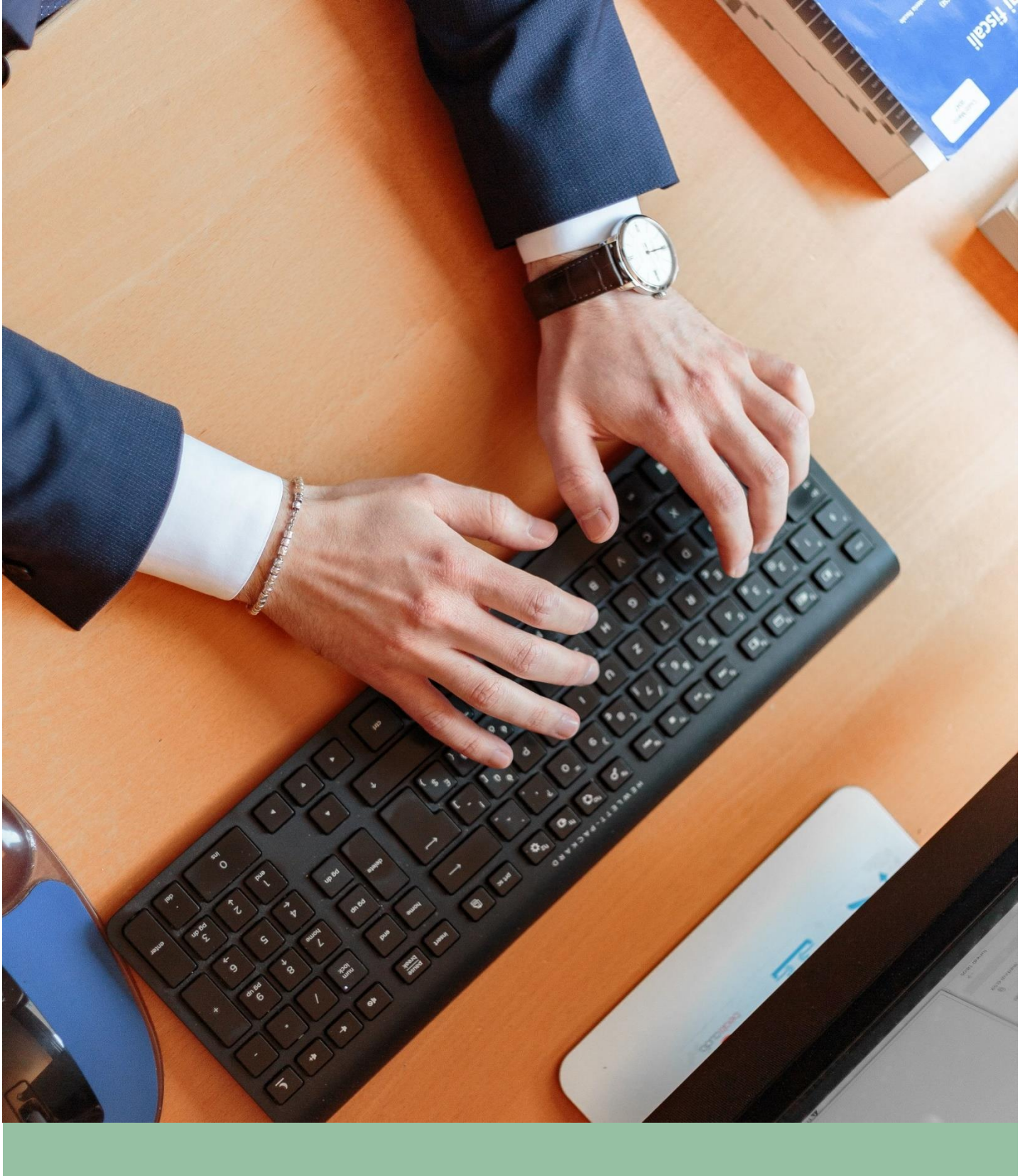


INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 21 January 2022

Annex 1



BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Audit and Governance Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme was agreed by this committee in April 2021. The number of agreed days is 1,095 and the plan is high level and flexible in nature.
- 5 In 2021/22 Veritau has introduced a new, flexible approach to work programme development and delivery to keep pace with developments in the internal audit profession and to ensure that we can continue to deliver a responsive service. Work is being kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council.
- 6 The purpose of this report is to update the committee on internal activity between 1 April 2021 and 7 January 2022.

