

AGENDA MANAGEMENT SHEET

Report Title: Internal Audit Progress Update

Name of Committee: Audit and Ethics Committee

Date of Meeting: 28 September 2023

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance

Contact Officer: Richard Green, Interim Corporate Assurance Manager, richard.green@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

(C) Climate
(E) Economy
(HC) Health and Communities
(O) Organisation

Summary: The report sets out progress towards delivery of the annual internal audit plan and provides an update on service performance.

Financial Implications: None

Risk Management/Health and Safety Implications: Non delivery of an adequate internal audit plan would have an adverse impact on the level of

assurance provided in the Annual Governance Statement.

Environmental Implications: None

Legal Implications: None

Equality and Diversity: No implications

Options: None

Recommendations: The report be noted.

Reasons for Recommendations: To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 28 September 2023

Internal Audit Progress Update

Public Report of the Chief Officer - Finance and Performance

Recommendations

The report be noted.

1. Introduction

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2023/24.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- the Council's assets and interests are safeguarded;
- reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

2. Summary of Audit Work

- 2.1 The Internal Audit plan for 2023/24 was approved by the Audit and Ethics Committee on 30 March 2023. Progress against delivery of that plan is set out at Appendix A.

3. Revisions to the 2023/24 Audit Plan

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There are currently no proposed amendments to the internal audit plan.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 28 September 2023
Subject Matter: Internal Audit Progress Update
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

**INTERNAL AUDIT PROGRESS
UPDATE**

SEPTEMBER 2023

RIGHT FOR RUGBY

Introduction

- 1.1** The Public Sector Internal Audit Standards (the Standards) require the Audit and Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

Performance

2.1 Will the Internal Audit Plan be delivered?

The expected position by the date of the Committee meeting is as follows:

- 3 final reports have been issued
- 1 compliance assessment issued
- 1 draft report has been issued
- 4 assignments are in progress;
- 8 assignments are at the planning stage; and
- 11 assignments have not yet been started

At the time of writing there are sufficient resources available, and the internal audit plan is expected to be delivered on time. The delivery will be supported by the Council's external contractor, Lighthouse Consulting Ltd, who will deliver the Council's IT internal audits, and support delivery of non-IT audits where required.

Progress on individual assignments is shown at pages 6 to 11 of this report.

2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, a cumulative 70% of management actions have been implemented by the agreed implementation date, with a further 20% implemented late, giving an overall implementation rate of 90%.

A summary analysis of progress on implementation of audit recommendations is shown at pages 12 to 13.

At the time of reporting there are 18 agreed management actions for which implementation is overdue, 2 of which are regarded as High risk, 7 regarded as Medium risk and 9 low risk.

The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at pages 14 to 15. Implementation of the actions will continue to be monitored by the Corporate Assurance team and reported to each Committee meeting.

2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	100 days This has reduced slightly but still high due to delays with previous reviews.
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	7 days Performance is broadly stable and below the 10 days considered to be the benchmark followed by peers.
Effectiveness	Implementation of Agreed Actions – Percentage implemented on time	70% - at the time of reporting there are 18 recommendations which are past their agreed implementation date, 2 are regarded as High risk and 7 as Medium risk. Refer to page 12 onwards for details.

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Ethics Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Progress to date

Since the last Audit & Ethics committee meeting there have been 3 audit reports issued and one compliance report issued.

Housing Rents and Company Credit Cards reports were both given a limited assurance and are therefore reported separately.

The External Audit Recommendations report was an extra piece of work to assess the implementation of the actions agreed with the external auditors. This gave a high assurance rating with only 2 minor recommendations relating to deleting unused dummy accounts and reviewing the IT Risk Register.

The CIPFA Financial Management Code review assessed compliance against 17 standards, 12 were fully compliant, 4 substantially complaint and 1 working towards compliant.

Ethical Governance has been issued as a draft and is being considered by management.

