

# INTERNAL AUDIT PROGRESS REPORT 2022/23

Date: 25 January 2023

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, Governance and Standards 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 2022. The primary focus of internal audit delivery in 2022/23 is on Local Government Reorganisation (LGR), and on those systems which are most affected by the transfer. Work is being kept under continuous review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council during its final year of operation.
- 5 This is the final internal audit progress report to be received by the Audit, Governance and Standards Committee covering 2022/23 and summarises the progress made to date in delivering the agreed programme of work. An annual report of the Head of Internal Audit will be presented before the end of the financial year.
- 6 The purpose of this report is to update the committee on internal activity between April 2022 and December 2022.



## INTERNAL AUDIT PROGRESS

- 7 Since the last report to this committee in October, four audits have been finalised (general ledger, creditors, contract waivers, housing rents). We have two audits in progress and expect to conclude these during February. We will also conduct some health check and assurance work in relation to debtors, payroll and cyber security during February.
- 8 We have been meeting regularly to discuss risks and ongoing work with the Chief Finance Officer. The timing and focus of work have been informed by our ongoing assessment of risk.
- 9 The main priority remains targeted work on the Council's key financial systems. This work involves testing the continued operation of key controls, reviewing identified areas of weakness, and considering specific data quality, system transfer and development matters linked to LGR.

- 10 A summary of internal audit work currently underway, and finalised in the year to date, is included in appendix A. Appendix B provides details of the audit reports finalised since the last committee. Appendix C lists our current definitions for action priorities and overall assurance levels.
- 11 We will continue to assess and monitor risk and discuss key areas with senior management. Work will be adjusted in response to changes in the Council's activities, risks, operations, systems and controls, if required.



## FOLLOW UP

- 12 We have followed up agreed actions either as part of our ongoing audit work, or in separate reviews. Significant outstanding actions are detailed in this report at appendix D. We have no other matters to report to the Committee as a result of our follow up work.

## APPENDIX A: 2022/23 INTERNAL AUDIT WORK

### Final reports issued

Audit	Reported to Committee	Opinion
General Ledger	January 2023	Substantial Assurance
Contract Waivers	January 2023	Reasonable Assurance
Creditors	January 2023	Reasonable Assurance
Housing Rents	January 2023	Substantial Assurance
Council tax & NNDR	October 2022	Substantial Assurance
Payroll	October 2022	Reasonable Assurance
Health and safety – homeworking	October 2022	Limited Assurance
Information security - homeworking	October 2022	Limited Assurance
ICT asset management	July 2022	Reasonable Assurance
Debtors	July 2022	Substantial Assurance
General ledger	July 2022	Substantial Assurance
Homes England	July 2022	No opinion given
Chairman’s Account	July 2022	No opinion given

### Audits in progress

Audit	Status
Council house repairs and maintenance	Draft report issued
Benefits	In progress

### Other work in 2022/23

Internal audit work is undertaken in other areas during the year, including:

- Certification of the Local Authority Test and Trace Contain Outbreak Management Fund Grant.
- Certification of the Local Authority Test and Trace Support Payment Scheme Grant.
- Ongoing review of key documentation and meeting minutes to help inform future work and provide insight for the annual opinion.
- Regular discussion with management, including ongoing discussions linked to local government reorganisation and in respect of the financial based audits, to help ensure sufficient coverage for the annual opinion.
- Involvement in a number of the local government reorganisation workstreams to help develop and understand new arrangements and share knowledge with management and officers.

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

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
General Ledger	The audit reviewed key processes for maintenance of accurate accounting records, and budget management.	Substantial Assurance	0	0	0	Processes were found to be working well, with no significant issues found. Feeder systems were reconciled, access controlled, journals appropriately controlled and bank reconciliations completed regularly.	Feedback was given to the service on some minor issues but no significant weaknesses were identified so no management actions were required.
Creditors	Ordering, receipting, invoice payments, supplier management, user access controls	Reasonable Assurance	0	0	2	<p>Overall, payments made for goods and services received had been appropriately authorised and invoices were being paid within a reasonable timeframe.</p> <p>One individual was able to raise and approve orders, though this had only been done on a small number of occasions for low value items.</p> <p>Some small discrepancies were found between the council's delegated authority list and the</p>	<p>The ability to raise and authorise own orders has been removed.</p> <p>Changes are being made to delegated authority list or finance system as required.</p>

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						<p>access and authorisation levels in the finance system.</p> <p>Some possible duplicate invoices were identified and referred back to the service for investigation. There are no routine processes for identifying if potential duplicate invoices have been paid.</p>	
Contract Waivers	Completion, authorisation and recording of waivers of contract procedures rules. Monitoring processes to identify if waivers have not been obtained.	Reasonable Assurance	0	1	1	<p>There are clear procedures for waivers and the council maintains a log of waivers. Overall, exemption requests contain relevant information and are reviewed by the appropriate senior officers. However, there were some gaps and inconsistencies in evidence available to support the granting of waivers.</p> <p>There is no monitoring of expenditure to detect off contract spend or breaches of waiver conditions.</p>	<p>In light of Local Government Reorganisation (LGR) it would not be appropriate or valuable for the council to try to amend its processes.</p> <p>However, issues will be raised with the Procurement Workstream for the new single North Yorkshire Council.</p>

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
Housing Rents	The audit reviewed rent calculation processes, billing, arrears recovery, and write offs.	Substantial Assurance	0	0	0	<p>Rents are approved annual by Full Council and are set in line with government guidelines.</p> <p>Rents are uplifted by an automated process and had been applied correctly, although additional checks could be done to improve control.</p> <p>Additional control was also needed for transmitting bank files following a recent direct debits issue.</p> <p>The council collects arrears, takes action to recover outstanding rent payments and write-offs had been performed in accordance with procedures.</p>	<p>An additional check by a second officer has been implemented for bank files submissions.</p> <p>An additional check buy a second officer will be implemented for annual rent increases.</p>

## APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

<b>Audit opinions</b>	
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.	
<b>Opinion</b>	<b>Assessment of internal control</b>
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.

<b>Priorities for actions</b>	
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 D: HIGHER PRIORITY ACTIONS WITH REVISED DATES OF MORE THAN 12 MONTHS FROM ORIGINALLY AGREED DATE

Audit	Agreed Action	Priority Rating	Responsible Officer	Notes / Update
Performance Management	<p>HR to undertake QA review of sample of Personal Development Reviews (PDRs)</p> <p>Return rate of PDRs to be monitored &amp; all PDRs reviewed and returned to manager if not complete.</p> <p>Training plan to be completed promptly following PDR process.</p>	2	Head of Business Development and Improvement	<p>PDRs were not prioritised during the early Covid pandemic as energy was put into service delivery and completion rates were poor.</p> <p>Completion of PDRs has now been prioritised. Communications were issued to managers and staff; completion rates have been monitored at Leadership Team meetings; Audit and Governance committee have been provided with updates.</p> <p>As at 9 January 2023, the completion rate for PDRs was 91%.</p>