Internal Audit Update (September 2024)

1. Purpose of Report

This report summarises the work of Internal Audit in the financial year to date. Cabinet is requested to note the content of this report which will be presented formally to the Audit and Standards Committee on 26 September 2024. There is one proposed amendment to the audit plan, with an audit of Development Management replacing the IT inventory audit. This responds to a member request for an audit review that includes Planning conditions.

2. Background

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of UDC's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the Audit and Standards Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.

The Audit Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In March 2024, the Audit and Standards Committee was presented with the audit plan for the 2024-25 financial year. This document provides Cabinet with an update on progress against the plan for prior to its submission to Audit and Standards Committee in September 2024.

3. Summary

This report summarises the findings from six audits (one substantial, three moderate and two limited) and progress made in implementing previous audit recommendations. It is particularly pleasing to be able to provide "substantial" assurance over the Accounts Payable system. Summary reports for audits with substantial and moderate opinions can be found in Appendix 1 and full reports for those with limited opinions can be found in Appendix 2 of the report.

The backlog of unaudited accounts that UDC faces is a critical governance issue that is highlighted in the Corporate Governance audit. It is recognised that this work is outside the Council's direct control, but the Strategic Director of Finance, Commercialisation and Corporate Services has agreed to ensure the Council cannot be held responsible for any further delays.

In addition to this critical priority recommendation, the Corporate Governance raised two high priority recommendations. The Director of Business Performance and People will ensure an updated risk register and policy will be presented to Cabinet in October and then the Audit and Standards Committee in November. The Interim Strategic Director Housing, Health and Communities is working with key stakeholders to create a new local strategic partnership.

The other report given a "limited" opinion is "Key Health and Safety Landlord Duties". We noted considerable progress has been made since previous audit reports relating to the Joint Venture with Uttlesford Norse Services Limited (UNSL). As a result, no critical findings were identified during the review. Three high priority findings were identified relating to Roles and Responsibilities, Inspections and Monitoring and Oversight. Significant work is being undertaken within the Service to monitor operational data and progress matters of concerns, issues and non-compliance, however this is hampered by the lack of an all-encompassing system (detailing all of the Council's properties and requirements), information being held and maintained by UNSL and the number of various Reports and Spreadsheets being provided to the Council by UNSL, sometimes with differing information relating to the same data and often with insufficient information to verify all properties / details etc. included within the details.

The Housing Rents and IT Governance audits were given "moderate" opinions and only one high priority recommendation (relating to Housing debt recovery) between the two audits.

In April 2024, Internal Audit introduced a new follow-up system to ensure all issues identified through audits are addressed in a timely manner. The baseline was 59 audit recommendations, of which 44 (including seven high priority) were overdue. Progress with implementation of recommendations has been steady, with 29 recommendations closed in the year to date (five high, 20 medium and four low).

Delivery of the audit plan is shown in section 4 below and section 5 summarises the status of all current audit recommendations.

4. Internal Progress Report

The table below shows the current status of the Internal Audit plan. The 2023/24 audits and two from the 2024/25 have now all been completed to at least draft report stage. Work is underway on another three of the audits, with the remainder scheduled throughout the year. Summaries of all reports with "Substantial" or "Moderate" opinions are provided in Appendix 1. The full reports for all audits with a "Limited" opinion can be found in Appendix 2 of this report.

There is one proposed amendment to the plan, with an audit of Development Management (including which will include Planning) replacing the IT inventory audit and some of the time allocated to consultancy work. This responds to a member request for an audit review that includes Planning conditions.

