internal Audit Plan 2021/22

Appendix B – Summary of work completed since the last meeting

Appendix C – Internal Audit Performance Indicators

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 March 2022 to 31st May 2022

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 2021/22, the reports finalised in March, April and May, 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 is coming to an end on this plan and commencing on the plan for 2022/23. 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**. Sixteen audits have been finalised since the last Audit Committee, including one with Partial Assurance – Property Estate Management.

- 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 investigation reports issued since the last committee meeting.

2.4 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is summarised in **Appendix C**. Targets were met or very nearly met for all indicators. The appendix also includes comments received from audit clients during the last three months.

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. At the present time there are only two actions that have been deferred from their original due dates. The position will be monitored and any issues reported.

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 March to 31st May 2022 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 28th June 2022 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 CO2 Emissions and Climate Change

11.1 There are no direct CO2 and Climate Change implications arising from the report.

12. Implications for Partners

12.1 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.

13. Risks and Mitigation

13.1 An effective Internal Audit Department helps to minimise the Council’s exposure to risk.

14. Accountable Officer

David Webster, Head of Internal Audit.
Tel 01709 823282 E mail david.webster@rotherham.gov.uk

Appendix A

Internal Audit Plan 2021-22

| ASSISTANT CHIEF EXECUTIVE | | | | | |
|---|--------------------------|----------------------|--|----------------|-----------------|
| 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 | FINAL |
| Risk Management | | Risk Based | Review of the effectiveness of risk management. | 10 | FINAL |
| HR Policies | | Risk Based | Review of policies and procedures to provide assurances that they are fit for purpose. | 10 | FINAL |
| Performance Management | | Risk Based | Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported. | 15 | DEF |
| 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 | | | | 95 | |

ADULT CARE HOUSING AND PUBLIC HEALTH

| Audit | Risk Register and Rating | Audit Classification | Auditable Area | Number of days | Planned Quarter |
|---|----------------------------------|-----------------------------|---|-----------------------|------------------------|
| 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 | FINAL |
| Public Health | | Risk Based | Scope to be agreed for a review of elements from the What Good Looks Like (WGLL) Programme. | 10 | FINAL |
| 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 | FINAL |
| 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. | 5 | FINAL |
| 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 | FINAL |
| Housing Rents | | System Based | Audit examines key areas within the system on a cyclical basis. | 10 | FINAL |
| Rothercare Service | | Risk Based | Support Housing's internal review of systems and operations of Rothercare and Assistive Technology | 20 | DRAFT |
| Homelessness | Housing Options Risk 18 | Risk Based | Review of findings from Housing's internal review of processes. | 10 | FINAL |
| Transition from Children's Care to Adult Care | | Follow up | Follow up of review in 2020/21 | 5 | DEF |

| | | | | | |
|--|--|------------|---|------------|-------|
| Learning Disabilities | | Risk Based | Review the changes to the service to provide assurance that they have achieved the stated objectives in the realignment of services across day centres. | 15 | FINAL |
| 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 prior to commencement of audit. | 20 | FINAL |
| School Exclusions | | Risk Based | Review the Council's procedures in respect of permanent exclusions to ensure compliance with statutory requirements | 15 | WIP |
| Schools CRSA and Themed Audits | | Risk Based | Reviews based on the results of the schools' Control and Risk Self-Assessment. Includes School Visits. | 30 | FINAL |
| 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 | DRAFT |
| 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 | WIP |
| Rating of Schools | ES2 / ES14 | Risk Based | Review of the arrangements to ensure maintained schools are rated highly. | 10 | DRAFT |
| Fostering and Adoption Allowances | | Follow up | Follow up of review in 2020/21 | 5 | FINAL |
| Payments and Allowances | | Risk Based | Review the processes and procedures for payments to providers of services to looked after children. | 10 | FINAL |

Total planned days - Children and Young People's Services

125

FINANCE AND CUSTOMER SERVICES

Finance

| 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 | WIP |
| NNDR | | Systems Based | Fundamental system. Previously no concerns, audit resources to examine changes to the system. | 10 | DRAFT |
| Debtors | | Systems Based | Assess the degree of compliance with Finance Procedures by Directorates. | 15 | FINAL |
| 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 | FINAL |
| 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 | DEF |
| IR35 Anti-Avoidance Tax Legislation | | Risk Based | Review procedures and provide an assurance on compliance with IR35 legislation | 15 | FINAL |

Customer Information & Digital Services

| | | | | | |
|-------------------------------------|------------------------|------------|--|----|-------|
| 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 | FINAL |
| 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 | FINAL |

| | | | | | |
|---|--|------------|--|------------|-----------|
| 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 | FINAL |
| Vulnerability Management (Salford) | | Risk Based | Confirm that vulnerabilities in the IT 'estate' are effectively managed in a timely & controlled manner. | 10 | DRAFT |
| 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 | FINAL |
| Customer Services & Efficiency Programme Board | | Advisory | Audit contribution to projects designed to increase efficiency. | 30 | COMPLETED |
| <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 | DEF |
| Whistleblowing | | Risk Based | Provide assurance that reported cases are investigated and there is supporting evidence to justify the investigations overall findings. | 15 | FINAL |
| 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 | FINAL |
| Total Planned Days – Finance and Customer Services | | | | 205 | |

