

Committee Name and Date of Committee Meeting

Audit Committee – 27th September 2022.

Title

Internal Audit Progress Report for the period 1st June 2022 to 31st August 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)

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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 June 2022 to 31st August 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 June 2022 to 31st August 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 2022/23

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 June 2022 to 31st August 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 August on the completion of the annual plan for 2022/23, the reports finalised in June, July and August, and performance indicators for the team.

2. Key Issues

2.1 Department Developments

One of the Principal Auditors is taking flexible retirement from 1st October 2022, reducing his hours from full time to 2 days a week. Recruitment has commenced for an additional full time Senior Auditor which will enhance capacity in the medium term and aid business continuity and succession planning. In the short-term there will be a shortfall in resource. The plan will be monitored to ensure that sufficient coverage is maintained.

The department is currently purchasing Data Analytics software. This can be applied to databases to identify unusual or anomalous transactions for examination, which will increase the efficiency and effectiveness of audit work in the future, but again will have a short-term effect as training is completed and it starts to be used.

2.2 Internal Audit Annual Plan

Internal Audit produced a risk based Annual Audit Plan for 2022/23 and presented it to the Audit Committee at its meeting on 15th March 2022. Work has commenced on this plan for 2022/23. The current position with regards to the plan is given in **Appendix A**. In the year to date the department has delivered 471 days of productive work, showing it is on target for the year as a whole.

2.3 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, including two with Partial Assurance – Rothercare and Enforcement (Food and Feed).

2.4 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.

2.5 Internal Audit Performance Indicators

Internal Audit’s performance against a number of indicators is summarised in **Appendix C**. Targets were met apart from the issuing reports in the planned time, which was affected by annual leave.

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 seven actions that have been deferred from their original due dates, but four of these will be cleared by the end of September. 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 June to 31st August 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 27th September 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

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Internal Audit Plan 2022-2023

Assistant Chief Executive					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Payroll	ACX20	Systems Based	Provide assurance on key processes for carrying out reconciliations and error resolution and prevention.	20	4
Big Hearts Big Changes (BHBC)	ACX23	Risk Based	Provide assurance on the governance arrangements to ensure the effective delivery of the BHBC programme.	15	3/4
Year Ahead Plan	ACX27	Risk Based	Provide assurance on the governance arrangements and that performance measures are being accurately reported.	20	3
Agency Staff / Relief Workers		Risk Based	Provide assurance on the effectiveness of governance arrangements to ensure agency/relief staff are being sourced in accordance with approved contract(s).	15	WIP
Use of Volunteers		Risk Based	Provide assurance that the process for managing volunteers is robust and that access to information and the use of personal data is GDPR compliant.	10	WIP
Declarations of Interest		Risk Based	Provide assurance on the effectiveness of policies & procedures and ownership and accountability for the process.	10	2
Leavers		Follow-up	Carry out a Follow-up of the Jan 2022 Audit (partial assurance)	5	1/2
Complaints		Risk Based	Provide assurance on the effectiveness of the complaints procedure	10	WIP
Total planned days – Assistant Chief Executive				105	

ADULT CARE HOUSING AND PUBLIC HEALTH

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Liberty Protection Safeguards.	ACHPH R3 (ACI R5)	Risk Based	Provide an assurance on the Council's readiness to transfer to the new Liberty Protection Safeguards regulations.	15	4
Public Health	ACHPH R7 (PH R5)	Risk Based	Management request for a further review of additional Elements of the What Good Looks Like (WGLL) programme.	10	2/3
Health & Safety Legislation and Corporate Responsibilities for Council Homes.	ACHPH R9 Housing RR No.1	Risk Based.	Management request for a review to be carried out when changes to Social Housing Regulations framework have been finalised. The audit will revisit the Council's compliance with Health and Safety regulations.	10	3
Assistive Technology	ACHPH R11 & 12)	Risk Based	Review of Assistive Technology procedures; including approval pathway for purchasing new equipment; decision making for specialist equipment and compliance with contractual / procurement processes.	15	3/4
Health Funded Clients	ACI R1	Risk Based	Review the Council's use of the RAFT tool in determining client's assessment of their level of health need, and subsequent level of health funding for their needs.	10	WIP
Housing Disrepair Claims	Operational Risk	Risk Based	Provide assurance on the controls in place to reduce the number of Disrepair claims logged with the Council and deal with those received.	10	2/3
Housing Management System		Risk Based	Review and provide assurance on the adequacy of the new housing management system.	15	3/4
Care Provision Deferred Payment Agreements & Unpaid Debt.		Risk Based	Review of compliance with procedures for deferring payment for care provision and recovery of unpaid debt.	10	WIP
Transition from Children's Care to Adult Care		Follow Up	Follow up of 2020-2021 audit review. Audit deferred from 2021-2022 plan.	5	3
Rothercare		Follow Up	Follow up of 2021-2022 audit review reporting a partial assurance level.	5	3