INTERNAL AUDIT PROGRESS

- 7 As noted in previous reports to this committee, the Covid-19 pandemic meant there was 2020/21 work outstanding at the start of the year and much of the time in the first part of the year was spent finalising that work.
- 8 Work is ongoing on a number of 2021/22 audits. The Ordering and Creditors, Health and Safety and Main Accounting System audits have been reported in draft and will be finalised by the time of the next update report to this committee.
- 9 A number of other audits are in the latter stages of fieldwork and we expect to be able to report on findings for these to the next committee. These include the Highways CDM Regulations and SAG (Safety Advisory Group) Governance audits.
- 10 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A.

- 11 The work programme showing current priorities for internal audit work is included at appendix B.
- 12 Nine audits are shown in the 'do next' category where we anticipate beginning work during the final quarter of 2021/22 but have not yet agreed a start date with the responsible officers.
- 13 The programme also includes ten audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over-programmed).
- 14 In determining which audits will actually be undertaken, the priority and relative risk of each area will continue to be considered throughout the remainder of the year, and as part of audit planning for 2022/23.
- 15 Three audits have been completed since the last report to this committee in October 2021. Appendix C summarises the key findings from these audits as well as details of actions agreed. Finalised reports listed in appendix C are published online, along with the papers for this committee. The report on Commercial Waste is included in the agenda papers as annex 3 as the opinion given is limited assurance.
- 16 Appendix D lists our current definitions for action priorities and overall assurance levels.



FOLLOW UP

- 17 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. As a result of this work we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. A higher proportion of revised dates have been agreed than might normally be the case. This is largely in recognition of the continued effect of resource pressures caused by the Covid pandemic. A summary of the current status of follow up activity is included at appendix E.

APPENDIX A: 2021/22 INTERNAL AUDIT WORK

Audits in progress

Audit	Status
Ordering and Creditors	Draft report issued
Health and Safety	Draft report issued
Main Accounting System	Draft report issued
Highways CDM (Construction, Design and Management) Regulations	In progress
ICT Asset Management	In progress
Payroll	In progress
Records Management	In progress
Safety Advisory Group (SAG) Governance	In progress
Information Security	Ongoing – further work planned
Headlands primary school	Planning
Poppleton Road primary school	In progress
Fishergate primary school	Planning
Direct Payments	Planning
Building Services and Housing Repairs	Planning
Contract Management – Stadium / Leisure	Planning

Final reports issued

Audit	Reported to Committee	Opinion
Commercial Waste	January 2022	Limited Assurance
Business Continuity	January 2022	Reasonable Assurance
Continuing Healthcare	January 2022	Reasonable Assurance
Community Hubs	October 2021	Reasonable Assurance
Project Management	October 2021	Reasonable Assurance
Environmental Health	October 2021	Substantial Assurance
Absence Management	October 2021	No opinion given
Council Tax & NNDR	October 2021	Reasonable Assurance
Council Tax Support and Housing Benefits	October 2021	Substantial Assurance
Sundry Debtors	October 2021	Substantial Assurance
Schools Themed – Cyber security and IT Management	October 2021	Reasonable Assurance

Danesgate follow up audit	October 2021	No opinion given
SEN Ofsted Inspection & written statement of action (WSoA)	June 2021	Substantial Assurance
Contract Management – Make it York	June 2021	Limited Assurance
Home working	June 2021	Reasonable Assurance
ICT Server Administration and Security	June 2021	Substantial Assurance
ICT Licence Management	June 2021	Substantial Assurance
Public Health – Healthy Child Service	June 2021	Reasonable Assurance
Cash handling	June 2021	High Assurance

Other work completed in 2021/22

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- Quarterly review of Supporting Families claims
- Review of new parking system processes
- Follow up of agreed actions
- Grant certification work

