



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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

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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

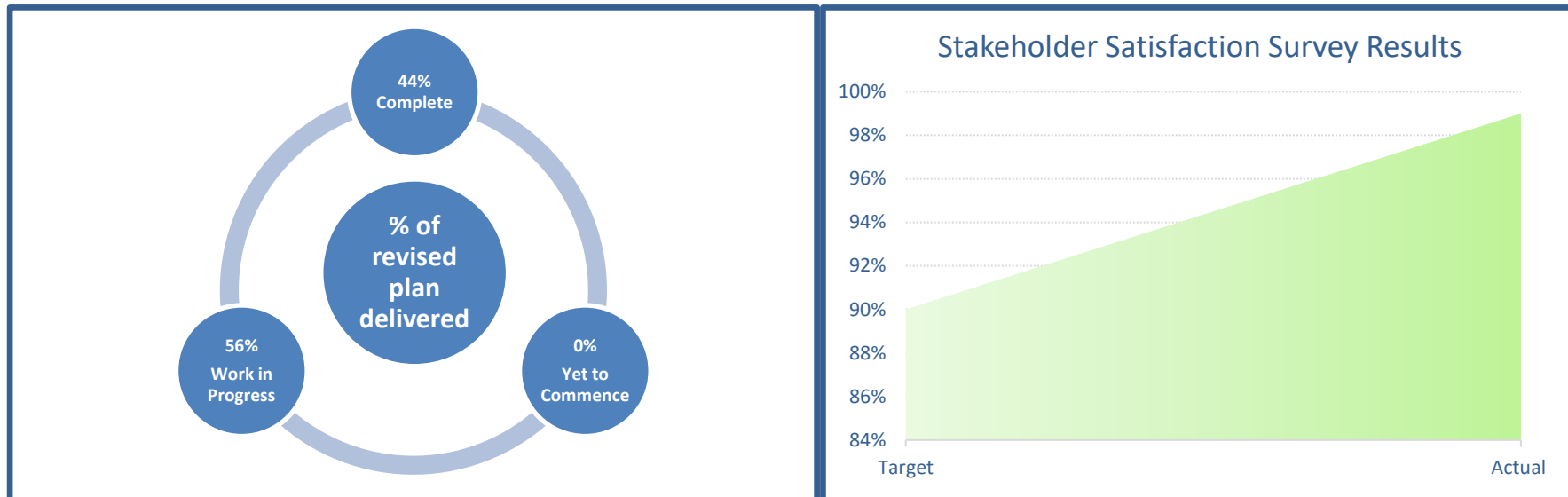
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- 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.

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
Accounts Payable	18/05/2021	CFO	Reasonable	6(0)	0(0)	5(0)	1		
HR & OD Performance Management	20/05/2022	HofHR&OD	Limited	11(7)	1(0)	6(6)		3	1
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)	0(0)	7(1)		3	1
Information Security	30/05/2022	HofD&ST	Reasonable	5(1)	0(0)	3(1)	1	1	
Information Governance	30/05/2022	HofP&CR / HofD&ST	Limited	10(3)	1(0)	5(3)		4	
Environmental Health	06/06/2022	HofH&C	Reasonable	4(1)	0(0)	0(0)	1	2	1
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)	3(2)			
Operational Services	01/11/2022	HofOS	Reasonable	4(3)	2(2)	2(1)			
Contract Management	16/11/2022	HofP&CR	Reasonable	3(0)	1(0)	2(0)			
Affordable Housing Delivery	03/01/2023	HofH&C	Limited	14(7)	10(4)	2(2)		1	1
Council Tax	02/02/2023	HofD&ST	Reasonable	1(0)	1(0)	0(0)			
Investments	28/02/2023	HofP&R	Reasonable	2(0)	2(0)	0(0)			
NNDR	10/03/2023	HofD&ST	Substantial	1(0)	1(0)	0(0)			
Total				87(31)	21(6)	41(21)	3	18	4

*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 final report published concluding a "limited" assurance opinion since the last progress report in November 2022.

