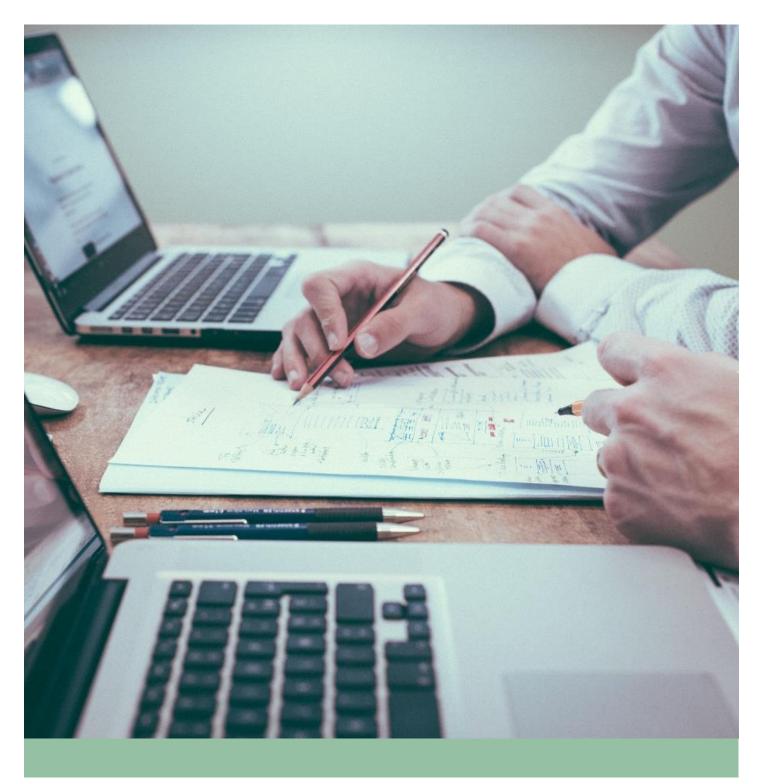# INTERNAL AUDIT PROGRESS REPORT 2022/23

Date: 28 September 2022

Annex 1

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💼 BACKGROUND

1   Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.

2   The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.

3   In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Overview and Scrutiny Committee, and to identify any emerging issues which need to be brought to the attention of the committee.

4   The internal audit work programme was agreed by this committee in April 2022. The primary focus of internal audit delivery in 2022/23 is on Local Government Reorganisation (LGR), and on those systems which are most affected by the transfer. Work is being kept under continuous review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council during its final year of operation.

5   This is the first internal audit progress report to be received by the Overview and Scrutiny Committee covering 2022/23 and summarises the progress made to date in delivering the agreed programme of work.

� INTERNAL AUDIT PROGRESS

6   A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A.

7   Since the last report to this committee in July, the audit of records management has been completed. One further audit report has been issued in draft. Two audits that were started in 2021/22 remain in progress but are both in the latter stages of fieldwork. We anticipate that these audits will be completed during October.

8   In addition, we have completed certification work on two Covid-19 grants: the Test and Trace Support Payment Scheme and the Contain Outbreak Management Fund. We have also completed and submitted our work on the Homes England Compliance Audit relating to flats 1 and 2 Castlegate, Malton.

9   New audit work that has started includes physical information security compliance, creditors, and debtors. We have also met with the responsible officers for the council tax and NNDR and housing benefits audits to agree their scope. Fieldwork on these audits is due to commence in early October.

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In addition, we have commenced background planning for follow-up audits in the areas of safeguarding and Waste & Street Scene. Both of these audits are likely to take place in October and November.

10   The work programme showing current priorities for internal audit work is included at appendix B.

11   The primary focus of our work currently, and for the remainder of the 2022 calendar year, is to complete targeted audits on all of the Council's key financial systems. This work involves testing the continued operation of key controls, reviewing identified areas of weakness, and considering specific data quality, system transfer and development matters linked to LGR.

12   One new audit has been added to the 2022/23 programme that involves follow-up of previous work on the Council's safeguarding arrangements. This is currently being planned alongside a second follow-up audit of Waste & Street Scene. Instead of focusing on depot operations, this audit will now involve testing of controls around use and monitoring of overtime that were either introduced or strengthened following the 2021/22 audit.

13   The 2022/23 programme includes a number of audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over-programmed as previously discussed at committee). In determining which audits will actually be undertaken the priority and relative risk of each area will continue to be considered throughout the remainder of the year.

14   Appendix C provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.

15   Appendix D lists our current definitions for action priorities and overall assurance levels.

💬 FOLLOW-UP OF AGREED ACTIONS

16   All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. As a result of this work we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. Where further assurances are required, follow-up of agreed actions has been included as part of other audits in the work programme.