REGENERATION AND ENVIRONMENT

| 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 | FINAL |
| Enforcement | Directorate Risk R&E2 | Risk Based | Ensure the arrangements around community-based enforcement and environmental health meet statutory requirements. | 10 | DRAFT |
| 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 | FINAL |
| 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 | FINAL |
| Household Waste Recycling Centres | | Risk Based | Seek assurance adequate contract management arrangements are in place & operating effectively. | 10 | FINAL |
| Catering / Cleaning (Facilities Services) | | Risk Based | Review adequacy of health & safety arrangements around catering & cleaning and that appropriate PAT testing is in place. | 15 | FINAL |
| Home to School Transport | | Follow up | Follow up of review in 2020/21 | 5 | FINAL |
| 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 | 20 |
| Grants | 50 | 60 |
| Provision for investigations | 100 | 128 |
| Pro-active fraud | 30 | 26 |
| Contingency | 90 | 71 |
| Covid – grant work | 75 | 23 |
| | | |
| Other Work Total | 365 | 328 |
| | | |
| Overall Plan Total | 1000 | |

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 |
|--|---|-----------------------|-----------------------|--|
| Assistant Chief Executive | | | | |
| Payroll | To provide assurance on procedures for carrying out reconciliations and error resolution and prevention. | 29.3.22 | Substantial Assurance | Controls were in place. Two low priority recommendations were made around the recovery of overpayments and training. |
| Risk Management | To review the effectiveness of the Council's Risk management arrangements. | 19.4.22 | Substantial Assurance | The arrangements were effective. Recommendations were made around the presentation and consistency of risk registers |
| HR Policies – PDR Procedures | To provide assurance that the PDR procedures are fit for purpose. | 4.5.22 | Substantial Assurance | The report made no recommendations but noted that completion rates could be improved. |
| Adult Care, Housing and Public Health | | | | |
| Homes England | To provide support and advice on the preparation of Housing's report and action plan in response to HE's audit. | 11.3.22 | n/a | Adequate procedures and controls were not in place to ensure HE's requirements were fulfilled at the time of the drawdown of funds. Housing has produced an action plan to address the issues. |
| Public Health – Tobacco Control | To review the What Good Looks Like programme for tobacco control. | 7.4.22 | Reasonable Assurance | Controls were in place. Recommendations were made around the implementation of the programme and reporting. |

| Audit Area | Assurance Objective | Final Report to man't | Overall Audit Opinion | Summary of Significant Issues |
|--------------------------------------|---|------------------------------|------------------------------|---|
| Deprivation of Liberty Safeguards | To assess the adequacy of controls surrounding the application of DoLS processes and procedures. | 13.4.22 | Reasonable Assurance | Controls were in place. Two low priority recommendations were made around procedures and DBS checks |
| Housing Rents | To provide assurance on the effective management of Housing rents with regard to eviction and sustainable tenancies. | 16.5.22 | Substantial Assurance | Policies were in place and followed. No recommendations were made. |
| Finance and Customer Services | | | | |
| Capital Procedures | To provide assurance that Capital Procedures are being complied with and expenditure is appropriately approved, controlled and monitored. | 22.3.22 | Substantial Assurance | Controls were in place. Two low priority recommendations were made around training and oversight. |
| Network Management | To verify whether there are appropriate controls in place to minimise risks associated with network management. | 7.4.22 | Reasonable Assurance | Key risks are generally being controlled. Recommendations were made around monitoring requirements, changes to the network and documentation. |
| Right to Buy – Legal Services | To review the procedures to highlight any delays and reduce the risk of complaints. | 9.5.22 | Substantial Assurance | Controls were in place. Two low priority recommendations were made around the clarity of procedures and management review. |
| Cyber Attacks | To provide assurance on how the Council manages the risk of cyber attack in terms of preventative and reactive measures. | 20.5.22 | Substantial Assurance | Controls were in place. No recommendations were made. |
| Regeneration and Environment | | | | |
| Property Estate Management | To review the health and safety arrangement in the management of the property estate. | 10.3.22 | Partial Assurance | Controls relating to performance monitoring and management reporting need to be improved. |

| Audit Area | Assurance Objective | Final Report to man't | Overall Audit Opinion | Summary of Significant Issues |
|--|--|-----------------------|-----------------------|--|
| Household Waste Recycling Centres | To assess the adequacy of the contract arrangements in place at the Council's Waste Recycling Centres | 8.4.22 | Substantial Assurance | Adequate contract arrangements were in place. No recommendations were made. |
| Vehicle Fleet | To determine whether there are adequate arrangements in place to manage the operation of the Council's vehicles. | 28.4.22 | Reasonable Assurance | Controls were in place. Recommendations were made around performance monitoring, health and safety and the update of policies. |
| Facilities Services | To review the adequacy of health and safety arrangements in cleaning and catering and that Portable Appliance Testing is in place. | 29.4.22 | Reasonable Assurance | Controls were in place. Recommendations were made around incident reporting and the completion of PAT records. |
| Private rented Housing – Selective Licensing | To review the policies and procedures for selective licensing and the administration of the scheme. | 26.5.22 | Reasonable Assurance | Controls were in place. Recommendations were made around inspections, quality assurance and training. |

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

| Performance Indicator | Target | Jun to Aug 2021 | Sep to Oct 2021 | Nov 2021 | Dec to Feb 2022 | Mar to May 2022 |
|--|--------|-----------------|-----------------|----------|-----------------|-----------------|
| Draft reports issued within 15 working days of field work being completed. | 90% | 83% | 83% | 100% | 82% | 87% |
| Chargeable Time / Available Time. | 80% | 84% | 78% | 78% | 78% | 79% |
| Audits completed within planned time | 90% | 92% | 100% | 100% | 100% | 100% |
| Client Satisfaction Survey. | 100% | 100% | 100% | n/a | 100% | 100% |

Comments received in the Client Satisfaction Surveys

Supportive approach.

The Auditor took the time to understand the section, challenges and current position which everyone involved in the audit appreciated greatly. As Head of Service the pandemic has been extremely stressful and I was very grateful that this audit did not add to the teams stress and anxiety.

Professional constructive challenge.