EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

Internal Audit Progress and Performance Update

June 2022

# Introduction

1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2022/23 Annual Audit Plan.

1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address 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 and an overview of the performance of the audit team.

# Performance

2.1 **Delivery of the 2022/23 Audit Plan**

At the time of reporting, fieldwork is either complete or underway in relation to 25% of the planned work. Delivery is on track for the year.

The audit team have also been working on verification of a number of government grants during this period.

Progress on individual assignments is shown in Table 1.

2.2 **Are clients satisfied with the quality of the Internal Audit assignments?**

To date, no survey responses have been received in relation to feedback on completed assignments for the 2022/23 audit plan.

2.3 **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 the time of reporting, one audit report from the 2022/23 plan has been finalised. The key findings from the report were as follows:

**Assets of Community Value**

The Community Right to Bid came into force in 2012 and gives communities a right to identify a building or land that is believed to be of value to their social interests or social wellbeing. It gives the community a fair chance to make a bid to buy the property on the open market should the owner decide to sell. Only eligible community groups, local parish councils or local neighbourhood planning forums and charities can nominate such assets. This process had not been subject to internal audit coverage since the legislation was introduced and, as such, was included in the Audit Plan for 2022/23.

The objective of the audit was to provide assurance that controls are in place to ensure processes and procedures are consistent with current legislative requirements, with a sound framework to reduce the risk of poor or untimely decisions. This review focused on controls over nomination of assets, decision making and the Council's formal appeals process. The Council had received two nominations of assets in the last financial year (2021/22).

The current systems and procedures are robust, with an Assets of Community Value (ACV) Assessment Panel convened to determine the outcome of all nominations. Based on discussion with officers and review of the relevant documentation, the Council's protocol was last revised in July 2015, therefore, there is scope for a review and update of this documentation. The audit has confirmed that nominations are being processed in accordance with the Council's internal processes and within the statutory timescales set out within the regulations.

Clear guidance for those wishing to make a nomination is available on the Council's website - along with the outcome of all nominations recorded and published on one of the two official public registers. Whilst the published registers of assets are accurate, the formatting of these documents could be improved to make them more user-friendly.

Based on discussion with officers and review of the relevant documentation there have been no formal appeals/listing reviews received by the Council during the time period covered by the audit. Therefore, no compliance testing was undertaken. However, assurance has been provided that internal processes and documents have been established should they be required.

Based on the work performed during the audit, assurance opinions were given as follows:

| Assurance Opinion | | |
|---|---|---|
| Control Environment | Good | 🟢 |
| Compliance | Substantial | 🟢 |
| Organisational Impact | Minor | 🟢 |

2.4 **Implementation of audit recommendations by officers**

Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation.

Since the last Committee meeting, six agreed actions have been implemented by officers. An overview is provided in Table 2.

At the time of reporting, there are six actions which remain overdue for implementation. Of these, there are four actions categorised as 'High' or 'Medium' priority which have more than three months overdue, further details are provided in Table 3.

2.5 **Real time risk assurances**

Internal Audit are delivering a risk targeted rolling assurance programme to support the Council's risk management processes in 2022/23. Risk management and compliance with the Risk Management Strategy is the responsibility of the Council's management but Internal Audit is seeking to provide assurance over the effectiveness of the risk management process via these assurance reviews.

Internal Audit will be selecting risk entries listed within the register on a rolling basis and conducting targeted reviews to confirm that the controls listed on the register are (a) in place and (b) operating as expected. Given that there is a reliance upon these controls to manage the key risks and achieve the residual risk scores, the validity and effectiveness of the controls listed will be verified and reported back to the Audit Committee in regular progress reporting.

The content of the risk entry is also reviewed with the lead officer to seek assurance that the current scoring and details reflect the risk environment at this time. Any potential changes in risk scoring or content are fed back to the Risk management Group for discussion/amendment.

The first of the rolling risk assurance reviews has been completed and the risk selected was **C1: Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources**. At the time of review, the inherent risk scoring for this entry is 12 (3 for likelihood and 4 for impact) and the residual risk is 4 (2 for likelihood and 2 for impact). As such, the listed controls are claimed to reduce the risk from Amber to Green. Assurance has been sought over those controls.

The findings for each control are detailed in Table 5. The risk scoring was not amended as a result of this review and all controls listed on the register were confirmed as in place and operating as stated. A RAG (red, amber, green) rating – as defined below Table 5 - has been assigned to each control and all controls were assessed as 'green'. There were two recommended actions arising from the review, as detailed in Table 5.