Audit Title	Current Status	Audit Opinion
2023/24 Plan		
IT Governance (formerly Cyber Security)	Complete	Moderate
Corporate Property & Asset Management	Complete	Moderate
Temporary Accommodation	Draft Report	
Housing Rents	Complete	Moderate
Accounts Payable	Complete	Substantial
Key Health and Safety Landlord Duties	Complete	Limited
2024/25 Plan		
Corporate Governance	Complete	Limited
Consultants and Agency Staff	Q4	
Capital Expenditure	Q3/Q4	
Cash and Banking	Q3	
Payroll – Overtime and Expenses	Q3	
Grant Funding	Q4	
Recruitment Vetting	Q4	
IT Inventory	Transferred to reserve plan	
Idox Contract	Q2	
Northgate Contract	Fieldwork	
CCTV	Draft Report	
Blueprint Uttlesford Cross Cutting Workstreams	Q3	
Biodiversity Net Gain	Q4	
Business Continuity	Planning	
Health and Safety	Planning	
Development Management **NEW**	Q3	

Audit Title	Current Status	Audit Opinion
Consultancy, advice and other Internal Audit Workstreams		
Waste Consultancy		
NORSE Consultancy		
Revenues and Benefits Consultancy		
Best Value Standards and Intervention: UDC Self-assessment		
Counter-Fraud Working Group		
Reserve Plan		
Facilities Contract Management		
Leisure PFI		
General Data Protection / Freedom of Information		
Access databases		
IT Inventory		

Time was set aside in the plan for consultancy / advice on Waste Management, the transition from the NORSE partnership and the Revenues & Benefits Blueprint Uttlesford review. Part of this was used to feed into the review of the Council's risk management processes but management have not yet made specific requests regarding these areas of work.

The Audit Manager has been asked to provide assistance as UDC prepares itself for the Local Government Association peer review by self-assessing against UK government guidance issued in May 2024 (Best value standards and intervention: a statutory guide for best value authorities - GOV.UK (www.gov.uk)). This has been added in the table above.

Internal audit's counter-fraud activity is reported to Audit and Standards Committee separately from the rest of audit work.

5. Recommendation Tracking

In April 2024 Internal Audit introduced a new follow-up system whereby recommendations are followed up and reported on as they become due rather than following up on the audit as a whole. Directors have access to all the current recommendations within their area via ideagen portals. It is anticipated that this will provide more timely assurance that key issues have been addressed.

On 31 March 2024, Internal Audit records indicated there were 59 recommendations that were outstanding, of which 44 were past their original due date. On 2 August, there were 61 recommendations outstanding, of which 32 are past their original due date (see opposite).

Eight of the overdue recommendations (including one high priority) relate to waste collection services, with the most significant issue relating to data protection. The Director of Environmental Services has agreed to work with the Data Protection Officer to write a Data Protection Impact Assessment.

Two of the overdue recommendations (one of which is high priority) relate to safeguarding policies and procedures. These have been in draft for some time whilst the Communities Officer post was vacant. Now that this post has been filled, it is anticipated that these policies will be put forward for approval and publicised amongst staff.

Five recommendations relating to procurement and contract management (including two at high priority) became due on 31 July 2024. Internal Audit has been informed that plans to complete the actions is advanced with a report due to Cabinet on 5 September 2024. All actions will be completed, albeit 6 to 8 weeks late.

The final overdue high priority recommendation relates to reviewing the Homelessness key performance indicators (KPIs) that are reported to committee in order to ensure a rounded picture. Homelessness and Housing KPIs have been reviewed and agreed. Work is ongoing to incorporate these into a broader review of Housing KPIs before they are reported to committee.

Internal audit is monitoring progress on the remaining recommendations and will ensure all are closed appropriately.

61
All UDC Recommendations

1	11	39	10
UDC Critical Priority	UDC High Priority	UDC Medium Priority	UDC Low Priority

32
All Overdue UDC Recommendations

0	5	24	3
Overdue Critical Priority	Overdue High Priority	Overdue Medium Priority	Overdue Low Priority

6	1	2	0
Business, People & Performance and Status - Overdue	Digital Innovation & Commercialisation and Status - Overdue	Finance, Revenues & Benefits and Status - Overdue	Corporate Services and Status - Overdue

2	8	6	5	2
Planning and Status - Overdue	Environmental Services and Status - Overdue	Housing, Health & Communities and Status - Overdue	Legal and Status - Overdue	Chief Executive and Status - Overdue

6. Quality Assurance Improvement Programme

In complying with PSIAS, UDC's Internal Audit has established a QAIP. According to Public Sector Internal Audit Standards:

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the standards and an evaluation of whether internal auditors apply the code of ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement programme.

