



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

**EPSOM & EWELL BOROUGH COUNCIL
INTERNAL AUDIT PROGRESS REPORT – 2022/23**

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October 2022

Contents:

| | | |
|----|--|-------|
| 1. | Role of Internal Audit | 3 |
| 2. | Purpose of report | 4 |
| 3. | Performance dashboard | 5 |
| 4. | Analysis of 'Live' audit reviews | 6 |
| 5. | Executive summaries 'Limited' and 'No' assurance opinions | 7-8 |
| 6. | Consultancy reports | 8-9 |
| 7. | Planning and resourcing | 10 |
| 8. | Rolling work programme | 10-11 |
| 9. | Adjustments to the Plan | 12 |
| | Annex 1 – Overdue 'high priority' management actions | 13 |
| | Annex 2 – Overdue 'low and medium priority' management actions | 14 |
| | Annex 3 – Previous EEBC Assurance Opinions | 15 |

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body 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.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

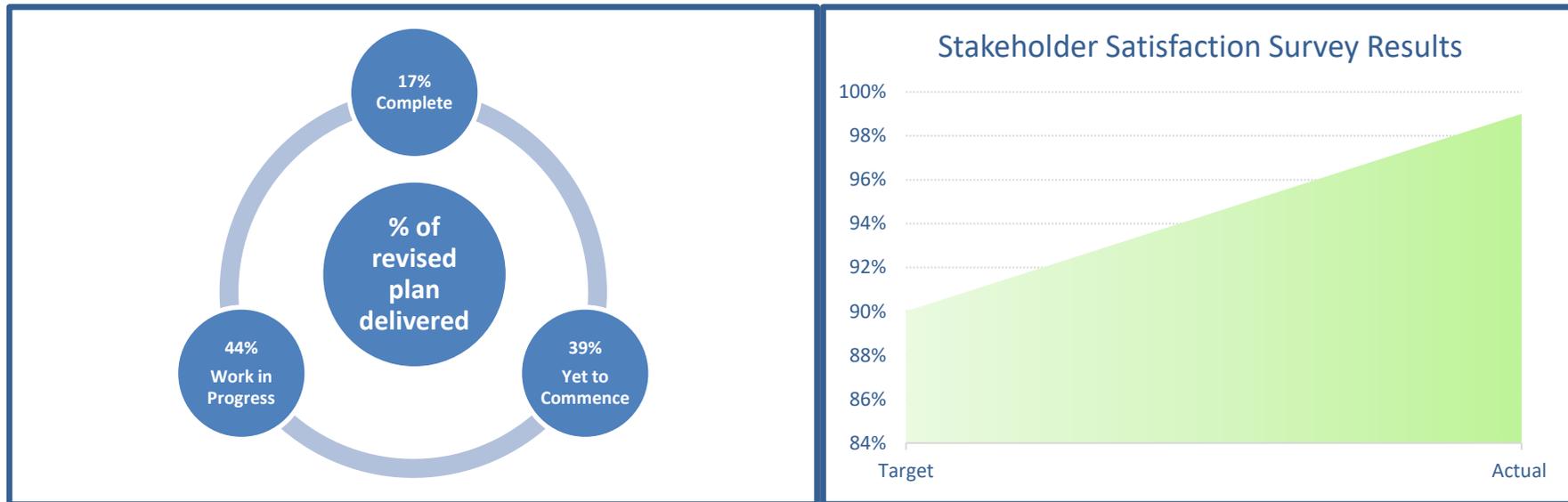
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

| | |
|--------------------|--|
| Substantial | 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 | 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 | 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 | 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. |