APPENDIX B: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale
<p>Strategic risks / Corporate & cross cutting</p> <p>Category 1 (do now) Health and Safety Information security Records Management Safety Advisory Group (SAG) Governance</p> <p>Category 2 (do next) Complaints processes Risk Management Procurement and Contract Management</p> <p>Category 3 (do later) s106 agreements / support in developing systems Partnership working HR and workforce planning Performance Management and Data Quality Environment and waste</p>	<p>Deferred from 20/21 and significant risk area Deferred from 20/21 and significant risk area. Ongoing work Deferred from 20/21 and significant risk area Emerging risk. Requested by senior management</p> <p>Key area of corporate governance Key area of corporate governance Significant risk area</p>
<p>Fundamental / material systems</p> <p>Category 1 (do now) Main Accounting System Payroll</p>	<p>Key assurance area Key assurance area</p>

<p>Ordering and Creditors</p> <p>Category 2 (do next) Debtors and income collection Council Tax & NNDR</p> <p>Category 3 (do later) Council Tax Support and Benefits Capital Accounting & Assets Treasury Management</p>	<p>Key assurance area</p> <p>Key assurance area Key assurance area</p>
<p>Operational / regularity</p> <p>Category 1 (do now) Highways CDM (Construction, Design and Management) Regulations Direct Payments Contract Management – Stadium / Leisure Headlands primary school Poppleton Road primary school Fishergate primary school Building Services and Housing Repairs</p> <p>Category 2 (do next) Be Independent High cost placements Children: Special Educational Needs and Disability (SEND), education, Health & Care (EHC) plans and processes</p> <p>Category 3 (do later) Public Health</p>	<p>Provides broader assurance</p> <p>Significant risk area. Identified in discussions with management Significant risk area. Identified in discussions with management Provides broader assurance. Identified in discussions with management. Provides broader assurance. Identified in discussions with management. Provides broader assurance. Identified in discussions with management. Significant risk area. Identified in discussions with management</p> <p>Provides broader assurance. Controls / risks are changing Provides broader assurance. Significant risk area. Significant risk area. Specific areas for audit being discussed with officers.</p>

Technical / projects	
Category 1 (do now) ICT Asset Management	Deferred from 20/21; key assurance area
Category 2 (do next) ICT remote access	Key assurance area
Category 3 (do later) ICT procurement and contract management	

APPENDIX C: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/ area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Commercial Waste	Limited Assurance	The audit reviewed commercial waste collection and disposal processes and income collection and accounting.	17 December 2021	<p><u>Strengths</u></p> <p>Process to apply for commercial waste collections was working correctly.</p> <p>Commercial waste collections continued at a reasonable level during the pandemic.</p> <p>Weighbridge tickets are being correctly issued and contain appropriate details.</p> <p>Cash is no longer accepted as a method of payment.</p> <p><u>Weaknesses</u></p> <p>It was not known which businesses were operating and having waste collected during the pandemic and many customers were not invoiced, which may result in a potentially significant loss of income.</p> <p>Poor management information systems result in a lot of manual work and there is a lack of</p>	<p>The council will apply for funding under the Government's Income Compensation Scheme for 2020/21 and for the extended period allowed in 2021/22. The council must meet some of the shortfall from its own funds.</p> <p>The current provision of the service will be reviewed.</p> <p>Back office processes will be reviewed and improvement actions identified. The issuing of duty of care documentation will be transferred from the Commercial Waste Team to Business Support Team.</p> <p>The service will look to implement improvements to processes, systems and management information through the Webaspx waste management</p>

System/ area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
				<p>reconciliation between waste services and the finance system. Waste transfer notes not renewed in a timely manner. Crew sheets not being properly completed and a lack of management information systems prevent them being used effectively. Responsibility for setting commercial waste fees and charges was not clear.</p>	<p>system, including crews using in cab units. Cash is not accepted and all businesses have an account on the finance system. The Head of Service will agree the fees and charges in consultation with the Finance Manager. This will be implemented for the setting of charges for 2022/23.</p>
Continuing Healthcare (CHC)	Reasonable Assurance	The audit reviewed the completeness and accuracy of CHC invoicing processes.	19 October 2021	<p>Strengths</p> <p>New workflow process designed and implemented from January 2020 to track progress of all CHC applications and record financial contributions.</p> <p>Financial agreement forms in place with CCG and recharge amounts checked by income services.</p> <p>Weaknesses</p> <p>No clear audit trail for changes to agreed recharge amounts.</p> <p>Lack of management information on all services users</p>	<p>Improve records management process for correspondence related to uplifts. Continue to upload correspondence to Adults Mosaic where changes to recharges are made on an individual basis.</p> <p>To add a workflow to record VPU (Vulnerable Persons Unit) funding in an analogous way to CHC cases.</p> <p>Complete MI reports for all NHS-funded customers.</p>