There are five key elements of UDC's QAIP:

- Internal quality reviews of each audit assignment to ensure it meets the required standards. 1:1s incorporate an opportunity to reflect on each audit to identify successes and learn lessons for future audit work.
- Monitoring against KPIs. KPIs are in place to measure quality as well as quantity of audit work. These are key client questionnaires for each assignment and a senior stakeholder survey to measure the overall standing and impact of Internal Audit.
- UDC's annual appraisal process.
- Annual Internal Quality Assessment (IQA) to demonstrate conformance with PSIAS. The most recent IQA was completed in November 2023.
- An External Quality Assessment (EQA) to provide independent verification that PSIAS have been complied with. UDC have made arrangements with Havering Council via the London Audit Group for them to perform this work for the Council. This work is now underway.

The following table shows the progress against the actions arising from the November 2023 IQA that had not been completed in June 2024.

Ref	Area	Action	Current Status	Target Date
1	External Quality Assessment (EQA)	Ensure this is completed and reported.	Agreement in principle through the London Audit Group for the EQA to be completed by peer review by Havering Council. Delayed slightly whilst waiting for information sharing agreement to be completed.	July 2024 (TBC)

Ref	Area	Action	Current Status	Target Date
4	Audit Processes	Update audit processes to: Review process – re-introduce documentation to capture the file review.	Complete	N/A
		Improve timeliness of reporting	Complete	N/A
		Implement revised processes for following up recommendations as they become due	Now in place	N/A
		Review document retention policy	Complete	N/A
		Compile audit manual incorporating all audit processes	Work will be completed over the course of the year. This will incorporate details from the new standards	March 2025
5	Assurance mapping	Work with Risk Management and Directors to develop an assurance map for the Council.	This report includes first elements.	March 2025 and ongoing
6	Training and development	Ensure team has training necessary to obtain key information from Integra and other systems.	Training needs to be confirmed during U-perform process.	March 2025

Our performance against our performance indicators as at 2 August 2024 is shown in the table below:

KPI	Year-end Target	Actual 02/08/24	Comments
Audit Plan delivered to Draft Report Stage by 31st March:	90%	33%	Includes finalisation of 2023/24 plan
Audit Plan delivered to final report stage by 30th April:	75%	27%	Includes finalisation of 2023/24 plan
Customer Satisfaction results: overall average score of 80% or above	80%	75%	One survey received to date
Senior Stakeholder survey: overall average of 80% or above	80%	N/A	Surveys to be issued October 2024
Compliance with PSIAS	Compliant		EQA in progress

IT Governance (Ref XC23_1)

1.   Executive Summary

Directorate: Digital Innovation and Commercialisation **Audit Owner:** Director of Digital Innovation and Commercialisation, ICT Delivery Manager. **Distribution List:** Chief Executive, Strategic Director of Finance, Commercialisation and Corporate Services**.**	**Overall Opinion** **Moderate Assurance** 🟡	**Number of issues relating to Control Design** ❿ **Critical** ❿ **High** ❿ **Medium** ❿ **Low**	**Number of issues relating to Controls Operating in Practice** ⓪ **Critical** ⓪ **High** ⑤ **Medium** ⓪ **Low**