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 3*

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

| Audit Review | Report Date | Audit Sponsor | Assurance Opinion | Total Management Actions* | Not Yet Due | Complete | Overdue | | |
|----------------------------------|-------------|-------------------|-------------------|---------------------------|--------------|---------------|----------|-----------|----------|
| | | | | | | | L | M | H |
| Fraud and Irregularities | 06/08/2019 | HofP&CR | Adequate | 4(0) | 0(0) | 3(0) | | 1 | |
| Information Governance | 17/08/2020 | HofP&CR | Adequate | 9(0) | 0(0) | 5(0) | | 4 | |
| Development Management | 03/03/2021 | HofP | Reasonable | 6(0) | 0(0) | 2(0) | | 4 | |
| Housing Benefits | 12/05/2021 | HofH&C | Substantial | 2(0) | 0(0) | 1(0) | 1 | | |
| Accounts Payable | 18/05/2021 | CFO | Reasonable | 6(0) | 0(0) | 5(0) | 1 | | |
| Programme and Project Management | 18/05/2021 | HofP&CR | Reasonable | 3(0) | 0(0) | 1(0) | | 2 | |
| Annual Governance Statement | 03/11/2021 | HofP&CR | Reasonable | 3(0) | 1(0) | 1(0) | | 1 | |
| Income Collection | 16/05/2022 | CFO | Reasonable | 4(0) | 1(0) | 3(0) | | | |
| HR & OD Performance Management | 20/05/2022 | HofHR&OD | Limited | 11(7) | 1(0) | 5(5) | | 3 | 2 |
| Data Management | 30/05/2022 | HofD&ST | Limited | 7(5) | 1(0) | 6(5) | | | |
| Health and Safety | 30/05/2022 | HofP&CR | Limited | 11(2) | 5(1) | 5(1) | | 1 | |
| Information Security | 30/05/2022 | HofD&ST | Reasonable | 5(1) | 1(0) | 3(1) | | 1 | |
| Information Governance | 30/05/2022 | HofP&CR / HofD&ST | Limited | 10(3) | 5(1) | 2(2) | | 3 | |
| Environmental Health | 06/06/2022 | HofH&C | Reasonable | 4(1) | 4(1) | 0(0) | | | |
| Community, Health and Wellbeing | 22/06/2022 | HofH&C | Limited | 4(0) | 0(0) | 0(0) | | 4 | |
| Local Plan | 29/06/2022 | HofP | Reasonable | 4(2) | 1(0) | 2(2) | | 1 | |
| Operational Services | 01/11/2022 | HofOS | Reasonable | 4(3) | 4(3) | 0(0) | | | |
| Total | | | | 97(24) | 24(6) | 44(16) | 2 | 25 | 2 |

*Total number of actions (total number of high priority actions)

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There has been one new report published concluding a "limited" assurance opinion since the last progress report in June 2022.

| Community Health and Wellbeing | | |
|---|--|--|
| Audit Sponsor | Assurance opinion | Management Actions |
| Head of Housing & Community (HofH&C) |  | <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 4</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 0</div> </div> |
| <p>Summary of key observations:</p> <p>This audit focussed on the development and delivery of the Health & Wellbeing Strategy and how it contributes to the four-year plan; the impact that COVID has had on service delivery and the health and wellbeing priorities for the Borough were also taken into consideration.</p> <p>Strategic health and wellbeing priorities were agreed and documented in the Epsom and Ewell Borough Council Health and Wellbeing Strategy 2019-2023; the strategy was approved by the Community and Wellbeing Committee on 10th October 2019.</p> <p>The Health and Wellbeing Strategy states that a detailed action plan would be both set and reviewed annually; a Health and Wellbeing Action Plan was developed and agreed by members in January 2020, but no subsequent plan has been set. We have been advised by the Head of Housing and Communities and the Health and Wellbeing Officer that the Annual Plan and internally focussed Service Delivery Plan have superseded the Health and Wellbeing Action Plan, however there is no link to the Strategy, which could impair understanding of objectives and lead to operational confusion. We also found that a key officer, who was the lead for two actions under the original Health and Wellbeing Action Plan, was not aware that it had been superseded. Further to this, reference to the Health and Wellbeing Action Plan in the Council's Four-Year Plan provides a link to the Health and Wellbeing Strategy, however, the reference is out of date as the action plan has been superseded.</p> <p>The Draft Community Development Plan was produced in November 2021 but an approval process for the plan has not yet been agreed. Community Development Plan actions are not assigned to a lead officer and not all actions have specific measures of success. At this stage it is not clear how progress against the Community Development Plan will be measured and reported; the plan does not include monitoring arrangements. Through discussion with the Health & Wellbeing Officer reporting is an area for development, particularly in relation to impact and they would like to be in a position to produce an annual report in the future. In the meantime, reporting is likely to be through RAG rating of the report and number of projects delivered.</p> | | |