Audit	Assurance level	Recommendations			
		High	Medium	Low	Total
Housing Rents	Limited	4	7	3	14
Company Credit Cards	Limited		6	3	9
External Audit Recommendations	High			2	2
CIPFA Financial Management Code	N/A				

Progressing the Annual Internal Audit Plan

KEY

Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Housing Benefits	20		✓						
Sundry Debts	16			✓					
Housing Rents	20						✓	Limited	
CIPFA Financial Management Code Compliance	10						✓	N/A	
Corporate Credit Cards	10						✓	Limited	

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Counter Fraud									
Fraud Awareness	8		✓					Not applicable	
Transaction Testing	20		✓						
Transport – Fuel Usage	12			✓					
ICT									
System Resilience	8	✓							Being delivered by external contractor
Corporate Risks									
Business Continuity & Emergency Planning	12	✓							

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Corporate Health & Safety	25	✓							
Performance Management & Data Quality	20	✓							Being delivered by external contractor
Project Management & Corporate Strategy Delivery	16	✓							Being delivered by external contractor
Customer Access Strategy	12	✓							
Governance & Ethical Risks									
Internal Constitution	20	✓							

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Ethical Governance	15					✓			Being delivered by external contractor
Operational Risks									
Follow up work	28		✓					Not Applicable	
Business Improvement District	15	✓							
Benn Hall	16	✓							
Bereavement Services	20		✓						
Complaints and Freedom of Information	18		✓						
Fleet Management	20			✓					

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
WSU Health & Safety Action Plan	10	✓							
Property Repairs including Stock Control	25			✓					
Homelessness Grants	8		✓						
Assets – Statutory Compliance	12		✓						

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Additional Support									
Annual Governance Statement	12	✓							
External Audit Recommendations	5						✓	High	
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.
Control Environment - Advice	25							Not applicable	
Corporate Investigation Work	40							Not applicable	

Summary Of Audit Recommendations 2020 - 2024 to date

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2020/21	Local Government Transparency Code	0	1	0	1	0	1	3
2020/21	Expenses	0	1	0	2	0	0	3
2020/21	Payroll	0	2	2	2	0	0	6
2020/21	Covid Business Grants	0	0	1	1	2	0	4
2020/21	Test and Trace Support Payments	0	1	1	1	1	0	4
2020/21	Equal Pay & Single Status	3	2	2	1	0	0	8
2021/22	Payment Card Industry Data Security Standards	0	5	3	0	0	1	9
2021/22	Policies, Procedures and Strategies	0	1	0	0	0	0	1
2021/22	Treasury Management	0	3	0	8	0	1	12
2021/22	Fraud Risk Review	0	4	0	0	0	0	4
2021/22	Trade Waste	10	1	2	0	0	0	13
2021/22	Housing Rent Arrears	4	2	0	1	2	2	11
2021/22	Council Tax	0	1	0	3	0	1	5
2021/22	Service Desk Management	0	0	0	0	0	3	3
2021/22	Budget Setting & Budgetary Control	0	4	0	1	0	0	5
2021/22	Housing Standards	0	1	0	0	0	0	1

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2022/23	Workforce Training	5	4	1	0	0	1	11
2022/23	Procurement & Contact Management	0	4	1	1	0	0	6
2022/23	ICT Financial Processes Review	1	0	0	0	0	0	1
2022/23	Voids Review	8	3	1	2	0	2	16
2022/23	Risk Management	1	0	0	0	0	1	2
2022/23	Licensing	4	1	0	1	0	1	7
2022/23	NDR	3	2	0	0	0	0	5
2022/23	Food Safety	5	0	0	0	0	0	5
2022/23	Right to Buy	2	1	0	0	0	1	4
2022/23	Section 106 Agreements	3	0	0	0	0	0	3
2022/23	Systems Resilience	4	1	0	0	0	1	6
2022/23	Data Protection/Records Management	8	0	0	0	0	1	9
2022/23	Counter Fraud Framework	4	1	0	0	0	0	5
2022/23	Growth Hub Grants	2	1	0	0	0	0	3
2022/23	Impact Assessments	1	0	0	0	0	1	2
2023/24	Housing Rents	14	0	0	0	0	0	14
	Totals	82	47	14	25	5	18	191
2017/2020		0	114	72	60	14	0	260
	Overall Totals	82	161	86	85	19	18	451