Total Planned Days – Adult Care and Housing	105
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CHILDREN AND YOUNG PEOPLES SERVICE					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Commissioning Services	CPQ43	Risk Based	Review of commissioning policies in place to support safeguarding of children and young people; health and safety and Governance, which need to be in place by all contract holders. Assurance would assist Commissioning develop their quality assurance framework.	10	3
Direct Payments	CPQ44	Risk Based	Review the procedures for making direct payments to personal budget holders and provide an assurance on the quality of annual audits carried out on individual client's accounts.	15	DRAFT
Safeguarding	SCF4	Risk Based	Review the processes for maintaining robust safeguarding arrangements – detailed scope to be agreed.	20	3
Schools CRSA		Risk Based	Conduct the annual school's Control and Risk Self-Assessment to form the basis for school visits.	10	3/4
Schools Themed Audits		Risk Based	Sample visits to schools, based on the results of the self-assessment.	20	3/4
Joint Funding of Care Packages		Risk Based	Review of the new Joint Funding strategy and provide a level of assurance on compliance with the new strategy.	15	3/4
Commissioning		Follow Up	Follow up audit of commissioning of emergency provision supplier.	5	2
Special Education Needs and Disability (SEND).	CYPS03 ES16	Risk Based	Review progress in implementing the Ofsted action plan and provide an assurance on the processes taken to address the weaknesses highlighted within the action plan.	15	2/3
Total Planned Days - Children and Young People's Services				110	

FINANCE AND CUSTOMER SERVICES					
Finance					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter

NNDR	FCS2	Systems Based	Fundamental System. Review of new processes in respect of NNDR reliefs to provide a level of assurance of compliance with these.	10	4
Council Tax Support	FCS10	Systems Based	Review of changes in Council Tax Support System and provide a level of assurance of compliance with these.	10	3/4
Procurement Governance	Operational Risk.	Risk Based	Review procurement procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	30	2/3
Social Values	Operational Risk	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 by contract managers.	15	3
Debtors		Systems Based	Review debtors procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	30	3/4
Treasury Management		Risk Based	Review of Treasury Management Strategy to ensure compliance with recent changes.	10	3
Covid Grants		Risk Based	Further reviews of new Covid Grant Schemes, including the Council's use of the Spotlight tool.	15	FINAL
Customer Information & Digital Services					
3 rd Party Supplier Access Management	Salford risk assessment	Risk Based	Provide assurance on the effectiveness of policies & procedures to allow/remove access for 3rd parties.	10	WIP
Back-up Management	Salford risk assessment	Risk Based	Provide assurance that IT 'back-up' arrangements are operating effectively, e.g. servers, 365.	10	2
Blue Badge Scheme		Risk Based	Provide assurance on effectiveness and application of policy and procedures.	10	
Hardware Asset Management		Follow-up	Follow-up of 21/22 Audit (partial assurance)	5	1/2
Customer Digital Programme		Advisory	Audit contribution to projects designed to increase efficiency.	30	WIP
Hosted & Cloud-based systems	Operational Risk	Risk Based	Provide assurance on the IG policies & procedures for cloud-based storage platforms, including recovery, protection & security arrangements.	10	3
Phishing Risk Management	Salford risk assessment	Risk Based	Provide assurance on the effectiveness of the management of the risk of phishing attacks.	10	3

Legal Services					
Electoral Services		Risk Based	Review the processes used as part of the Mayoral Election to provide assurances that processes are efficient and fit for future elections.	10	3
Adult Care Protection Legal Support		Risk Based	Provision of effective Adult Care Protection legal support to Adult Care, Housing & Public Health	10	3/4
Housing Disrepair		Risk Based	Review of procedures for handling claims in respect of Housing Disrepair within Legal Services.	10	2/3
Registrars		Risk Based	Provide an assurance on the performance of the Council's contract with Dignity Crematoria Ltd.	15	WIP
Total Planned Days – Finance and Customer Services				250	