## Table 1 - Progress against 2022/23 Internal Audit Plan

| Assignment | | Planned start | Status | | Assurance sought | Assurance Opinion | | | Comments |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Control Environment | Compliance | Org impact | |
| **Governance & Counter Fraud** | | | | | | | | | |
| Counter Fraud support / promotion / policies | | Q2 | As required | | | | | | |
| National Fraud Initiative | | Q3 | As required | | | | | | |
| Risk management support and real time assurances | | Q1 – Q4 | In progress | | Ongoing assurances over the controls listed in the Risk Register and supporting embedding of risk management. | Assurances provided on risk entries throughout the year. | | | See section 2.5 and Table 5 |
| Annual Governance Statement support | | Q1 | **Complete** | | | | | | |
| Procurement compliance | | Q4 | Not started | | | | | | |
| **Key financial systems** | | | | | | | | | |
| Bank reconciliation | | Q3 | Not started | | | | | | |
| Creditors | | Q3 | Not started | | | | | | |
| Debtors | | Q3 | Not started | | | | | | |
| Payroll | | Q3 | Not started | | | | | | |
| Treasury management | | Q3 | Not started | | | | | | |

| Assignment | | Planned start | Status | | Assurance sought | Assurance Opinion | | | Comments |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Control Environment | Compliance | Org impact | |
| Budgetary control | | Q3 | Not started | | | | | | |
| **Key policy compliance** | | | | | | | | | |
| Staff claims – overtime/travel | | Q4 | Not started | | | | | | |
| Safeguarding | | Q1 | Draft report issued | | | | | | |
| Enforcement policy compliance | | Q2 | Not started | | | | | | |
| **Risk based audits** | | | | | | | | | |
| Asset related audits – follow up | | Q4 | Not started | | | | | | |
| Performance management | | Q4 | Not started | | | | | | |
| Assets of Community Value | | Q1 | **Final report issued** | | To provide assurance over the Council's consistent and compliant handling of applications for community right to bid. | **Good** | **Substantial** | **Minor** | See section 2.3 |
| Grant claims | | As required | In progress | | | | | | |
| **IT audits** | | | | | | | | | |
| IT asset management | | Q2 | Planning | | | | | | |
| Cyber security | | Q4 | Not started | | | | | | |

# Table 2 - Implementation of agreed management actions

| | 'High' priority recommendations | | 'Medium' priority recommendations | | 'Low' priority recommendations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **Number** | **% of total** | **Number** | **% of total** | **Number** | **% of total** | **Number** | **% of total** |
| Actions due and **implemented** since last Committee meeting | 2 | 67% | 2 | 33% | 2 | 67% | 6 | 50% |
| Actions **overdue by less than three months** | - | 0% | 1 | 17% | - | 0% | 1 | 8% |
| Actions **overdue by more than three months** | 1 | 33% | 3 | 50% | 1 | 33% | 5 | 42% |
| **Totals** | **3** | **100%** | **6** | **100%** | **3** | **100%** | **12** | **100%** |

## Table 3 – Actions overdue more than three months (High or Medium priority)

| Audit plan | Audit title | Agreed action and context | Priority | Responsible officer | Date for implementation | Officer update / revised date |
|---|---|---|---|---|---|---|
| 2021/22 | ICT Outages | **Microsoft support package** The Council's current package does not provide 24/7 support which means there is an inevitable delay in receiving any support in the case of an outage which commences outside of office hours.<br><br>Given the reliance upon responses from Microsoft, whilst still using an on-premise server, the Council should conduct an options appraisal and cost benefit analysis on packages available against the respective costs. | Medium | ICT Manager | 31 March 2022 | June 22 - Response from ICT Manager:<br><br>We have reviewed our current support package and had initial prices for enhanced support. An initial view of these, was that they did not provide value for money and we have therefore requested further prices as a comparison. |

**Please see Exempt Appendix B for the other actions overdue for more than three months (high and medium).**

## Table 4: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. There have been no survey responses received during the year to date.

| Responses | Outstanding | Good | Satisfactory | Poor |
|---|---|---|---|---|
| Design of assignment | - | - | - | - |
| Communication during assignment | - | - | - | - |
| Quality of reporting | - | - | - | - |
| Quality of recommendations | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |

## Table 5: Risk register entries – rolling review of controls

| Risk entry | | | |
|---|---|---|---|
| C1: Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources. | | | |
| **Assurance and Findings** | | | |
| Key control reference | Key control listed on register | RAG rating | Auditor comment and assurances obtained |
| C1.1 | Business Continuity Plan (BCP) updated. | 🟢Green | Strategic BCP updated in April 2022 – copy provided.  Next review date 2024. |
| C1.2 | Business Continuity Training and exercises. | 🟢Green | Business Continuity training held via Zoom & in person:<br>• 21/01/22 – Strategic & Tactical Management Training;<br>• 28/01/20 – Community Recovery; and<br>• 25/06/19 - Business Continuity (further training is planned to refresh service leads knowledge). |
| C1.3 | Member's handbook | 🟢Green | Member's handbook will be reviewed and updated ready for the new Members elected in 2023.  Current handbook appears fit for purpose. **Recommended action** that this should include Issue Status/Date of Issue/Review Date in next revision. |
| C1.4 | Emergency Management Plan with supporting plans for specific activities e.g. rest centres. Rest Centre plans reviewed by National Resilience Forum. | 🟢Green | Revised Emergency Management Plan issued in January 2022. Next review date January 2025.  Supporting Information provided and reviewed.<br><br>Revised Emergency Rest Centre Plan issued in August 2021. Next review date of August 2024. |

| | **Risk entry** | | |
|---|---|---|---|
| | C1: Failure to maintain service delivery and support the community in the event of an unforeseen emergency or loss of resources. | | |
| | **Assurance and Findings** | | |
| Key control reference | Key control listed on register | RAG rating | Auditor comment and assurances obtained |
| C1.5 | Registration process and template forms aligned to other Councils so they can mutually assist each other as responders. | N/A | **Recommended action** - this key control be removed from the risk register as it duplicates the entry above, C1.4.  Amendment actioned by Risk Management Group in June 2022. |
| C1.6 | Improved ICT functionality allows more staff to work remotely, aiding the response. | ●Green | Since 2020, all staff that are able to work from home have been issued with laptops.  Those not able to work from home include Car Park Wardens, Caretakers, Cleaners and those not needing to access a device. A VPN was implemented for all ECDC staff at this time allowing staff to connect to the network.  Note: Internal Audit on IT Asset Management will seek further assurances over the asset roll out and associated risks.

An ICT Disaster Recovery Plan (DRP) was developed in January 2021 and included the requirement for all staff to take laptops home daily.  Copy provided.

The DRP is currently being reviewed and will be updated if necessary.  A testing plan is also to be drawn up and testing dates will be agreed with management – an audit recommendation is subject to formal follow up work in respect to testing of the DRP. |
| C1.7 | Living with Covid-19 risk assessments. | ●Green | Risk Assessment 'Living with COVID 19' update April 2022 provided. |

Risk register entries – rolling review of controls - RAG rating key:

| RAG Rating Indicator | |
|---|---|
| 🔴 Red | Control is not present or not currently operating. |
| 🟡 Amber | Control is not operating fully or consistently in line with risk register entry. |
| 🟢 Green | Control in place and evidenced as operating as stated. |

# Glossary

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

| Compliance Assurances | | |
|---|---|---|
| **Level** | **Control environment assurance** | **Compliance assurance** |
| **Substantial** 🟢 | There are minimal control weaknesses that present very low risk to the control environment. | The control environment has substantially operated as intended although some minor errors have been detected. |
| **Good** 🟢 | There are minor control weaknesses that present low risk to the control environment. | The control environment has largely operated as intended although some errors have been detected. |
| **Satisfactory** 🟡 | There are some control weaknesses that present a medium risk to the control environment. | The control environment has mainly operated as intended although errors have been detected. |
| **Limited** 🔴 | There are significant control weaknesses that present a high risk to the control environment. | The control environment has not operated as intended. Significant errors have been detected. |
| **No** 🔴 | There are fundamental control weaknesses that present an unacceptable level of risk to the control environment. | The control environment has fundamentally broken down and is open to significant error or abuse. |

| Organisational Impact | |
|---|---|
| **Level** | **Definition** |
| **Major** 🔴 | The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole. |
| **Moderate** 🟡 | The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole. |
| **Minor** 🟢 | The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole. |

# 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 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 assignments; or were not 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 that the audit was completed in.  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.