Summary of Audit Recommendations 2017 to 2020

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2017/18	Business Continuity and Emergency Planning	0	0	0	1	0	0	1
2017/18	Corporate Credit Cards	0	0	0	0	1	0	1
2017/18	Council Tax and NDR	0	0	0	4	2	0	6
2017/18	Fleet Management	0	3	5	0	1	0	9
2017/18	Financial System Key Controls	0	1	0	1	1	0	3
2017/18	Housing Rent Arrears	0	0	0	2	0	0	2
2017/18	Payment Card Industry Data Security Standards	0	0	2	0	0	0	2
2017/18	Partnership Governance	0	1	0	0	0	0	1
2017/18	Property Repairs Stock Control	0	0	2	1	0	0	3
2017/18	PTC Interface	0	2	0	0	0	0	2
2017/18	Risk Management	0	1	3	0	1	0	5
2017/18	Values and Behaviours	0	5	0	0	1	0	6
2018/19	Absence Management	0	5	3	0	0	0	8
2018/19	Benefits	0	0	0	1	0	0	1
2018/19	Car Parking Enforcement	0	1	0	0	0	0	1
2018/19	Creditors	0	3	0	4	0	0	7
2018/19	Data Protection Governance	0	3	4	1	1	0	9

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2018/19	Elections	0	0	0	1	1	0	2
2018/19	Fraud Risk Review	0	4	6	2	0	0	12
2018/19	Grants to Community Groups	0	13	0	0	0	0	13
2018/19	Green Waste Optimisation	0	2	0	0	0	0	2
2018/19	Health and Safety Follow Up	0	2	9	2	0	0	13
2018/19	Independent Living	0	9	0	3	1	0	13
2018/19	Insurance	0	1	0	0	0	0	1
2018/19	ICT Backup	0	3	1	0	0	0	4
2018/19	Patch Management	0	4	2	0	0	0	6
2018/19	Property Repairs	0	6	2	3	0	0	11
2018/19	Treasury Management	0	2	0	4	0	0	6
2018/19	Tenant Recharges	0	5	0	2	0	0	7
2019/20	Freedom of Information	0	6	1	1	0	0	8
2019/20	Local Government Transparency Code	0	6	9	3	0	0	18
2019/20	Complaints, Compliments & Suggestions	0	4	1	3	0	0	8
2019/20	IT Security	0	0	3	0	0	0	3
2019/20	Cash & Bank	0	7	4	3	0	0	14
2019/20	Customer Service Centre Demand Management	0	0	2	5	1	0	8
2019/20	Housing Rent Arrears	0	1	0	7	2	0	10



Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2019/20	Digitalisation	0	1	7	0	1	0	9
2019/20	IT Business Continuity	0	0	5	0	0	0	5
2019/20	Completeness of Income	0	7	0	2	0	0	9
2019/20	HR Capability & Disciplinary	0	6	1	4	0	0	11
Totals		0	114	72	60	14	0	260

Notes:




Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.



Out of time: This is where the action was implemented later than the agreed timescale



Details of Overdue Medium and High Risk Audit Recommendations

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Housing Rent Arrears 2021/22	Ensure former tenant arrears are understood and addressed appropriately. This work needs to take place in parallel with managing current tenant arrears.	31-Jul-2023		<p>Asked Marie for update 14/8/23. replied and said there is no progress.</p> <p>Previous updates: 31/7/23: Due to the significant issues with CX & collecting current tenant arrears this has yet to be progressed. We are using agency staff as we are still an Income Officer down due to long term sickness. The Housing Services restructure, which we are hoping will be approved by Council in late October, includes another Income Officer half post as well as a Lead Income Officer. The Lead Income Officer is currently just an "acting up" position so we will gain another full time specialist officer.</p> <p>Marie 12/1/23: We have assigned a designated officer to clear the backlog of FTAs. Once cleared FTAs will sit within the rents team and will be managed alongside current debt on a patch basis. The wider team have been given an awareness of FTA's and now have a greater understanding and manage recently closed balances to prevent a re-occurrence of the</p>	31-Aug-2023	■ High Risk	Chief Officer Communities