Although there used to be regular meetings between the Community Services Manager and the Health and Wellbeing Officer where any health and wellbeing needs identified through users of community services could be discussed and fed into the review of strategic priorities, we were advised that these have not taken place since the start of the pandemic.

Audit Sponsor

| | | | |
|----------|--|--------|---------------------------------|
| CFO | Chief Finance Officer | HofP | Head of Planning |
| HofD&ST | Head of Digital and Service Transformation | HofOS | Head of Operational Services |
| HofHR&OD | Head of HR and OD | HofP&R | Head of Property & Regeneration |
| HofP&CR | Head of Policy & Corporate Resources | HofH&C | Head of Housing & Community |
| CLO | Chief Legal Officer | | |

6. Consultancy reports

Risk Management

The Council's existing Risk Management Strategy covered a period of four years from 2017 to 2021, consequently a new strategy was required. Following a recent restructure, the Council has enhanced its resourcing of risk management with the introduction of a new Assurance Team. A refresh of the strategy has now been completed and was presented and approved by the Strategy & Resources Committee on 26 July 2022.

Following an internal audit review of risk management during 2021/22 in which a limited assurance opinion was concluded, the Chairman and Vice Chairman of the Audit & Scrutiny Committee were keen for early internal audit oversight of the revised Risk Management Strategy prior to its presentation to the Audit & Scrutiny Committee later in the year. This piece of work was undertaken as a consultancy engagement rather than a risk-based assurance review.

An effective governance framework to support the delivery of the Risk Management Strategy is essential. The revised strategy outlines within Section 2.3 the 'Roles and Responsibilities' within the risk management framework. It is imperative that accountabilities are clearly aligned across internal policies / procedures and understood to enable those with responsibilities to effectively discharge their respective duties. Review of the Risk Management Strategy (July 2022) and the Council's Constitution highlighted some ambiguities.

The Council's overall risk appetite is articulated within the strategy to provide a benchmark against the risk parameters the organisation is prepared to operate within. However, the narrative accompanying the risk appetite could be misinterpreted by the reader to assume that there will never be any 'High' risks on the Council's risk register(s) which is an unrealistic and unsustainable position particularly in considering existing and emerging risks such as financial sustainability that even with mitigations in place will still feature as a residual red risk due to circumstances out of the Council's control.

Within Annex 1 of the strategy there is a worked example of a completed risk register for information and guidance, however, this does imply that mitigations / controls do not have to be in place before the residual risk score is determined which can be misrepresentative and provide the reader with a misconception of the current risk facing the organisation.

The monitoring and reporting of risk management arrangements is essential to its continued application and overview. The strategy acknowledges this within section 4, however, there is no defined role for either reporting or monitoring to or from the Senior Leadership/ Management Team.

The revision of the Risk Management Strategy (July 2022) provides a strong foundation and framework for risk management within Epsom & Ewell Borough Council moving forward. It is acknowledged by the Council that the new processes and protocols introduced are still being developed and embedded, and further refinements are expected as the Strategy matures. It is anticipated that observations highlighted in this commissioned consultancy review will aid in that journey.

Whilst implicated but not specifically detailed, the regular review of the strategy will ensure a retained focus and effective alignment to good practice and organisational change.