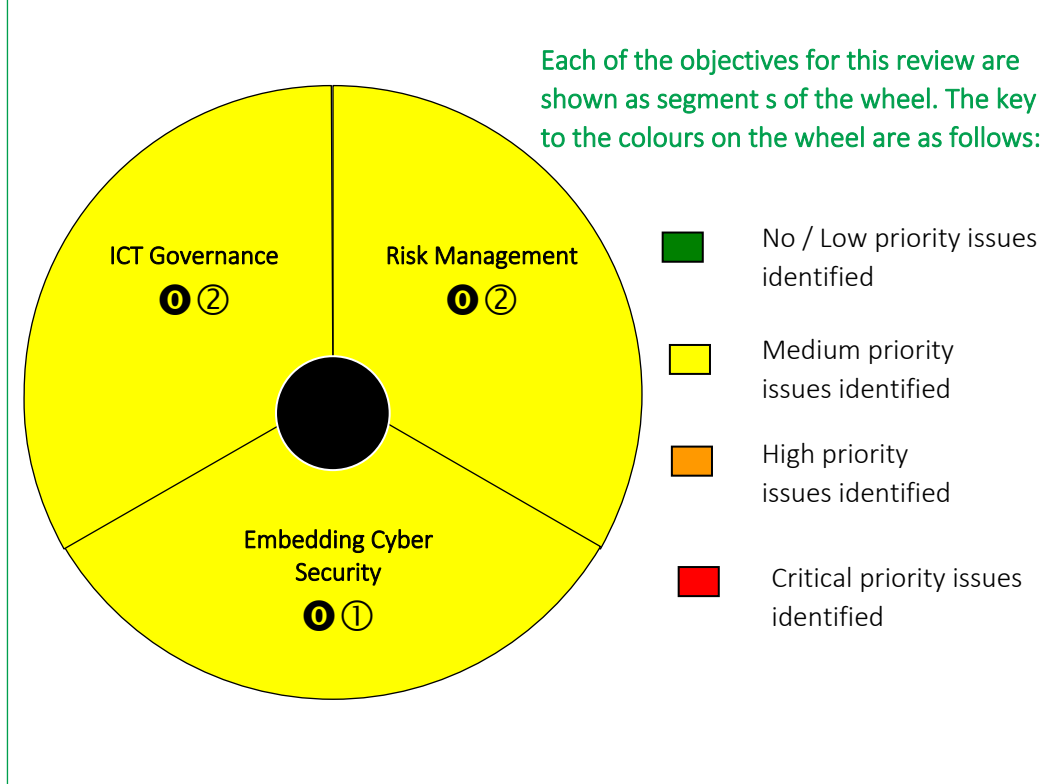| **Scope of the Review/Limitations:**	The scope of this audit is to review the controls in place to mitigate cyber risks surrounding data security breach, including governance and effectiveness of staff training. We are unable to ascertain that a declaration had been signed confirming staff with access to the Council's network had read the Acceptable Use and Information Security Policy. This will be verified in the next HR audit where the declaration forms are held.

Overview

- SaaS Security Posture Management procedures are in place to ensure that only authorised personnel have access to the Council's network.
- Arrangements are in place to identify threat detection and response.
- Corporate training and induction programmes for new staff are carried out to ensure authorised users are adequately trained in the Council's ICT security policy.
- In the event of a cyber-attack, plans/arrangements are in place to collaborate with a team of experts in cyber security.
- Annual penetration testing is carried out on the IT infrastructure.

Areas of good practice identified

Risk has been duly identified with the recognition that the Council's governance structure may be inadequate to address the scope of a cyber security attack. Instead, an alternative governance structure for ICT governance has been put in place and position in conjunction with the Civil Contingency Act 2004 where in the event of a cyber-attack, it is to be managed tactically at silver command and reporting to the Section151 Officer and the CEO at strategic gold command.

Note: The previous audit scoring methodology would have resulted in an audit opinion of "substantial assurance".

Each of the objectives for this review are shown as segment s of the wheel. The key to the colours on the wheel are as follows:

- 🟩 No / Low priority issues identified
- 🟨 Medium priority issues identified
- 🟧 High priority issues identified
- 🟥 Critical priority issues identified

Internal Audit Report 2023/24

Corporate Property & Asset Management XC23_3

1. Executive Summary

Directorate: **Digital Innovation and Commercialisation**

Audit Owner: Director of Digital Innovation and Commercialisation

Distribution List: Facilities Manager, Interim Director of Finance, Revenues & Benefits, Strategic Director of Finance, Commercialisation & Corporate Services, Chief Executive.

