

Internal Audit Progress Report 2020/21

May 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:

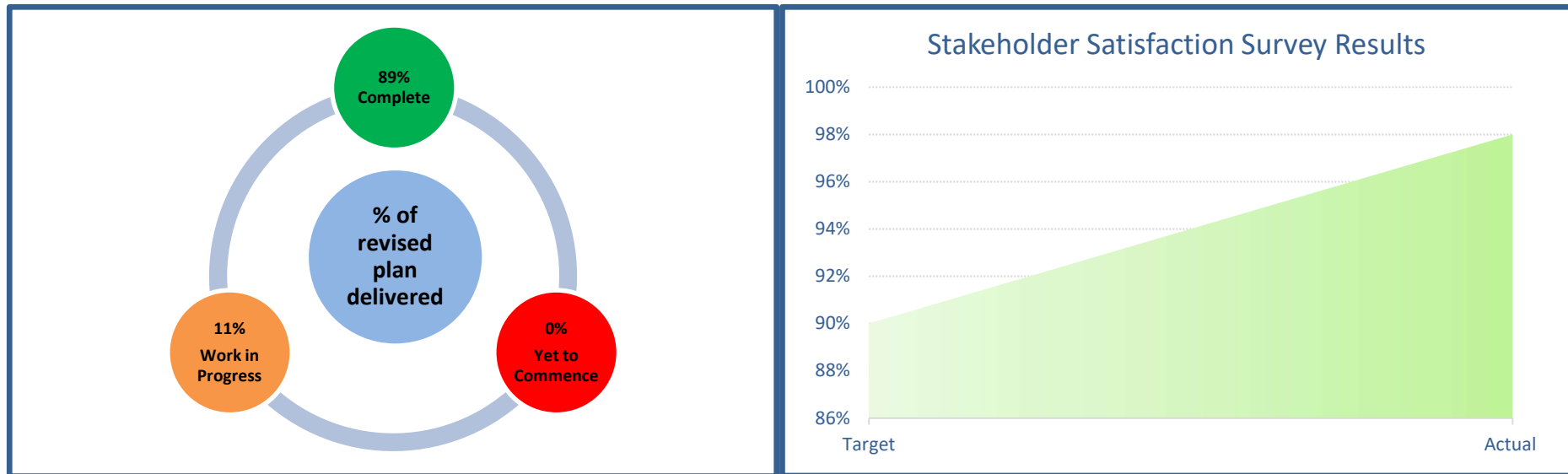
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

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. 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 Yet Due	Complete	Overdue*		
							L	M	H
Fraud and Irregularities	06.08.2019	HofPPG	Adequate	4(0)	0(0)	3(0)		1	
Building Control	17.12.2019	HofP	Limited	6(1)	0(0)	0(0)	4	1	1
Asset Management (Property Assets)	17.12.2019	HofP&R	Adequate	7(5)	2(2)	3(3)	2		
Community and Wellbeing Centre	13.07.2020	HofOS	Limited	7(0)	0(0)	4(0)		3	
Information Governance	17.08.2020	HofPPG	Adequate	9(0)	0(0)	4(0)		5	
Emergency Response & Recovery	07.01.2021	HofPPG	Reasonable	1(0)	1(0)	0(0)			
Health & Safety (COVID -19 Response)	02.03.2021	HofPPG	Reasonable	1(0)	1(0)	0(0)			
Development Management	03.03.2021	HofP	Reasonable	6(0)	3(0)	1(0)		2	
Disabled Facilities Grant	14.05.2021	HofH&C	Limited	13(3)	13(3)	0(0)			
Cyber Security	27.05.2021	HofD&ST	Reasonable	7(0)	7(0)	0(0)			
Community Support	27.05.2021	HofH&C	Reasonable	3(0)	3(0)	0(0)			
Homelessness	28.05.2021	HofH&C	Reasonable	6(0)	6(0)	0(0)			
Total				70(9)	36(5)	15(3)	6	12	1

* Details of the overdue 'high priority' management actions is provided at Annex 1

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 has been one new report published concluding a "limited" assurance opinion since the last progress report in February 2021.

