

Internal Audit Progress Report 2020/21

February 2021

Epsom & Ewell Borough Council



**Southern Internal
Audit Partnership**

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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.

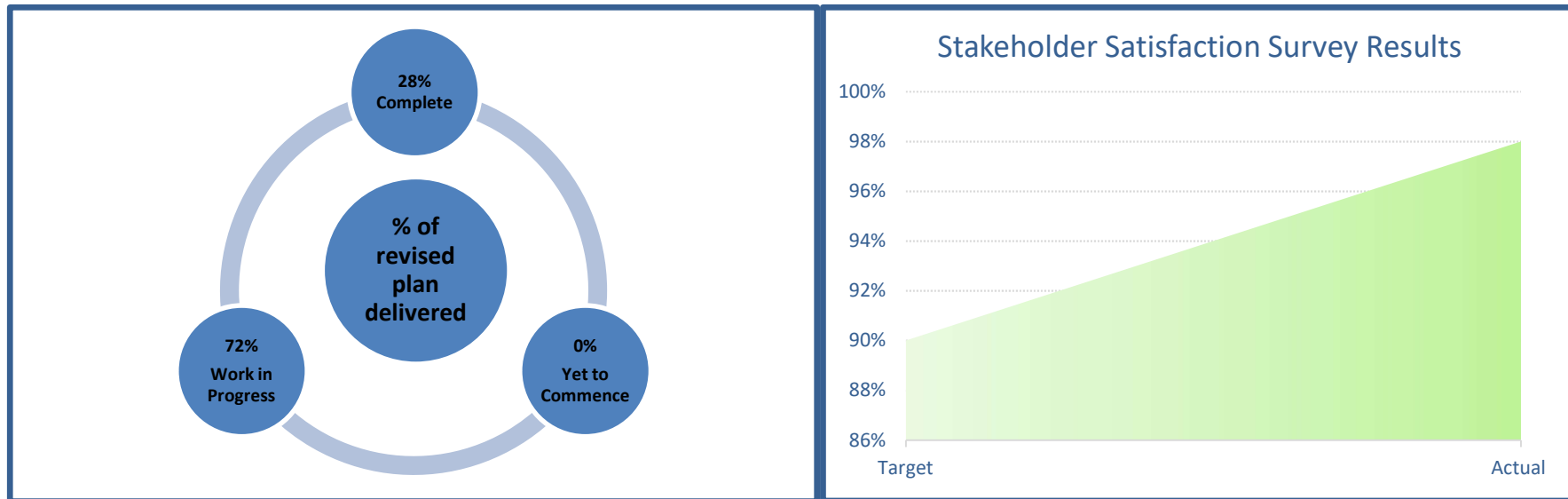
CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use.

To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020/21 work and moving forwards. 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 2*

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 Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Fraud and Irregularities	06.08.2019	HofPPG	Adequate	4 (0)	0 (0)	0 (0)	3 (0)		1	
Accounts Receivable & Debt M'ment	15.10.2019	CFO	Limited	12 (9)	0 (0)	0 (0)	11 (8)			1
Building Control	17.12.2019	HofP	Limited	6 (1)	0 (0)	0 (0)	0 (0)	4	1	1
Asset Management (Property Assets)	17.12.2019	HofP&R	Adequate	7 (5)	0 (0)	3 (1)	3 (3)			1
Main Accounting	30.04.2020	CFO	Adequate	2 (0)	0 (0)	0 (0)	1 (0)		1	
Community and Wellbeing Centre	13.07.2020	HofOS	Limited	7 (0)	0 (0)	7 (0)	0 (0)			
Information Governance	17.08.2020	HofPPG	Adequate	9 (0)	0 (0)	0 (0)	2 (0)		7	
Emergency Response & Recovery	07.01.2021	HofPPG	Reasonable	1(0)	0(0)	1(0)	0(0)			
Health & Safety (COVID -19 Response)	02.03.2021	HofPPG	Reasonable	1(0)	0(0)	1(0)	0(0)			
Development Management	03.03.2021	HofP	Reasonable	6(0)	0(0)	5(0)	1(0)			

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
HofPPG	Head of Policy, Performance & Governance	HofH&C	Head of Housing & Community
CLO	Chief Legal Officer		

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

There are no new reports published concluding a “limited” or “no” assurance opinion.