Regeneration and Environment					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Licensing	R&E1 (CSS8)	Risk Based	Review and provide assurance on the implementation of actions arising from the Local Government Association's review of Licensing.	15	4
Waste	CSS13	Risk Based	Scope to be confirmed / agreed.	20	3
Health & Safety Policy	CSS24	Risk Based	Review of policies / procedures in place to ensure compliance with statutory requirements / Health and Safety at Work Act.	10	FINAL
Drainage	CSS35 / 36	Risk Based	Provide assurance on the arrangements in place to maintain the safety of the highway network from surface water & flooding.	10	FINAL
Museum Collections	CST11	Risk Based	Review arrangements for the control, management and security of valuable collections to protect them from loss or damage.	10	WIP
Planning Decisions & Complaints	PRT4	Risk Based	Provide assurance on timeliness of planning decisions performance and review the arrangements for determining planning complaints & objections.	15	WIP

Cash collection and income		Risk Based	Review the arrangements for the collection, monitoring, reconciliation of cash and other forms of income from various establishments.	20	4
Estate Management		Risk Based	Review Health & Safety arrangements in management of the property estate relating to LEA Schools and Neighbourhoods properties.	15	FINAL
S278 Agreements		Risk Based	Provide assurance on the proper execution of Section 278 Agreements.	10	2
Total Planned Days – Regeneration and Environment				125	

<u>OTHER</u>	Provision	Used
Follow Up reviews	20	20
Grants	50	68
Provision for investigations	150	0
Pro-active fraud	25	5
Contingency	50	10
Software development	30	0
Other Work Total	325	103
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
Adult Care, Housing and Public Health				
Rothercare	To review the Rothercare service following internal reviews of systems and operations including Assistive Technology.	13.7.22	Partial Assurance	Recommendations were made around the plans for the service and the procurement of assistive technology.
Children and Young People Services				
Special Educational Needs and Disability	To provide assurance on the inclusion pathway and its links to other key services.	13.6.22	Substantial Assurance	The first stage of the inclusion pathway has been implemented. No recommendations were made.
Ratings of Schools	To review the arrangements in place in maintained schools to meet statutory requirements.	4.7.22	Reasonable Assurance	Controls were in place. Recommendations were made to update and cascade RMBC regulations for schools to ensure clarity and compliance.
School Exclusions	To review procedures for permanent exclusions to ensure they are effective and comply with statutory requirements.	7.7.22	Substantial Assurance	Controls were in place. One low level recommendation was made to improve the format of the Local Authority statement.
Finance and Customer Services				

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
NNDR	To provide assurance on the NNDR valuation and liability procedures.	6.6.22	Substantial Assurance	Controls were in place. No recommendations were made.
Vulnerability Management	To confirm that vulnerabilities in the IT 'estate' are effectively managed in a timely & controlled manner.	17.6.22	Substantial Assurance	Key risks are being managed effectively. One recommendation was made to enhance reporting.
AGS	To provide assurance on the processes and systems in place to produce the AGS.	22.7.22	Substantial Assurance	Controls were in place. One recommendation was made concerning the format of the self-assessment and governance statements.
Covid Grants	To review compliance with the requirements for covid grant schemes.	9.8.22	Substantial Assurance	Controls were in place. No recommendations were made.
Regeneration and Environment				
Enforcement (Food and Feed)	To provide assurance that arrangements around food and feed controls meet statutory requirements.	13.6.22	Partial Assurance	Management controls and oversight need to be improved to ensure inspections and interventions are completed.
Health and Safety Policy	To ensure that policies and procedures are in place to demonstrate compliance with Health and Safety legislation.	5.7.22	Substantial Assurance	Controls were in place. No recommendations were made.
Estate Management	To review the Health and Safety arrangements in the management of the property estate relating to Local Authority schools.	18.8.22	Substantial Assurance	Controls were in place. Recommendations were made to improve management checks.
Drainage	To provide assurance on the arrangements in place to maintain the safety of the highway network from surface water and flooding.	23.8.22	Reasonable Assurance	Controls were in place. Recommendations were made to update plans and to improve the reporting of KPI's.

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	Apr to May 2022	Jun to Aug 2022
Draft reports issued within 15 working days of field work being completed.	90%	91%	82%
Chargeable Time / Available Time.	80%	80%	86%
Audits completed within planned time	90%	91%	91%
Client Satisfaction Survey.	100%	100%	100%

Comments received in the Client Satisfaction Surveys

“The audit was conducted so efficiently at all stages ensuring that interaction with the team was limited to when only absolutely necessary which was a huge benefit given current pressures on the service. It was clear throughout the audit from the pre meet onwards what was required and why it was required. Timeframes around provision of information and documentation was realistic.”

“The pre-discussion is always a really useful way to ensure that the audit is focussed on the right areas and the auditor has a good understanding of the service area.”