Housing (Affordable Housing Delivery)				
Audit Sponsor	Assurance opinion	Management Actions		
Head of Housing & Community (HofH&C)	 Limited	 Low 0	 Medium 7	 High 7
<p>Summary of key observations:</p> <p>The Council completed a review of its organisational structure in 2021, aimed at aligning this to its corporate priorities, building capacity and resilience and developing an organisation with the skills to meet future needs. The outcome of the review was the creation of three new posts or updated roles. These are the Strategic Housing Manager, Housing Solutions Manager and Head of Place Development. These roles should provide the Council with the skills, knowledge and capacity to support the delivery of the key priority 'addressing the housing needs of the Borough including affordable housing needs, through the development of our Local Plan'.</p> <p>Various strategies, policies and plans were reviewed during the audit to check that they provide clarity on the direction the Council is taking with affordable housing delivery, that quantified targets are set linked to affordable housing needs, that clear actions to achieve targets in place which are allocated to nominated responsible officers and that mechanisms are in place to measure and report on the delivery of targets. On reviewing each of these strategies, policies and plans it was evident that whilst there is a commitment to delivering affordable housing, as documented as a key priority within the Future40 Plan and Four Year Plan 2020-24, the overall framework is fragmented and there doesn't appear to be a clear direction or clarity on the affordable housing targets and how these will be achieved.</p> <p>The Strategic Housing Market Assessment Update (September 2019) concluded that the overall net annual need for affordable housing was estimated as 349 units per annum. The Core Strategy 2007 (Local Plan) and the Revised Developers Contributions – Supplementary Planning Documents (Revised 2014) have not been updated to reflect the latest assessment. A further Housing and Economic Needs Assessment is being undertaken as part of the Local Plan. Whilst it's recognised that this task has only recently been completed, the results of this assessment should inform all key strategies, policies, plans relating to affordable housing needs and delivery, ensuring there is consistency / clarity on targets and how these will be achieved.</p>				

Risks associated with the delivery of affordable housing have not been identified, evaluated or recorded. Affordable housing delivery is an inherently complex area given the interdependencies and collaboration required both internally across the Council and externally with stakeholders and partners. Incorporating risks covering all aspects of affordable housing delivery in the service risk register would provide the Council with a clearer understanding of both internal and external risks that could impact on delivery and allow for a comprehensive set of mitigating actions to be developed and managed.

Communications with key stakeholders have more recently been formalised to improve the collaborative working arrangements to support the delivery of affordable housing. However, no comprehensive stakeholder analysis had been undertaken to establish all those (both internal and external) who contribute to the delivery of affordable housing. Completing a stakeholder analysis would provide further clarity on their roles, responsibilities and engagement protocols.

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. 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.

7. 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	✓	✓	✓	✓	✓	Limited	
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	✓	✓	✓	✓	✓	Reasonable	

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Risk Management	HofP&CR	✓	✓	✓	✓	✓	n/a	Position statement.
Procurement	HofP&CR	✓	✓	✓				
Emergency Planning	HofP&CR	✓	✓	✓				
Human Resources - Recruitment	HofHR&OD	✓	✓	✓				
Ethical Governance	HofP&CR	✓	✓	✓				
Information Technology								
Networks, Communications and Firewall Management	HofD&ST	✓	✓	✓				
IT Business Continuity & Disaster Recovery – Follow Up	HofD&ST	✓	✓	✓	✓	✓	n/a	
Core Financial Reviews								
NNDR	HofD&ST	✓	✓	✓	✓	✓	Substantial	
Council Tax	HofD&ST	✓	✓	✓	✓	✓	Reasonable	
Accounts Receivable/Debt Management	CFO	✓	✓	✓				Close of audit meeting held. Report pending.
Main Accounting	CFO	✓	✓					Fieldwork due to commence in May 2023 at the request of the client. Review to be incorporated within the 2023/24 Annual Report.
Corporate Priorities								
Development Management – CIL	HofP	✓	✓	✓	✓			
Investments	HofP&R	✓	✓	✓	✓	✓	Reasonable	
EWDC Conservators Account	CFO	✓	✓	✓	✓	✓	n/a	

8. 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 allow the new service arrangements with Elmbridge Borough Council to embed.
Systems Development	Due to capacity issues within the IT team to accommodate the review.
Homelessness	A recent DLUCH review was carried out in this area with an action plan now in place. To be included within the 2023/24 plan to provide assurance over the implementation and monitoring of the action plan.

Overdue 'High Priority' Management Actions

HR & OD Performance Management – Limited Assurance			
<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	30.06.2023	Survey questions have been prepared with a view to meeting with new starters once the second HR Business Partner is in post.

