

Internal Audit Update (February 2024)

1. Purpose of Report

This report summarises the work of Internal Audit in the financial year to date. This paper was presented to CMT on 11 December 2024 and noted by Cabinet on 16 January 2025. There is one proposed amendment to the audit plan, with an audit of Tenant Satisfaction Measures replacing the Capital Expenditure audit. This responds to a request from the Strategic Director, Housing, Environment and Communities and allows time for the new Director of Finance, Revenues and Benefits and then New Head of Finance to establish themselves in post before the audit takes place.

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 June 2024, the Audit and Standards Committee was presented with the audit plan for the 2024-25 financial year. The Audit and Standards Committee were advised of one amendment to the plan in September 2024. This document provides Cabinet with an update on progress against the plan for prior to its submission to Audit and Standards Committee.

3. Summary

This report summarises the findings from four audits (two moderate and two limited) and progress made in implementing previous audit recommendations. 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 Temporary Accommodation audit recognises the high level of demand for services which have impacted on the Council's resource capacity and ability to manage its processes. Four high priority recommendations were made around procurement and contract management. Two of these were originally due for completion in September / October 2024 but implementation has been delayed slightly. Work is ongoing and these should be completed early in 2025.

Following the Internal Audit of CCTV in April 2022, consultants were engaged to review the council's arrangements, and they reported in February 2023. The Council's Communities Manager left soon after and her position was vacant and progress on implementation of the consultant's recommendations was significantly delayed. As a result of this, the audit made 5 high priority recommendations to update the strategy, policies and procedures (which will now include Council vehicles), a CCTV budget plan, risk management and a CCTV register.

The new Communities Manager started in June 2024. Ambitious target dates were set, and four of the seven recommendations (including three of high priority) are now past their original implementation date. On 11 December 2024 CMT were briefed on the risks posed by our current CCTV arrangements. The paper proposed the creation of a budget for servicing and maintenance of CCTV and that consideration be given to procuring the necessary skills. The Audit Manager expects to close the recommendations as each step in the process is concluded.

The Idox and Northgate contract management audits provided moderate assurance that UDC data stored on the software suppliers' servers is protected. The audits raised one shared high priority recommendation which will ensure the Council has determined its approach to carbon emissions from its supply chain as well as those it can measure more easily (e.g. from fuel consumed by its vehicle fleet or from its electricity usage). One additional high priority recommendation in Northgate is aimed at ensuring the relevant services take ownership of the contract.

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 61 recommendations closed in the year to date (13 high, 41 medium and seven 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 final 2023/24 audit is now complete. Four 2024/25 audits are complete, and another is in draft. Work is underway on another six of the audits, with the remainder scheduled for the final quarter. Summaries of all audits with “Moderate” opinions are provided in Appendix 1. The full reports for all audits with a “Limited” opinion can be found in appendix 2.

There is one proposed amendment to the plan, with an audit of Tenant Satisfaction Measures replacing the grant funding audit and the remaining time allocated to consultancy work. This responds to a request from the Strategic Director, Housing, Environment and Communities and will assist in the Council’s preparation for regulatory inspection. It also means the Capital Expenditure Audit will not be coinciding with the induction period of the new Director of Finance, Revenues and Benefits and Head of Finance.

Audit Title	Current Status	Audit Opinion
2023/24 Plan		
IT Governance (formerly Cyber Security)	Complete	Moderate
Corporate Property & Asset Management	Complete	Moderate
Temporary Accommodation	Complete	Limited
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	Transferred to reserve plan	
Cash and Banking	In Progress	
Payroll – Overtime and Expenses	In Progress	
Grant Funding	Q4	
Recruitment Vetting	Planning	
Idox Contract	Complete	Moderate
Northgate Contract	Complete	Moderate
CCTV	Complete	Limited
Blueprint Uttlesford Cross Cutting Workstreams	Planning Deferred to Q4 at Management Request	
Biodiversity Net Gain	In Progress	
Business Continuity	Draft Report	
Health and Safety	Planning	
Development Management	Q4	
Tenant Satisfaction Measures	Q4	
Consultancy, advice and other Internal Audit Workstreams		
Waste Consultancy		
NORSE Consultancy		

Audit Title	Current Status	Audit Opinion
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		
Capital Expenditure		

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 no other specific requests have been made 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 \(www.gov.uk\)](https://www.gov.uk/government/publications/best-value-standards-and-intervention-a-statutory-guide-for-best-value-authorities)). This has been added in the table above.