6. Planning & Resourcing

The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working across the Council. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. In response, the Southern Internal Audit Partnership engaged with the Council’s Leadership Team to reprioritise the originally drafted audit plan in April 2020 to provide assurance in respect of emerging key risk areas and these are detailed within section 8 of this report.

The revised internal audit plan for 2020-21 was approved by Leadership Team in July 2020 and presented to Audit, Crime & Disorder and Scrutiny Committee in November 2020.

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	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate Cross Cutting								
Programme & Project Management	HofH&C & HofPPG	✓	✓	✓				
Financial Resilience	CFO	✓	✓	✓				
Corporate Governance								
Health and Safety	HofPPG	✓	✓	✓	✓	✓	Reasonable	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Decision Making & Accountability	HofPPG / CLO	✓	✓	✓	✓			
Business Support Grant	HofD&ST	✓	✓	✓	✓			
Local Government Compensation Scheme	CFO	✓	✓	✓	n/a	n/a	n/a – grant certification	Claim 1 and 2 completed. Claim 3 is required in April 2021.
COVID – Emergency Response & Recovery	HofPPG	✓	✓	✓	✓	✓	Reasonable	
Financial Management								
Housing Benefits	HofD&ST	✓	✓	✓				
Accounts Payable	CFO	✓	✓	✓	✓			
Payroll	HofHR&OD	✓	✓	✓	✓			
Information Technology								
Disaster Recovery & IT Business Continuity	HofD&ST	✓	✓	✓				
Cyber Security	HofD&ST	✓	✓	✓				
Corporate Priorities								
Homelessness	HofH&C	✓	✓	✓				
Development Management	HofP	✓	✓	✓	✓	✓	Reasonable	
Disabled Facility Grants	HofH&C	✓	✓	✓	✓			
Community Safety	HofH&C	✓	✓	✓				
Parking & Enforcement	HofOS	✓	✓	✓				
EWDC Conservators Account	CFO	✓	✓	✓	✓	✓	n/a	

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations	
Removed from the plan	Reason
Financial Sustainability	Replaced with Financial Resilience review for 2020/21.
Income Collection	Removed on the basis that Parking & Enforcement is already within the plan which is a key source of income.
Information Security	Replaced with the Cyber Security review for 2020/21 due to COVID risks.
Operational Services	Removed from the plan due to significant pressures on the service. Replaced with the Local Government Compensation Scheme review.
Investments	Replaced with Financial Resilience review for 2020/21.
Service Delivery Plans	Removed from the plan to allow for new audit areas due to COVID risks.
Fees and Charges	Removed from the plan to allow for new audit areas due to COVID risks.
Other COVID Funding / Market Underwriting	Removed from the plan as assessment identified this as low priority. To incorporate within the 2021/22 plan for further consideration.
Data Management	Defer until 2021/22 due to significant pressure on the service. Reasonable coverage of IT reviews within the year.
Climate Change	Defer until 2021/22 to allow the review of the Climate Change action plan which is in the process of being updated.
Added to the plan	Reason
Business Support Grant	Prioritised due to implications of COVID-19.
Other COVID Funding / Market Underwriting	Prioritised due to implications of COVID-19.
COVID – Response & Recovery	Prioritised due to implications of COVID-19.
Cyber Security	Prioritised due to implications of COVID-19.
Financial Resilience	Prioritised due to implications of COVID-19.
Local Government Compensation Scheme (LGCS)	Prioritised due to implications of COVID-19.