17   In the lead-up to LGR, we are working especially closely with the Corporate Services Manager and their team to ensure that agreed actions are completed or otherwise satisfactorily closed. This involves sharing monthly updates on the status of agreed actions so that this information can be reported to Strategic Management Board as part of the usual performance pack.

APPENDIX A: INTERNAL AUDIT WORK IN 2022/23

Final reports issued

Audit	Reported to Committee	Opinion
Records management	September 2022	Reasonable Assurance

Audits in progress

Audit	Status	Assurance Level
Section 106 agreements and CIL	Draft report	Reasonable Assurance
Cyber awareness and email security	In progress	-
Everyone Active	In progress	-
Disaster recovery / backup management	In progress	-
Physical information security compliance	In progress	-
Creditors	In progress	-
Debtors	In progress	-
Council tax and NNDR	Planning	-
Housing benefits	Planning	-
Safeguarding (follow-up)	Planning	-
Waste & Street Scene (follow-up)	Planning	-

Other work in 2022/23

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- Certification of the Local Authority Test and Trace Support Payment Scheme Funding Grant
- Certification of the Local Authority Test and Trace Contain Outbreak Management Fund Grant
- Completion of Homes England Compliance Audit

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APPENDIX B: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale
Corporate & cross cutting **Category 1 (do now)** Physical information security Safeguarding (follow-up) **Category 2 (do next)** **Category 3 (do later)** Freedom of Information Transparency (follow-up)	 Information governance is a key assurance area. Required as part of following up previous control weaknesses. Deferred from 2021/22. Controls are changing and / or risks are increasing. Deferred from 2021/22. Required as part of following up previous control weaknesses.
Financial systems **Category 1 (do now)** Creditors Debtors Council tax and NNDR Housing benefits	 Key assurance area, with coverage required in LGR context. Key assurance area, with coverage required in LGR context. Key assurance area, with coverage required in LGR context. Key assurance area, with coverage required in LGR context.

Category 2 (do next) General ledger Payroll **Category 3 (do later)** Budget monitoring and management	Key assurance area, with coverage required in LGR context. Key assurance area, with coverage required in LGR context.
Service areas **Category 1 (do now)** Section 106 agreements and CIL Waste & Street Scene (follow-up) **Category 2 (do next)** Environmental health **Category 3 (do later)** Licensing	 Finalisation of work started in 2021/22. Required as part of following up previous control weaknesses. Deferred from 2021/22. Controls are changing and / or risks are increasing.
Technical / projects **Category 1 (do now)**	

Cyber awareness and email security Everyone Active Disaster recovery / backup management **Category 2 (do next)** Cybersecurity **Category 3 (do later)** ICT asset management	Finalisation of work started in 2021/22. Finalisation of work started in 2021/22. Key assurance area and no recent audit assurance. Key assurance area and provides broader assurance.

APPENDIX C: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions 1 2 3			Comments	Management actions agreed
Records management (July 2022)	This audit reviewed the policies and procedures in place for the management of the Council's electronic and physical records. It also involved review of compliance with retention and disposal procedures across a sample of service areas.	Reasonable Assurance	0	8	1	**Strengths** The Council has a comprehensive Information Governance Strategy and Policy that effectively communicates the core principles of records management and the strategy for achieving them across the Council. Effective controls are in place for managing access to electronic records based on the sample of information assets reviewed. **Weaknesses** A consistent theme between the services sampled was an inability to dedicate sufficient time to the management of information assets. Inconsistencies were noted between data stated as being processed in the Council's privacy notices, and the information assets recorded on its information asset registers (IARs). At the time of testing, there was no corporate disposal policy in place for either physical or electronic records nor were there procedures	Training will be provided for Information Asset Owners (IAOs) and other managers on their responsibilities and on records management best practice. IARs across the Council will be reviewed to ensure these are up to date. A main management drive will be put in place to keep a central record of all IARs. The Information Governance Strategy and Policy will be updated to address the control gaps and weaknesses identified. An Information Governance Officer will be recruited who will liaise with IAOs regularly

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System/area (month issued)	Area reviewed	Assurance rating	Agreed actions 1 2 3			Comments	Management actions agreed
						available within any of the internal services sampled. Reminders and periodic reviews of IARs, that had been the responsibility of the Corporate Governance team, were not taking place due to resourcing pressures.	to ensure that IARs, retention schedules and disposal procedures are operating effectively.

APPENDIX D: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	**Assessment of internal control**
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.