System/ area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
				in receipt of CHC funding (those that pre-date the new workflow process).	To create additional Element Types on Mosaic to allow VPU recharges to be represented differently to CHC recharges, to support separate reporting of the two different funding streams.
Business Continuity	Reasonable Assurance	The audit reviewed guidance and training available to officers responsible for producing business continuity plans; the emergency planning units (EPU) monitoring of council wide business continuity plans and the governance arrangements for business continuity management within the council.	26 November 2021	<p>Strengths</p> <p>Support guidance and training provided by EPU to council officers.</p> <p>Policy, templates and guidance developed with reference to ISO and National Resilience Standards.</p> <p>Shared service agreement planned with NYCC to provide greater resilience.</p> <p>Annual reviews of plans undertaken and reported to Council Management Team.</p> <p>Testing of plans takes place and is monitored by EPU.</p>	<p>Policy, templates and guidance will be reviewed, updated and circulated. Will clearly identify responsibilities for review, updates and testing of plans.</p> <p>EPU now attend CMT four times per year to provide updates on business continuity.</p> <p>Leavers' checklist will include business continuity responsibilities.</p> <p>Business continuity plans now accessible to the EPU and all plan owners and copies uploaded to Resilience Direct.</p> <p>Annual review process will include whether plans have</p>

System/ area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
				<p><u>Weaknesses</u></p> <p>Some guidance documents out of date and don't always meet best practice.</p> <p>Some plans not updated annually. Many plans only updated annually and not after significant organisational or external changes.</p> <p>Plan exercises not conducted frequently enough and details of testing, lessons learned and actions required not recorded.</p> <p>No formal training programme for new or existing plan owners and training records not kept.</p>	<p>been tested or activated in the last year. As part of 2021/22 annual review process, plan owners will be asked to include lessons learned from Covid-19. EPU will conduct strategic business continuity exercises (Council-wide and in conjunction with the Local Resilience Forum) based on national and local (LRF) identified risks. Outcomes of exercises will be recorded. Lessons learned from strategic exercises will be shared with business continuity plan owners across the Council.</p> <p>The EPU will develop introduction to business continuity training for consideration by CMT to be part of managers' induction. The business continuity policy will be amended to state that plan owners will provide training to their staff.</p>

System/ area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
					The annual review process will include a confirmation that the plan owner has made staff aware of business continuity requirements and responsibilities.

APPENDIX D: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	Assessment of internal control
Substantial assurance	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 assurance	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 assurance	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 assurance	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.

Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

APPENDIX E: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee.

Follow up work was suspended for a period during the pandemic and restarted in autumn 2020. A detailed report on higher priority actions was provided in the Head of Internal Audit annual report, reported to this committee in June 2021. This report covers actions followed up between 1 April 2021 and 31 December 2021.

A total of 45 actions have been followed up since April 2021. A summary of the priority of these actions and the directorate they relate to is included below.

Actions followed up		Actions followed up by directorate		
Priority of actions*	Number of actions followed up	Other (Customers, Governance, Finance, HR, Public Health)	Place Directorate	People Directorate
1	0	0	0	0
2	20	11	1	8
3	25	8	0	17
Total	45	19	1	25

Of the 45 agreed actions 5 (11%) had been satisfactorily implemented and 11 (24%) had been identified as either redundant or superseded, for example, where systems or processes have changed so that they are no longer exposed to risks. In 22 cases (49%) the action had not been implemented by the target date and a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable. This is a high proportion but this reflects the impact of the Covid-19 pandemic and continuing pressure on resources. In the remaining 7 cases follow up work is currently in progress.