7. Planning & Resourcing

The internal audit plan for 2022-23 was presented to the Senior Management Team and the Audit & Scrutiny Committee in April 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

8. Rolling Work Programme

| Audit Review | Sponsor | Scoping | Terms of Reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|--|-----------------|---------|--------------------|-----------|--------------|--------------|-------------------|---|
| 2021/22 reviews | | | | | | | | |
| Corporate Cross Cutting | | | | | | | | |
| Operational Services (Refuse/Recycling/Street Cleansing) | HofOS | ✓ | ✓ | ✓ | ✓ | ✓ | Reasonable | |
| Housing (Affordable Housing Delivery) | HofH&C | ✓ | ✓ | ✓ | ✓ | | | Draft report issued, management response pending. |
| Local Plan | HofP | ✓ | ✓ | ✓ | ✓ | ✓ | Reasonable | |
| Community Health & Wellbeing | HofH&C | ✓ | ✓ | ✓ | ✓ | ✓ | Limited | |
| Follow up | CFO/ HofP&CR | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | |
| 2022/23 reviews | | | | | | | | |
| Corporate | | | | | | | | |
| Financial Resilience/Savings Realisation | CFO | ✓ | ✓ | | | | | |
| Governance | | | | | | | | |
| Contract Management | HofP&CR | ✓ | ✓ | ✓ | ✓ | | | |
| Risk Management | HofP&CR | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | Position statement. |

| Audit Review | Sponsor | Scoping | Terms of Reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|--|----------|---------|--------------------|-----------|--------------|--------------|-------------------|---------------------------------|
| Procurement | HofP&CR | | | | | | | Q3 – scoping booked for 9/11/22 |
| Business Continuity & Emergency Planning | HofP&CR | | | | | | | Q4 |
| Human Resources & Organisational Development | HofHR&OD | | | | | | | Q4 |
| Ethical Governance | HofP&CR | ✓ | ✓ | ✓ | | | | |
| Information Technology | | | | | | | | |
| Networks, Communications and Firewall Management | HofD&ST | | | | | | | Q3 |
| Systems Development | HofD&ST | | | | | | | Q4 |
| IT Business Continuity & Disaster Recovery – Follow Up | HofD&ST | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | |
| Core Financial Reviews | | | | | | | | |
| NNDR | HofD&ST | ✓ | ✓ | ✓ | | | | |
| Council Tax | HofD&ST | ✓ | ✓ | ✓ | | | | |
| Accounts Receivable/Debt Management | CFO | ✓ | | | | | | |
| Main Accounting | CFO | | | | | | | Q4 |
| Corporate Priorities | | | | | | | | |
| Homelessness | HofH&C | | | | | | | Q4 |
| Development Management – CIL | HofP | ✓ | ✓ | | | | | |
| Investments | HofP&R | ✓ | ✓ | ✓ | | | | |
| EWDC Conservators Account | CFO | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | |

9. Adjustment to the Internal Audit Plan

There have been the following amendments to the 2022/23 internal audit plan:

| Plan Variations | |
|-----------------------|---|
| Added to the plan | Reason |
| Risk Management | Following an internal audit review of risk management during 2021/22 in which a limited assurance opinion was concluded, the Chairman and Vice Chairman of the Audit & Scrutiny Committee were keen for early internal audit oversight of the revised Risk Management Strategy prior to its presentation to the Audit & Scrutiny Committee later in the year. This piece of work has been undertaken as a consultancy engagement rather than a risk-based assurance review. |
| Removed from the plan | Reason |
| Building Control | Defer to 2023/24 to allow the new service arrangements with Elmbridge Borough Council to embed. |