Disabled Facilities Grants		
Audit Sponsor	Assurance opinion	Management Actions
Head of Housing & Community		<div> <div>Low 1</div> <div>Medium 9</div> <div>High 3</div> </div>
<p>Summary of key observations:</p> <p>Disabled Facilities Grants (DFG) are administered by the Council and support the adaptation of properties to enable recipients to live independently in their own homes for longer.</p> <p>It was confirmed through testing that the DFG policy complies with statutory requirements, regulation, Council Policy and is in line with the Council's Corporate Objectives. For those applications reviewed, key milestones were achieved in line with regulatory timescales and quarterly reports submitted to Surrey County Council reporting performance.</p> <p>The DFG Team use an excel spreadsheet to log application data and status of works for each client. Changes to data could be made by any team member without prompts or management approval. Additionally, applications forms were not routinely reviewed and signed off by management and the spreadsheet that monitors data relating to all active and historic cases was not kept up to date.</p> <p>The DFG team hold a 'suggested' contractor listing that is provided to clients in assisting with the selection of contractors to perform DFG related works. However, evidence was not consistently available to substantiate due diligence (quality, cost, safety) of the contractors listed.</p> <p>Review of the procurement process highlighted that there was no formalised approach to selecting and approving a contractor. Whilst informal and verbal authorisation is gained from the Lead Grant Officer, there is a lack of formalised procedures to ensure a robust audit trail is attained as part of the procurement process.</p>		

Whilst authorisation was obtained from the Licensing Manager for payment of works, less than half of applications reviewed had evidence to confirm that post work inspections were performed by Adair (assigned surveyor) before payment was made to the contractor. Additionally, there was no reconciliation between grant monies spent against actual payments made to contractors.

There is a requirement to conduct checks for previously awarded grants made to either the property or applicant before approving an application. During 2020/21 such checks could not be completed as historical records are paper based and not accessible due to COVID 19 restrictions.

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	✓	✓	✓	✓	✓	Reasonable	
Financial Resilience	CFO	✓	✓	✓	✓	✓	Substantial	
Corporate Governance								
Health and Safety	HofPPG	✓	✓	✓	✓	✓	Reasonable	
Decision Making & Accountability	HofPPG / CLO	✓	✓	✓	✓	✓	Substantial	
Business Support Grant	HofD&ST	✓	✓	✓	✓	✓	Reasonable	
Local Government Compensation Scheme	CFO	✓	✓	✓	n/a	n/a	n/a – grant certification	Claim 1 and 2 completed
COVID – Emergency Response & Recovery	HofPPG	✓	✓	✓	✓	✓	Reasonable	
Financial Management								
Housing Benefits	HofD&ST	✓	✓	✓	✓	✓	Substantial	
Accounts Payable	CFO	✓	✓	✓	✓	✓	Reasonable	
Payroll	HofHR&OD	✓	✓	✓	✓	✓	Reasonable	
Information Technology								
Disaster Recovery & IT Business Continuity	HofD&ST	✓	✓	✓	✓			Awaiting management response
Cyber Security	HofD&ST	✓	✓	✓	✓	✓	Reasonable	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate Priorities								
Homelessness	HofH&C	✓	✓	✓	✓	✓	Reasonable	
Development Management	HofP	✓	✓	✓	✓	✓	Reasonable	
Disabled Facilities Grants	HofH&C	✓	✓	✓	✓	✓	Limited	
Community Safety	HofH&C	✓	✓	✓	✓	✓	Reasonable	
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

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	31.12.2021	The Council is currently looking at new models for operating the Building Control services and as part of this review, work is being undertaken to consider fees received and open cases. A full reconciliation will be undertaken between the information held on the Uniform system and the General Ledger.

Annex 2**Epsom & Ewell Borough Council Assurance Opinions (Pre 2020-21)**

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020/21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report, issued prior to the 1 April 2020) that refer to SIAPs former assurance ratings which are detail below.

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.