

Internal Audit Progress Report 2021/22

October 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:

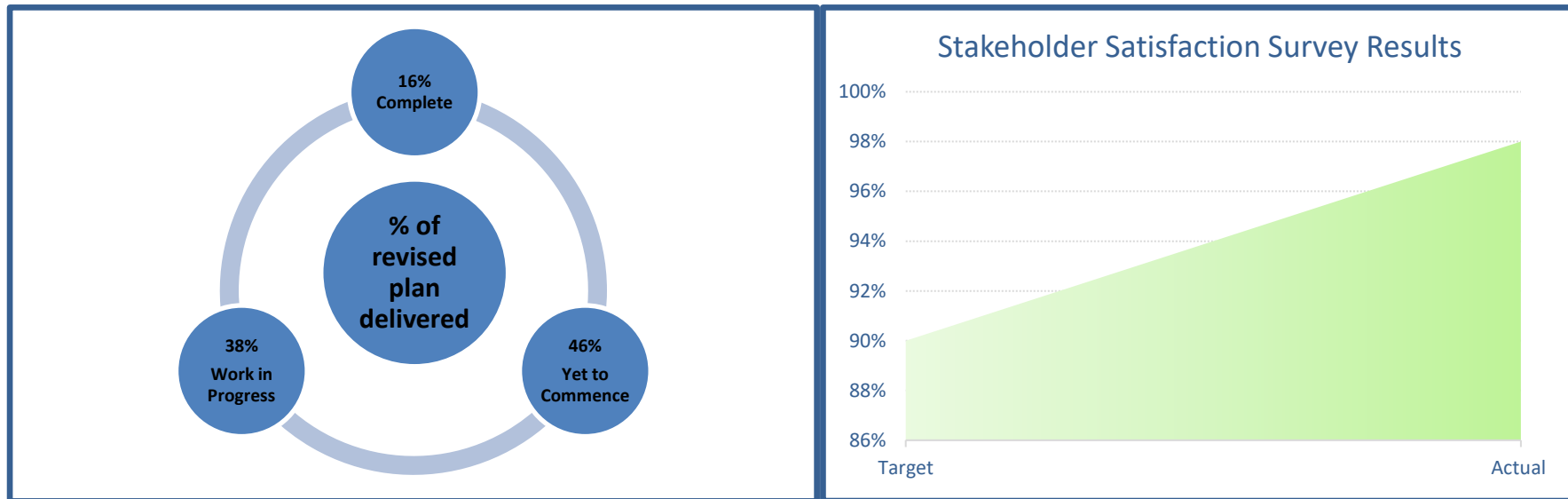
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

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 1*

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	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)	5(0)		2	
Information Governance	17/08/2020	HofPPG	Adequate	9(0)	0(0)	4(0)		5	
Development Management	03/03/2021	HofP	Reasonable	6(0)	1(0)	1(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)	1(0)	5(0)			
Programme and Project Management	18/05/2021	HofPPG	Reasonable	3(0)	2(0)	0(0)		1	
Cyber Security	27/05/2021	HofD&ST	Reasonable	7(0)	4(0)	3(0)			
IT Business Continuity and Disaster Recovery	12/07/2021	HofD&ST	Limited	5(2)	1(0)	4(2)			
Parking and Enforcement	27/07/2021	HofOS	Reasonable	3(0)	0(0)	0(0)		3	
Service Delivery Plans	30/09/2021	HofPPG	Reasonable	2(0)	2(0)	0(0)			
Annual Governance Statement	03/11/2021	HofPPG	Reasonable	3(0)	3(0)	0(0)			
Total				70(8)	16(2)	29(5)	7	17	1


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

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” or “no” assurance opinion since the last progress report in June 2021.

IT Business Continuity and Disaster Recovery		
Audit Sponsor	Assurance opinion	Management Actions
Head of Digital and Service Transformation		<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; color: black; padding: 5px; text-align: center;">Medium 3</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 2</div> </div>

Summary of key observations:

Please see separate report.

6. Planning & Resourcing

The internal audit plan for 2021-22 was presented to the Senior Management Team and the Audit, Crime & Disorder and Scrutiny Committee in April 2021.