Overdue 'High Priority' Management Actions

| HR & OD Performance Management – Limited Assurance | | | |
|---|-------------------|------------------|---|
| <p>Observation: The Performance Management Policy confirms that Managers have the autonomy to decide how often My Performance Conversations meetings should be conducted but as a guide they should be at least every 4-8 weeks.</p> <p>Audit testing of a sample of eight managers identified that none were achieving the expected frequency for holding the My Performance Conversation meetings, with the nearest being every 3 months.</p> | | | |
| Management Action | Original Due Date | Revised Due Date | Latest Service Update |
| Include in performance objectives of Managers and Heads of Service the regularity and recording of MPCs with all staff. | 30.06.2022 | 31.12.2022 | The new Head of People and OD will be discussing this, along with the review of the MPC form, with SMT. |
| <p>Observation: The Induction Checklist clearly states that by the end of the second month a discussion and agreement of personal targets for a Personal Development Plan must be undertaken.</p> <p>The policy states that both managers and employees are responsible for monitoring progress on the agreed goals/objectives.</p> <p>A sample of new starters were tested, and we confirmed that their progress is being reviewed and the relevant probationary meetings are being held to provide feedback and take any necessary actions. However, goals and objectives have not yet been set and we were advised that this task will be completed at the beginning of the new financial year.</p> <p>We acknowledge that the new starters within our sample only recently joined the council (within the last three months), including temporary staff, but the expectation on setting goals/targets remains the same and should be completed as set by the policy.</p> | | | |
| Management Action | Original Due Date | Revised Due Date | Latest Service Update |
| Conduct a survey of new starters post April 2022 to understand how they are settling in and whether they have clear goals/objectives set and a PDP set out. | 30.06.2022 | 31.12.2022 | Following the development of survey questions, new starters will be requested to complete the survey in order to gather their feedback. |

Annex 2

Overdue 'Low & Medium Priority' Management Actions

| Audit Review | Report Date | Opinion | Priority | Due Date | Revised Due Date |
|----------------------------------|-------------|-------------|----------|------------|------------------|
| Fraud and Irregularities | 06.08.2019 | Adequate | Medium | 31.03.2020 | 30.11.2022 |
| Information Governance | 17.08.2020 | Adequate | Medium | 30.11.2020 | 15.11.2022 |
| | | | Medium | 30.11.2020 | 31.12.2022 |
| | | | Medium | 30.11.2020 | 31.12.2022 |
| | | | Medium | 30.11.2020 | 31.12.2022 |
| Development Management | 03.03.2021 | Reasonable | Medium | 30.04.2021 | 31.10.2022 |
| | | | Medium | 30.06.2021 | 31.10.2022 |
| | | | Medium | 30.06.2021 | 31.10.2022 |
| | | | Medium | 31.12.2021 | 31.10.2022 |
| Housing Benefits | 12.05.2021 | Substantial | Low | 01.10.2021 | 31.12.2022 |
| Accounts Payable | 18.05.2021 | Reasonable | Low | 31.12.2021 | 31.03.2023 |
| Programme and Project Management | 18.05.2021 | Reasonable | Medium | 31.12.2021 | 31.12.2022 |
| | | | Medium | 31.12.2021 | 31.12.2022 |
| Annual Governance Statement | 3.11.2021 | Reasonable | Medium | 29.07.2022 | 30.11.2022 |
| HR & OD Performance Management | 20.05.2022 | Limited | Medium | 30.09.2022 | 31.03.2023 |
| | | | Medium | 30.09.2022 | 31.03.2023 |
| | | | Medium | 30.09.2022 | 31.03.2023 |
| Health and Safety | 30.05.2022 | Limited | Medium | 31.07.2022 | 31.01.2023 |
| Information Security | 30.05.2022 | Reasonable | Medium | 30.09.2022 | 31.03.2023 |
| Information Governance | 30.05.2022 | Limited | Medium | 30.09.2022 | 31.01.2023 |
| | | | Medium | 30.09.2022 | 28.02.2023 |
| | | | Medium | 30.09.2022 | 28.02.2023 |
| Community, Health and Wellbeing | 22.06.2022 | Limited | Medium | 30.06.2022 | TBC |
| | | | Medium | 31.08.2022 | TBC |
| | | | Medium | 31.08.2022 | TBC |
| | | | Medium | 30.09.2022 | TBC |
| Local Plan | 29.06.2022 | Reasonable | Medium | 30.09.2022 | 17.11.2022 |

Epsom & Ewell Borough Council Assurance Opinions (Pre 2020-21)

| | |
|--------------------|---|
| Substantial | A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified. |
| Adequate | Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified. |
| Limited | Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk. |
| No | Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives. |