In exchange for Havering Council conducting UDC's EQA, the London Audit Group asked the Audit Manager to conduct Croydon Council's EQA. This work is almost complete.

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 1 December 2024, there were 49 recommendations outstanding, of which 30 were past their original due date.



The critical priority recommendation relates to UDC's backlog of unaudited accounts. It is anticipated that most of these accounts will be brought to December's Audit and Standards Committee, with the final accounts being completed for the January 2025 meeting.

The Data Protection Officer has received a Data Protection Impact Assessment for the collection of Clinical Waste. It is anticipated that his review of the document will allow for the closure of one high priority recommendation.

It is understood that work is ongoing to re-establish the Local Strategic Partnership.

One high priority recommendation relates to debt recovery in Housing. A review of the service is underway following the retirement of the Housing Manager in November 2024. An interim Housing Income Manager has been recruited to assist in the review and to fill the gap in the service. The Strategic Director will be recommending the recruitment of an interim Rents Officer to address low level arrears through an intensive 3-month programme of house visits, which, if approved, will commence in January 2025 for a period of three months. Although delayed slightly, action is underway to address the recommendation.

The other five overdue high priority recommendations relate to the CCTV and Temporary Accommodation audits (see section 3 above).

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

6. Quality Assurance Improvement Programme (QAIP)

UDC's Internal Audit has established a QAIP to comply with Public Sector Internal Audit Standards (PSIAS):

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 made arrangements with Havering Council via the London Audit Group for them to perform this work for the Council. This work has been concluded and the report is shown in Appendix 3. The following table shows the progress against the actions arising from the November 2023 IQA that had not been completed in November 2024.

Ref	Area	Action	Current Status	Target Date
1	External Quality Assessment (EQA)	Ensure this is completed and reported.	Complete	N/A

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	Audit process document has been reviewed and updated. Further work will await EQA and internal assessment against new IIA standards.	N/A	
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.	Superseded due to the planned replacement of Integra with a new financial system.

The EQA confirmed that UDC’s Internal Audit service is “generally” compliant with PSIAS and identifies observations that will be taken forward by the Audit Manager in the new year. In addition, the Audit and Standards Committee may in the future request the attendance of relevant Directors when limited assurance reports have been issued. Audit and Standards Committee can then seek additional assurance that issues are being addressed.

In January 2024, the Institute of Internal Auditors published new Global Internal Audit Standards that will apply to the UK public sector from April 2025, subject to interpretations and requirements for the UK public sector. Guidance in this matter is expected early in the new year from CIPFA. The Audit Manager plans to bring a briefing note to March’s Audit and Standards Committee on the changes and their implications for UDC.

Our performance against our performance indicators as at 5 December 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%	52%	Includes finalisation of 2023/24 plan
Audit Plan delivered to final report stage by 30 th April:	75%	48%	Includes finalisation of 2023/24 plan
Customer Satisfaction results: overall average score good/excellent good or good) each survey returned	80%	65%	Five surveys received to date. Internal Audit seeks to use all questionnaires with an answer of less than “good” to inform and improve performance.
Senior Stakeholder survey: overall average of 80% or above	80%		
Compliance with PSIAS	Compliant	Generally Compliant	Complete

IDOX Contract – REF (24_25.06)

1. Executive Summary

Directorate: Planning & Environmental Services

Audit Owner: Planning Business Performance Manager, Environmental Health Manager (Commercial) and Environmental Health Manager (Public Health)

Distribution List: ICT Delivery Manager, Strategic Director of Housing [final only], Environment and Communities, Director of Environmental Services, Dean Hermitage, Strategic Director of Planning [final only], Director of Digital Innovation and Commercialisation [final only], Strategic Director of Finance [final only], Commercialisation and Corporate Services [final only], Chief Executive [final only].

Overall Opinion

MODERATE ASSURANCE ●

Number of issues relating to Control Design

- ① Critical
- ① High
- ① Medium
- ① Low

Number of issues relating to Controls Operating in Practice

- ① Critical
- ① High
- ③ Medium
- ① Low

Scope of the Review/ Limitations:

The scope of this audit is to review the contract for IT security and the contract arrangements in place to protect the Council's data stored on the IDOX system. There will be a light touch review to ensure carbon usage on the hosted servers. The audit will also review system access controls managed by the local system administrator

Overview

The IDOX contract is a framework agreement jointly managed by Planning, Environmental Services and ICT. In accordance with the Council's Contract Procedure Rules, service contracts should be managed and owned by the service department. However, due of the nature of the contractual obligations, all parties mentioned above with a stake in the IDOX contract, shared and accepted responsibility detailed in the contract life cycle.