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
2020/21 reviews								
IT Business Continuity & Disaster Recovery	HofD&ST	✓	✓	✓	✓	✓	Limited	
Parking & Enforcement	HofOS	✓	✓	✓	✓	✓	Reasonable	
2021/22 reviews								
Corporate Cross Cutting								
Financial Resilience	CFO							Q4
Corporate Governance								
HR – Performance Management	HofHR&OD	✓						
Risk Management	HofPPG	✓						
Health & Safety	HofPPG							Q4
Information Governance	HofPPG/ HofD&ST							Q4
Annual Governance Statement	HofPPG	✓	✓	✓	✓			
Financial Management								
Council Tax	HofD&ST							Q4
Treasury Management	CFO	✓						
Income Collection	CFO							Q3 – scoping booked for 11/11/2021

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020/21 reviews								
Compliance & Enforcement Grant	CFO	✓	✓	✓	n/a	✓	n/a	
Local Government Compensation Scheme	CFO	✓	✓	✓	n/a	✓	n/a	
Information Technology								
Data Management	HofD&ST	✓	✓	✓				
Information Security	HofD&ST							Q4
Corporate Priorities								
Operational Services (Refuse/Recycling/Street Cleansing)	HofOS	✓						
Environmental Health	HofH&C							Q4
Climate Change	HofPPG	✓	✓	✓				
Housing (Inc Affordable Hsg)	HofH&C							Q4
Local Plan	HofP							Q4
Community Health & Wellbeing	HofH&C	✓	✓	✓				
Licensing	HofH&C							Q4
Service Delivery Plans	HofPPG	✓	✓	✓	✓	✓	Reasonable	
Fees and Charges	CFO	✓	✓	✓				
Grants/Non-Assurance Work								
EWDC Conservators Account	CFO	✓	✓	✓	✓	✓	n/a	
Follow up	CFO/HofPPG							Q4

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations	
Added to the plan	Reason
COVID-19: Local Government Compensation Scheme	A number of days are included in the Annual Plan to allow for work in relation to Covid. This area of work has now been confirmed and will make use of an element of the agreed allowance and has consequently been added into the plan.
Compliance and Enforcement Grant	A number of days are included in the Annual Plan to allow for work in relation to Covid. This area of work has now been confirmed and will make use of an element of the agreed allowance and has consequently been added into the plan.
Removed from the plan	Reason
NNDR	Due to capacity within the Revenues Team, it was agreed that NNDR will be picked up early in 2022/23.

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	01.04.2022	In line with the S & R recommendation for Sept 2021, the Council is progressing a partnership with EBC commencing 1 April 2022 and through the partnership agreement will ensure that necessary controls, risk management and governance are implemented, this will include reconciliation of data for the handover of open cases.

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	31.3.2020	31.12.2021
Building Control	17/12/2019	Limited	Medium	31.7.2020	TBC
			Low	31.10.2020	TBC
			Low	31.10.2020	TBC
			Low	31.5.2020	01.04.2022
			Low	31.10.2020	TBC
Asset Management (Property Assets)	17/12/2019	Adequate	Low	31.03.2021	TBC
			Low	31.03.2021	TBC
Community and Wellbeing Centre	13/07/2020	Limited	Medium	31.03.2021	TBC
			Medium	31.03.2021	TBC
Information Governance	17/08/2020	Adequate	Medium	30.11.2020	31.03.2021
			Medium	30.11.2020	31.03.2021
			Medium	30.11.2020	31.03.2021
			Medium	30.11.2020	31.03.2021
			Medium	30.11.2020	31.03.2021
Development Management	03/03/2021	Reasonable	Medium	30.04.2021	TBC
			Medium	30.06.2021	TBC
			Medium	30.06.2021	TBC
			Medium	30.04.2021	TBC
Housing Benefits	12/05/2021	Substantial	Low	01.10.2021	TBC
Programme and Project Management	18/05/2021	Reasonable	Medium	31.10.2021	TBC
Parking and Enforcement	27/07/2021	Reasonable	Medium	30.09.2021	30.11.2021
			Medium	30.09.2021	30.11.2021
			Medium	30.09.2021	30.11.2021

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.