Annex 1

Overdue 'High Priority' Management Actions

Accounts Receivable / Debt Management – Limited Assurance

Observation: A daily reconciliation of the Cash Book to the General Ledger is carried out by entering the daily bank statement balance figure, and the balance on the General Ledger 40100 bank code, into a spreadsheet. There are additional reconciling fields to populate, which would give an explanation of the difference between the two.

A review of the Daily Cash Book Reconciliation spreadsheet revealed the reconciliation element of the spreadsheet was not being populated, which has led to an unexplained, growing difference between the bank statement figure and General Ledger 40100 bank code.

In order to complete the year end bank reconciliation process there was a concerted effort by the Accounting Team to reconcile the bank statement figure to the General Ledger 40100 bank code, which has satisfied the External Auditors.

Since this time the reconciliation process has not been fully completed, due to the ongoing system issues with CivicaPay, which the Accounting Team are continuing to work to resolve. As at 27/08/19, the difference between the accounts was £61,164,634.94.

There have been no monthly sign offs for the bank reconciliation since April 2019.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
<p>The difference between the General Ledger and Bank Statement was due to a known backlog of transactions, which have not yet posted to the General Ledger, due to the system issues since CivicaPay implementation and recent long-term staff absence. As at 11/10/19, the value of unmatched items has been reduced from £61.2m to £8.68m and there remains an unidentified difference of £189k within the bank reconciliation. Officers are working towards clearing all backlog transactions to achieve a fully reconciled bank position by the end of the financial year at the latest. To assist with clearing the backlog, a temporary member of staff has been recruited.</p> <p>There is an issue that a number of duplicate transactions are present in CivicaPay, which officers are working with the supplier to resolve. These duplicate transactions form a reconciling item within the bank reconciliation and are not present in the General Ledger, so are not causing any inaccuracy within the GL.</p> <p>Officers continue to work with the supplier to get the duplicate transactions removed from CivicaPay as soon as possible.</p>	31.03.2020	31.03.2021	<p>Remains in progress – The issue has been escalated with the system supplier (Civicapay) for the need to remove the duplicate transactions, but they are still working on it. Therefore, the duplicates still form a reconciling item on our bank reconciliation. They have been reduced considerably and the aim is to eliminate all of these by 31 March 2021 and have a full reconciliation in place.</p> <p>In the meantime, processes and checks are in place for the bank data loaded daily into the system so as soon as the duplicate transactions have been removed from the bank rec module this action will be completed.</p>

Building Control – Limited Assurance

Observation: Testing of fee income due, (as recorded on Uniform), for 12 Building Control Applications found:

- Three, where a letter to remind applicants that there fees were due had been issued (13 June, 25 June and 4 July 2019) but no follow up on these in terms of raising an invoice had been undertaken. Fees due from these applicants remained outstanding at the time of the audit (August 2019).
- One, where it is incorrectly recorded that fees have been paid (£400). There is no evidence on Civica that an invoice has been raised
- Eight where the income information recorded on Uniform agrees to Civica.

There is a risk that the Council are unable to demonstrate income has been received and accurately accounted for.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Reconciliation to take place between Uniform and Civica.	31.05.2020	31.03.2021	Business Admin Hub is now established and has been in operation for a couple of months now. However, having regard to the pending second lockdown that a new deadline date of 31 March 2021 for completion of the remaining actions.

Asset Management (Property Assets) – Adequate Assurance

Observation: On a strategic level the current Asset Management Plan makes reference to the proposed use of National Property Performance Indicators, ('NaPPMI') to gauge the effectiveness of the asset strategy in a number of defined areas such as condition, cost of maintenance and utilisation.

Audit testing identified that these indicators are not being compiled. Discussions with staff indicated that this is due to resourcing.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Undertake recruitment and appoint to post.	31.03.2020	30.06.2021	The post was not successfully recruited to. Continuing to explore other options.

Annex 2

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.