Overall Opinion

MODERATE ASSURANCE 🟡

Number of issues relating to Control Design

0	Critical
0	High
0	Medium
0	Low

Number of issues relating to Controls Operating in Practice

⓪	Critical
⓪	High
③	Medium
③	Low

Scope of the Review/ Limitations: The scope of this audit is to review the governance arrangements for Council's Corporate Property and Asset Management process, including maintenance of property records. We are unable to provide an opinion on the controls in place for recording and accounting for fixed assets as additions and disposals are journaled at the end of the fiscal year.

Overview

An asset management plan for 2022–2027 is in place, outlining the maintenance and repair schedule to manage risks to a reasonable level, preserve the property value and remove health hazards for occupants.

The asset management plan is supported by resources, service processes and workflow that ensure assets are managed economically and are fit for purpose.

Areas of good practice identified

During the audit, it was noted that service management oversight is effective and that proper controls and polices are in place to support the workflow to meet the service objectives.

It has also been noted that management oversight has identified risks with the planning of the capital programme 2024-2027 and mitigation controls are in place to ensure the five-year rolling programme is project managed according to priority timescales and funding or wave planning if necessary.

Each of the objectives for this review are shown as segments of the wheel. The key to the colours on the wheel are as follows:

🟩	No / Low priority issues identified
🟨	Medium priority issues identified
🟧	High priority issues identified
🟥	Critical priority issues identified

Accounting of Assets — **0** ①

Monitoring & Reporting — **0** ②

Governance & Transformative Strategy — **0** ①

Risk Assessment — **0** ②
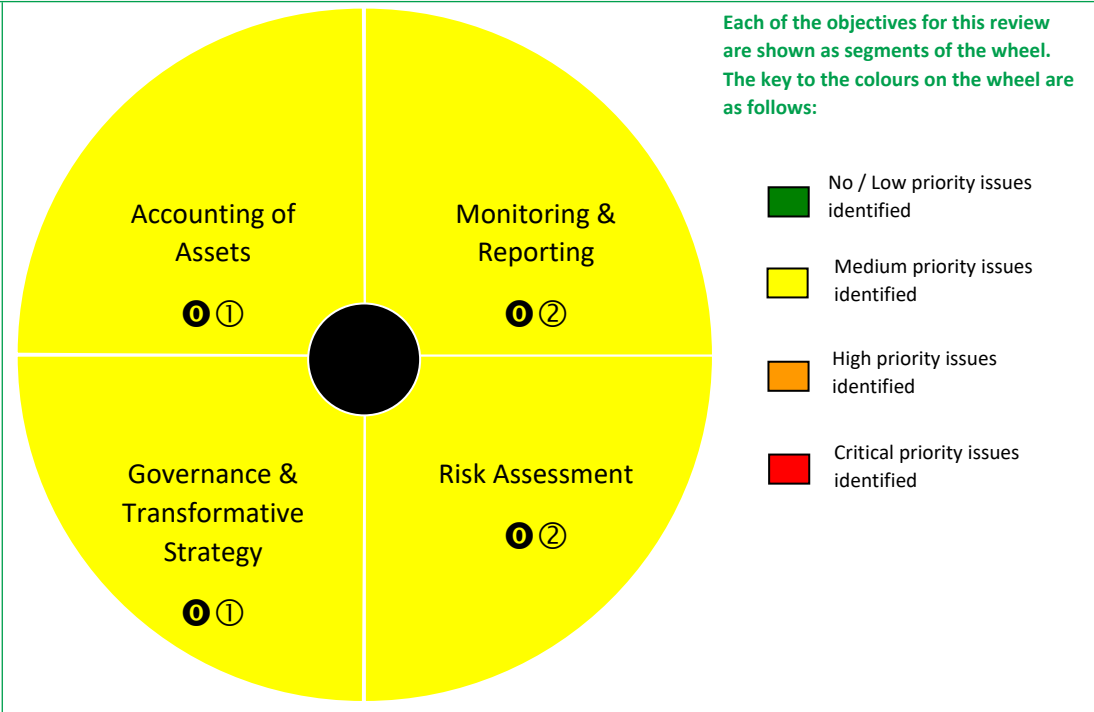
Internal Audit Report 2023/24