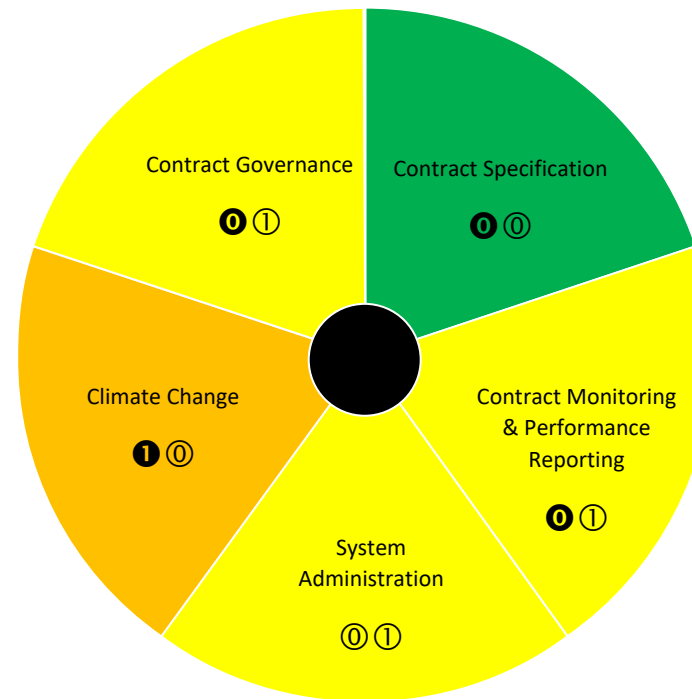
The ICT department facilitates the contract process and provides oversight ensuring IT security complies with industry standards and that the relevant ISO certification on the IDOX management system and guidelines are valid to safeguard UDC data. Operational matters in relation to budget expenditure, variation to the contract and software application matters are managed by service departments.

During the audit, we identified that software utilisation is not optimised which may impact the Council's ability to effectively and efficiently manage its service delivery using the Idox system. Therefore, recommendations have been made to mitigate software related risks and a moderate assurance is provided.

High Priority Findings

The audit also considered the issue of carbon dioxide emissions arising from the contract. A high priority recommendation has been raised which has implications for the Council that are broader than Idox. This issue was also identified in the Northgate contract audit and will be followed up as one recommendation.

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

Internal Audit Final Report 2024/2025

NORTHGATE (NEC) – REF 24_25.04

1. Executive Summary

Directorate: Finance, Housing Environment & Communities, Digital Innovation & Commercialisation

Audit Owner: Rev-Bens Manager, Strategic Director of Housing, Environment and Communities, ICT Manager

Distribution List: Rev-Bens Manager, ICT Delivery Manager, Strategic Director of Housing, Environment and Communities, Interim Director of Property, Interim Director of Finance, Strategic Director Finance, Commercialisation and 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
- 2 High
- 2 Medium
- 1 Low

Scope of the Review/ Limitations:

The scope of this audit is to review the contract for IT security and the contract arrangements in place to protect the Council's data stored on the Northgate system. There will be a light touch review to ensure carbon usage on the hosted servers. The audit will also review system access controls managed by the local system administrator

Overview

The NEC contract is a framework agreement jointly managed by Housing, Revenues & Benefit and ICT. In accordance with the Council's Contract Procedure Rules, service contracts should be managed and owned by the service department. However, due of the nature of the contractual obligations, all parties mentioned above with a stake in the NEC contract, shared the responsibility detailed in the contract life cycle, but with the assumption that ownership of the contract lies with ICT.

The ICT department receives and reviews IT certification received from the NEC management system and provides oversight to ensure compliance with IT security standards and that UDC's data is safeguarded. Operational matters in relation to budget expenditure, variation to the contract and software application matters are managed by service departments.

High Priority Findings

One high priority recommendation has been made regarding ownership of the contract by service. The audit also considered the issue of carbon dioxide emissions arising from the contract. A high priority recommendation has been raised which has implications for the Council that are broader than the NEC system.