Environmental Health – Reasonable Assurance			
<p>Observation: We confirmed that the terms of references for meetings of the Environment and Safe Communities Committee includes a monitoring role for environmental health services.</p> <p>From our review of minutes between January 2020 and January 2022 we found that no reports were made to the Committee to highlight the performance, issues or risks facing the service.</p>			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
The service will explore Member expectations in respect of this area with a view to producing content for review if desired.	31.10.2022	30.09.2023	This will be conducted after the Council's election in May 2023.

Health and Safety – Limited Assurance**Observation:**

There are clear accountabilities within the Health, Safety and Welfare Policy for managers to assume responsibility for instruction, training, completing risk assessments etc. However, within the policy there remains an emphasis on the Corporate Health and Safety Group to:

- monitor the extent of compliance with the Council’s Health and Safety policies and procedures.
- consider and make recommendations for Health and Safety training for all staff and monitor effectiveness.
- agree corporate health and safety standards which satisfy statutory requirements and/or industry best practice and monitor their implementation, for example frequency of fire risk assessments, fire drills, health and safety training etc.

The relative membership of the Health & Safety Group does enable positive provision of a degree of first line reassurance in key areas Health & Safety compliance, however, there is less evidence of second line assurance to substantiate compliant behaviours across the organisation.

It is acknowledged that the Corporate Assurance team have a schedule of planned periodic assurance checks of services and venues across the Council and that since the new Corporate Health and Safety Officer joined the authority in November 2021 some meetings have been rolled out, however, at the time of our review this process was still in its infancy and had yet to be fully embedded.

The Health and Safety Officer attends the Corporate Health and Safety Group and therefore has the opportunity to bring results of assurance checks for discussion moving forwards.

The Health and Safety Policy and the terms of reference for the Corporate Health and Safety Group incorporate responsibility to:

- review and monitor key performance indicators for health and safety, including trends in accidents / incidents.

Whilst there has only been one meeting of the reinstated Health and Safety Group, there was no performance monitoring minuted.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Complete an initial visit with each relevant location and / or team.	31.10.2022	30.06.2023	All visits have been scheduled, both with each team and every venue. Due to the number and the H&S Officer's capacity these will run until May/June 2023.

Housing (Affordable Housing Delivery) – Limited Assurance**Observation:**

Risks associated with the delivery of affordable housing have not been identified, evaluated or recorded. Formally recording risks will capture those risks impacting on delivery of affordable housing and should include:

- Description of the risk;
- Inherent risk score / evaluation;
- Mitigating actions;
- Residual risk score / evaluation;
- Risk owner;
- Status Update.

Affordable housing delivery is an inherently complex area given the interdependencies and collaboration required both internally across the Council and externally with stakeholders and partners. Incorporating risks covering all aspects of affordable housing delivery in the service risk register would provide the Council with a clearer understanding of both internal and external risks which might impact on delivery and would allow for a comprehensive set of mitigating actions to be developed and managed.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Complete a Risk Assessment for Affordable Housing Delivery to identify risks, evaluate them and propose mitigations.	31.01.2023	30.04.2023	The risk assessment is underway, and we are currently finalising our assessments and reviewing mitigations. We expect to complete this work by the revised due date.

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Accounts Payable	18.05.2021	Reasonable	Low	31.12.2021	30.04.2023
HR & OD Performance Management	20.05.2022	Limited	Medium	30.09.2022	30.04.2023
			Medium	30.09.2022	30.04.2023
			Medium	30.09.2022	31.05.2023
Health and Safety	30.05.2022	Limited	Medium	31.10.2022	30.05.2023
			Medium	31.10.2022	30.06.2023
			Medium	30.11.2022	28.12.2023
Information Security	30.05.2022	Reasonable	Medium	30.09.2022	30.04.2023
			Low	31.12.2022	30.04.2023
Information Governance	30.05.2022	Limited	Medium	30.09.2022	30.04.2023
			Medium	30.09.2022	30.04.2023
			Medium	23.12.2022	30.04.2023
			Medium	30.12.2022	30.04.2023
Environmental Health	06.06.2022	Reasonable	Medium	31.10.2022	30.04.2023
			Medium	31.10.2022	30.09.2023
			Low	31.10.2022	30.09.2023
Community, Health and Wellbeing	22.06.2022	Limited	Medium	30.06.2022	30.09.2023
			Medium	31.08.2022	30.09.2023
			Medium	31.08.2022	31.03.2024
			Medium	30.09.2022	31.03.2024
Housing (Affordable Housing Delivery)	03.01.2023	Limited	Medium	31.01.2023	30.04.2023