Housing Rent (Ref HHC23_2)

1. Executive Summary

Directorate: **HOUSING HEALTH & COMMUNITIES**

Audit Owner: Housing Income Manager

Distribution List: Interim Director of Finance, Revenues and Benefits, Interim Strategic Director of Housing, Health & Communities, Strategic Director of Finance, Commercialisation & Corporate Services (S151 Officer), Chief Executive

Overall Opinion

MODERATE ASSURANCE ◯

Number of issues relating to Control Design

0	**Critical**
0	**High**
0	**Medium**
0	**Low**

Number of issues relating to Controls Operating in Practice

⓪	**Critical**
①	**High**
①	**Medium**
①	**Low**

Scope of the Review/Limitations: The scope of this audit is to review the management of Council tenant's housing rents, including management of arrears. In April 2024, rent services were transferred to Housing Services following a restructuring in Finance.
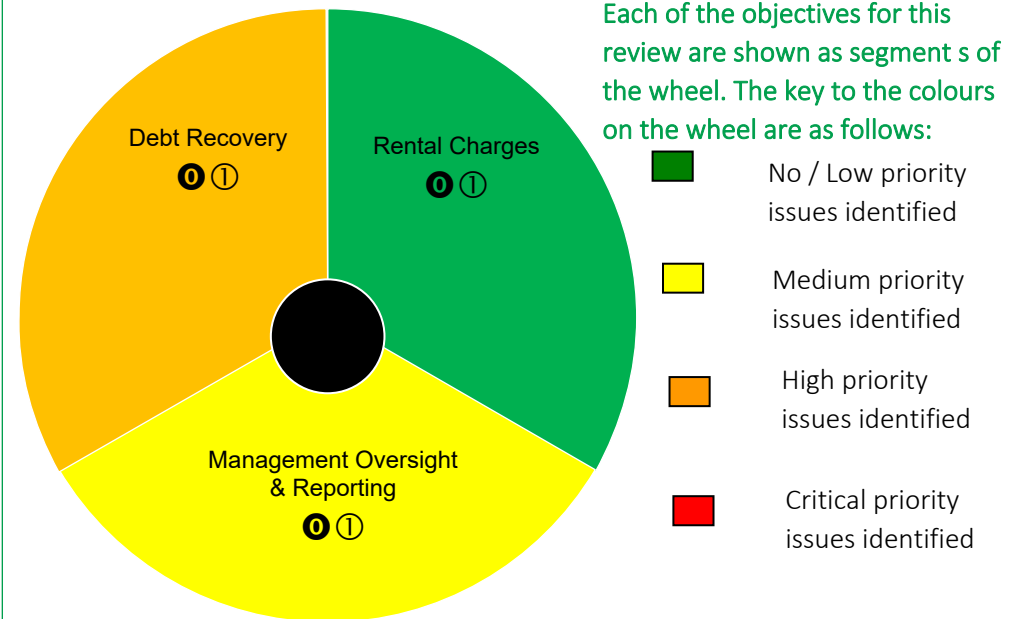
Overview

Overall summary/justification for audit opinion

There are policies and procedures in place to ensure rent setting is consistently applied for the collection of rent charges and there is clarity in the rent management procedures, which set out the steps and actions that Housing Officers and the rent services must follow before initiating court proceedings for the recovery of rent arrears.

