

Internal Audit Interim Report (November 2023) and Audit Plan (December 2023 – March 2024) – Audit and Standards Committee – 28/11/23

1. Purpose of Report

Audit and Standards Committee are requested to note the content of this report and approve the Internal Audit Plan for December 2023 – March 2024 prior to its submission to Audit and Standards Committee on 28 November 2023. The revised plan will produce the evidence base needed to support the Internal Audit annual report and opinion for the 2023/24 financial year. This report has been reviewed by CMT.

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 June 2023, the Audit and Standards Committee approved the audit plan for April – September 2023 and potential auditable areas for the rest of the year. The previous Audit Manager based this on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's Corporate Plan, Corporate Risk Register, AGS Action Plan as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks. She also suggested potential areas for audit in the second half of the financial year. The plan for the remainder of the financial year was to be agreed at a later date.

This document provides CMT with an updated plan for consideration and approval alongside an update on the audit work for the financial year to date. The paper will be put forward for approval by Audit and Standards Committee on 28th November 2023.

3. Internal Audit Plan and Resources

This report extends the 2023/24 plan for the full financial year. The Audit Manager assessed the work completed / underway in the year to date, held discussions with senior management and used the Corporate Risk Register¹ to sense-check audit priorities identified in the previous risk assessment. The main changes have been to include an audit of the governance arrangements for the Blueprint Uttlesford programme and the identification of Accounts Payable as the Key Financial System that will be reviewed.

The Audit Manager will be responsible for delivery of this plan and will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver it. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council. In addition to planned work, Internal Audit can also provide ad hoc advice and guidance to management on risk and control issues within individual systems as requested.

Appendix A shows the proposed audit plan for the 2023/24 audit year. In addition to the proposed work programme for 2023/24 it captures 2022/23 audits that were in draft in June 2023 and shows the status of all items. Appendix B reconciles the current plan to that approved in June to provide transparency in the proposed amendments.

Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion and/or deliver an assurance statement. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary.

Where such work is undertaken, this will be set out as part of Internal Audit's annual report. The Audit Manager will give due consideration to the appropriateness of undertaking such work to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan.

¹ Governance, Audit and Performance Committee – March 2023 Update

The Audit Manager post was vacant from June - 30 October 2023. In addition, auditor time has been weighted towards follow-up work, which has been resource intensive and slowed progress on the 2023/24 audit plan. It is anticipated that audit delivery will now accelerate. Issues arising from the work to date are shown in paragraph 5 below.

4. Follow-up audits

Current processes are for all recommendations on each audit to be followed up after the final due date. It is often found that significant numbers of control weaknesses have not been addressed leading to repeated follow-ups. The follow-up process has been labour-intensive and has had implications for the delivery of the audit programme.

Appendix C shows the status of follow-up work on audits completed in 2022/23. Issues arising from the follow-up work to date are shown in paragraph 5 below.

The Audit Manager proposes transitioning to following up recommendations as they become due. This will ensure delays are identified at an earlier stage so that managers can be reminded of the need to address the issues. Reporting mechanisms and escalation procedures will be developed to inform senior managers are aware of the situation in their areas and help facilitate any necessary remedial action.

The Audit Manager also proposes a formal risk acceptance process where managers at an appropriate level can accept the risk of not implementing the recommendations. It is suggested that service leads can accept the risk associated with low priority recommendations, directors can accept the risk associated with medium priority recommendations, but high and critical priority recommendations require CMT approval.

5. Key Issue arising (year to date)

As part of the November Interim Report, CMT and Audit and Standards Committee receive details of critical/high priority issues raised in audit reviews. They will receive an update on these issues in annual report (June 2024). In addition, any significant emerging risks will be reported as they arise. The key issues arising from 2023/24 audit work are:

- Standards Complaints audit:
 - Two high priority recommendations have been made to improve the effectiveness and efficiency of the way in which complaints are processed. Management agreed to implement all elements by December 2023. In October 2023, a new Monitoring Officer joined the Council. She is aware of the audit report and its recommendations.
- Homelessness and Rough Sleeping Strategy follow-up
 - One high priority recommendation remained outstanding at the time of the follow-up regarding the oversight of performance management. This was initially agreed by the Interim Deputy Director of Housing, Health and Communities and has now been reassigned to the Director of Housing, Health and Communities with an extension. Internal Audit will obtain a further update before the end of the financial year.

Appendix A - Internal Audit Draft Annual Plan 2023/24

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage. At the start of each audit, an initial discussion will be held to agree the specific objective and scope of the review.