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
				backlog. Rentsense has a specific module for FTA's which we hope to introduce. Progress moved on to 50% and date extended to 31/7/23.			
Right to Buy	In line with Section 121AA of the Housing Act 1985 the Council (as Landlord) to issue an up to date Right to Buy information document to all secure tenants at least every five years, as well as to all new secure tenants at the time of tenancy.	31-Jul-2023		<p>Asked Marie for update 14/8/23. Marie replied and said there is no progress.</p> <p>Previous update 7/8/23:</p> <p>Marie has confirmed the following:</p> <p><i>Mary Jane is working on the second one to get it out with the tenant newsletter. Unfortunately, various random things such as restrictions on how many sides of A4 Business Support can put out at a time and the long term inability to ask CX to manage a bulk communication, have hampered this. Hopefully we'll get it done by the end of August</i></p>	31-Aug-2023	■ High Risk	Chief Officer Communities

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Data Protection / Records Management 22/23	Management Team establishes a squad and tasks it with management and oversight of Information Governance risks and issues. A Terms of Reference should be created documenting the membership and roles and responsibilities within the team.	31-Jul-2023		Spoken to Matthew D who has advised that a squad has been formed and Terms of Reference will be produced once the group has met in September	31-Aug-2023	 Medium Risk	Human Resources Manager
Licensing 22/23	To address the GDPR requirements for accuracy & data minimisation, the Licensing Team should consider a data validation exercise on records to ascertain if data should still be held on individual & if so, verify it is still accurate.	31-Aug-2023		Response from Emma P – 4/09/2030 Data Accuracy (personal licences) - This data is currently being transferred onto the new system, each case is being reviewed in terms of the validity of the licence. Only current, valid data is being transferred onto the new system		 Medium Risk	Licensing & Parking Manager
Payment Card Industry Data Security Standards 21/22	Review the security assessment and implement the recommendations.	30-Apr-2023		Response received from SM - 29/08/2023 We have worked with a specialist company to work through the various elements of PCI-DSS compliance, there are over 400 individual elements to comply with. We now have a prioritised action plan of areas we need to follow	30-Aug-2023	 Medium Risk	IT and Digital Service Manager

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
				up with evidence, further works, policy revision etc.			
Service Desk Management 21/22	Management to review options around Service Desk management and oversight.	31-Mar-2023		Response received from SM 29/08/2023. As the IT Restructure is still in progress and is subject to council approval on the 20th of September, we have no Service Desk Lead in place to carry out the actions as above. Once appropriate resources are in place, we can ensure this is on an immediate action plan to close out.	30-Aug-2023	 Medium Risk	IT and Digital Service Manager
Service Desk Management 21/22	The development and documentation of problem management processes and controls should be assigned to a nominated owner.	31-Mar-2023		Response received from SM 29/08/2023. As the IT Restructure is still in progress and is subject to council approval on the 20th of September, we have no Service Desk Lead in place to carry out the actions as above. Once appropriate resources are in place, we can ensure this is on an immediate action plan to close out.	30-Aug-2023	 Medium Risk	IT and Digital Service Manager

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Systems Resilience 22/23	A documented IT Disaster Recovery plan is produced outlining detailed procedures for recovery of the ICT network infrastructure.	31-Jul-2023		<p>Response received from SM 29/08/2023 - IT draft plan completed.</p> <p>A baseline DR plan for IT systems as a whole has been drafted. We are working with Health and Safety team as they are conducting BCP plans with Service Areas, this piece of work will feed into our overall plan. We currently have no set detail set out by the organisation or areas, specifically to identify critical applications and agreed RPO times. We anticipate to complete further works and be complete by Q3 2023.</p>	30-Aug-2023	 Medium Risk	IT and Digital Service Manager
Local Government Transparency Code 20/21	Include all Purchase Orders in excess of £5k within the quarterly published Procurement Information.	31-Jul-2023		Discussed with Dawn LW. Procurement Team Leader needs to ask for a report to be built by IT. There may be some duplication as they are starting to request POs for some contracted spend. This will be published as a separate spreadsheet to the contract register which is currently the published data and was last published for Q4 22/23 (Jan - Feb 23). The Q1 (April - June 23) data has not yet been published but will be when the above report is received from IT.	21-Aug-2023	 Medium Risk	Chief Officer- Finance & performance