The overall performance on rent collected as a percentage of rent owed excluding arrears brought forward is 99.5% (£17,719,243) against a target of 99.5% (£17,719,243) and the current tenant arrears as a percentage of the annual rent debit (excluding HB adjustment) is 3.1% (£558,021) against a target of 3.2% (£569,583) for the year ending 2023/24.
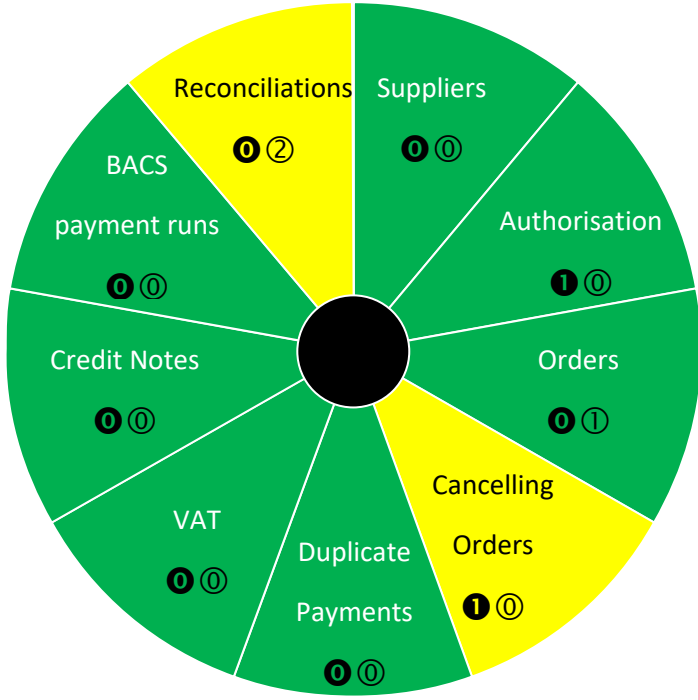
Critical and High Priority Findings

1 High priority finding was identified relating to improving the debt recovery process.

Each of the objectives for this review are shown as segment s of the wheel. The key to the colours on the wheel are as follows:

- 🟩 No / Low priority issues identified
- 🟨 Medium priority issues identified
- 🟧 High priority issues identified
- 🟥 Critical priority issues identified

Pie chart segments:
- Debt Recovery **0** ①
- Rental Charges **0** ①
- Management Oversight & Reporting **0** ①

Internal Audit Final Report 2023/24

Accounts Payable - XC23_7

1. Executive Summary

Directorate: **Finance, Revenues and Benefits**

Audit Owner: Director of Finance, Revenues and Benefits

Distribution List: Finance Officer; Accountant (Financial Services); Finance Systems Officer; Senior Accountant (Treasury Management & Collection Fund); Strategic Director of Finance, Commercialisation and Corporate Services (S151 Officer) (Final report only); Chief Executive (Final report only)

Overall Opinion

SUBSTANTIAL ASSURANCE 🟢

Number of issues relating to Control Design

❶		
0	Critical
0	High
1	Medium
1	Low

Number of issues relating to Controls Operating in

⓪	Critical
⓪	High
①	Medium
②	Low

Scope of the Review/ Limitations: The scope of this review involved obtaining an understanding of the existing process, evaluating the design of the controls in place to address the key risks and testing the operating effectiveness of controls in operation. Where possible, the audit used system reports to facilitate substantive testing but some of these were not available during the audit due to the long-term absence of the Finance Systems Officer.

Overview

The Council has strong controls operating over the accounts payable system. Appropriate checks are in place to ensure only legitimate suppliers are set up and payments are both authorised and correct. No duplicate payments were found during the audit testing.

Two medium priority recommendations were made relating to closing blanket purchase orders when no longer required and ensuring there is an independent review of the monthly disbursement account reconciliation.

Three low priority recommendations were also made to further enhance the control environment.

Each of the objectives for this review are shown as segments of the wheel. The key to the colours on the wheel are as follows:

🟩 No / Low priority issues identified

🟨 Medium priority issues identified

🟧 High priority issues identified

🟥 Critical priority issues identified