Audit Title	Link to Corporate Plan	Link to Corporate Risk	Indicative Scope	Current Status
Capital Expenditure	Putting Residents First	22-CR-01 Financial Control	Review of oversight of the capital programme and allocation of resources. 2022/23 audit at draft report in June 2023.	Moderate
Procurement and Contract Management	Putting Residents First	22-CR-01 Financial Control	Review of the Council's high value expenditure to provide assurance that Council procedures have been followed and contracts are managed effectively. 2022/23 audit at draft report in June 2023.	Draft Report
Cyber Security		22-CR-05 Data Protection 22-CR-06 Information Technology	Review of the controls in place to mitigate risks surrounding IT security, including PSN and PCI requirements.	In Progress
Standards Complaints	Putting Residents First	22-CR-07 Governance	Review of the Council's compliant procedures, including complaints made against Councillors.	Limited
Corporate Property & Asset Management	Putting Residents First	22-CR-07 Governance	Review of the governance arrangements for Council's Corporate Property and Asset Management process, including maintenance of property records	In Progress
Temporary Accommodation	Building Strong Communities	22-CR-01 Financial Control	Review of the Council's arrangements for Temporary Accommodation, including procurement and monitoring of providers.	Planning
Housing Rents	Building Strong Communities	22-CR-01 Financial Control	To review the management of Council tenant's housing rents, including management of arrears	In Progress

Audit Title	Link to Corporate Plan	Link to Corporate Risk	Indicative Scope	Current Status
Blueprint Uttlesford	Putting Residents First	22-CR-01 Financial Control 22-CR-04 People 22-CR-12 Borrowing & Investments	Governance arrangements with a focus on reporting and monitoring arrangements.	
Accounts Payable	Putting Residents First	22-CR-01 Financial Control 22-CR-10 Fraud	Audit of one of the Authority's Key Financial Systems	
Consultancy/interim & agency contracts	Putting Residents First	22-CR-01 Financial Control		
Key Health and Safety Housing Landlord Duties	Building Strong Communities	22-CR-13 Contracts & Partnership Management	To provide the Council with assurance that assurance that Health and Safety inspections are carried out on timely basis. The audit will cover lifts, legionella, asbestos, electrical, gas, fire safety, fire alarms, carbon monoxide and damp / mould.	
Leisure PFI		22-CR-13 Contracts & Partnership Management	Strategic review of the PFI model for delivery of Leisure Services.	

Appendix B – Reconciliation between June and November 2023 Audit Plans

Internal Audit Plan (June 2023)	Internal Audit Plan (November 2023)
April to September 2023	
Cyber Security	In Progress
Standards Complaints	Complete
Corporate Risk Management	Deferred due to service review
Corporate Property and Asset Management	In Progress
Temporary Accommodation	Planning
Housing Rents	In Progress
Saffron Walden Museum	Deferred due to service review
Proposed Audit Areas (October 2023 to March 2024)	
Financial Management Code	Deferred due to insufficient resource
Budgetary Control	Deferred due to insufficient resource
Key Financial Systems	Retained in plan as Accounts Payable audit
Consultancy/interim & agency contracts	Retained in plan
Uttlesford Norse Governance Arrangements	Retained in plan
Housing Standards – Voids / Empty Homes	Deferred due to insufficient resource
Right to Buy	Deferred due to insufficient resource
Equality Impact Assessments	Deferred due to insufficient resource
Uttlesford Futures	Deferred due to insufficient resource
Air Quality Grant	Deferred due to insufficient resource
Environmental Health including Enforcement and Permits	Deferred due to insufficient resource
Leisure PFI	Retained in Plan
Governance and Decision Making	Deferred due to insufficient resource
Members Allowances and Expenses	Deferred due to insufficient resource

Appendix C – Follow-up of Audits Completed in 2022/23

Audit	Original Opinion	Current Status	Revised Opinion (Indicative)
Uttlesford Norse	No Assurance	Full audit planned for 2023/24	
Safeguarding	Moderate	Delayed until Dec 23 due to change in management	
Planning Applications	Moderate	Overdue	
CCTV / RIPA	Limited	In Progress	
Income Generating Waste	Moderate	In Progress	
Climate Change	Moderate	Complete	Moderate
Business Continuity and Emergency Planning	Moderate	Complete	Moderate
Economic Development	Substantial	N/A	Substantial
Licensing	Substantial	Due Mar 24	
Grants Received	Substantial	N/A	Substantial
Corporate Health & Safety Governance	Moderate	Complete	Moderate
HR Payroll	Substantial	Due Mar 24	
Housing Allocation	Substantial	N/A	Substantial
Planning Applications	Moderate	In Progress	
Homelessness and Rough Sleeping Strategy	Moderate	Complete	Moderate

Audit	Original Opinion	Current Status	Revised Opinion (Indicative)
Follow-up of pre 2022/23 audits with outstanding recommendations			
Section 106 Obligations	Limited	Complete	Moderate
Information Governance	Moderate	Draft	
Domestic Waste & Recycling	Moderate	In Progress	
Officer and Member Conflicts of Interest	Moderate	In Progress	
Leasehold Service Charges	Moderate	Follow-up completed in 2022/23. No action required in 2023/24.	Moderate
Information Governance	Moderate	In Progress	
Domestic Waste and Recycling	Moderate	In Progress	
KFS 2021/22 (Cash Management)	Moderate	Overdue	