

RESPONSE TO OUTSTANDING QUESTIONS RAISED PRIOR TO AUDIT COMMITTEE (12 MARCH 2024)

To allow sufficient time for answers to be sought, Audit Committee members had been invited to send questions in prior to its meeting on 12 March 2024. Several of the questions had either been published in report [LDS/218](#) of the Head of Governance, People & Performance as a supplementary agenda for that meeting, or answered at the [meeting](#) itself. It had not been possible to provide responses to all questions before the meeting, and therefore responses to those outstanding questions are detailed below. In addition, the Council's Internal Auditors provided further information on responses provided at the Committee meeting.

Question	Agenda Item (agenda pack page) (Questioner)	Question	Answer (from Southern Internal Audit Partnership)
15	8 – Internal Audit Progress Report (pg 93) (Atta Ul-Haque – Independent Member)	<p>Adjustments to the Internal Audit Plan (Statutory Check – Lift):</p> <p>This was deferred due to external sources of assurance obtained. What are these external sources of assurance, and is the scope of the external review/audit identical to ours?</p> <p>Can the Audit Committee access the external review report to identify any issues identified?</p>	<p>Initial audit needs assessed statutory checks as a high priority area of review. Given the breath of statutory checks required this was broken down into individual reviews categorised by the type of check. On closer review of lifts it was assessed that the number was minimal and that it would not warrant a separate internal audit review.</p> <p>It was felt that the external assurances received by the Council in the form of quarterly inspections independently undertaken as part of insurance requirements provided a reasonable level of assurance.</p> <p>The relevant Head of Service has been requested to look into this.</p>

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16	8 – Internal Audit Progress Report (pg 94) (Atta UI-Haque – Independent Member)	<p>Adjustments to the Internal Audit Plan (PCI):</p> <p>What is PCI? What does 'no progress towards compliance' mean, and what are the implications?</p>	<p>Apologies for the unexplained acronym. PCI – Payment Card Industry.</p> <p>The PCI DSS (Payment Card Industry Data Security Standard) is an information security standard designed to reduce payment card fraud by increasing security controls around cardholder data. The Standard is a result of a collaboration between the major payment brands and is administered by the PCI SSC (Payment Card Industry Security Standards Council).</p> <p>The PCI DSS is a standard not a law, and is enforced through contracts between merchants, acquiring banks that process payment card transactions and the payment brands.</p> <p>Each payment brand can fine acquiring banks for PCI DSS compliance violations. In turn, acquiring banks can withdraw the ability to accept card payments from non-compliant merchants.</p>
17	8 – Internal Audit Progress Report (pg 94)	Adjustments to the Internal Audit Plan (Port Health):	

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	(Atta UI-Haque – Independent Member)	<p>Port Heath – Similar to the above: Is the scope of the DEFRA audit the same as ours?</p> <p>Can the Audit Committee see their audit report?</p>	<p>The approach to this area for both internal audit and DEFRA would be slightly different but the overall objective ultimately would be similar – mechanisms are in place to ensure statutory compliance.</p> <p>As part of our annual audit report we will be seeking a copy of the DEFRA report to ensure that we can place reliance on the work for our annual opinion. If on reviewing this we identify any gap in areas that we would cover we would look to include these at the earliest opportunity within the audit plan.</p> <p>The relevant Head of Service has been requested to look into this.</p>
18	8 – Internal Audit Progress Report (pg 94) (Atta UI-Haque – Independent Member)	<p>Adjustments to the Internal Audit Plan (Commercial Properties):</p> <p>Do we know the scope of the internal review? Is it aligned with the audit's scope?</p>	<p>Due to an internal review, the audit was deferred until 24/25 to allow for the completion of this review, therefore, no internal audit scope was determined.</p> <p>The review of corporate assets has commenced by the Corporate Assets Group. The internal review is assessing the nature of the commercial holdings and all associated</p>

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			requirements and returns that come from this to inform any future strategy. As such until this review is completed there is no added value in undertaking an internal audit review.
19	8 – Internal Audit Progress Report (pg 94) (Atta UI-Haque – Independent Member)	Adjustments to the Internal Audit Plan (Parking and Enforcement): What are the 'service capacity issues'?	Staff turnover, including the departure of the manager for the area. The audit has been deferred to allow for the recruitment of a new manager. Without key staff in post the efficiency and effectiveness of an internal audit review is reduced.
20	8 – Internal Audit Progress Report (pg 85-103) (Atta UI-Haque – Independent Member)	Is it correct to assume that no audit has been completed in the last three months as there doesn't appear to be an audit report?	Since the time of the previous progress brought to Committee in November 2023 (which reflected progress up to the end of October) 3 audits have been completed: <ul style="list-style-type: none"> • IT Asset management • Water Neutrality Strategy • Housing responsive Repairs It is important to note that Progress Report presented to the March Audit Committee was reflective of work up to and including January 2024.

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21	9 – Internal Audit Charter (pg 112) (Atta UI-Haque – Independent Member)	<p>Please outline the process of conducting the scoping exercise and clarify the extent to which council management is involved in this process?</p> <p>Page 112 mentions that senior management approves the audit plan. This suggests that the internal audit function may not be entirely independent from management.</p>	<p>The provisions for Senior Management detailed on page 112 of the committee pack are those required within the Public Sector Internal Audit Standards.</p> <p>There are numerous citations within the Internal Audit Charter of how internal audit maintain their independence most notably 'Position in the organisation' (page 108) and 'Independence and Objectivity' (page 109 – 110).</p>
22	9 – Internal Audit Charter (pg 103-114) (Atta UI-Haque – Independent Member)	<p>It also seems that senior management acts as an intermediary between the audit committee and internal auditors. Ideally, internal auditors should have direct access to the Audit Committee and should attend all Audit Committee meetings.</p>	<p>In accordance with the Public Sector Internal Audit Standards internal audit report functionally to the Audit Committee and administratively to Senior Management. It is important to remember it is an internal audit function.</p> <p>Numerous safeguards are in place to maintain internal audit independence and is included in the relevant section of the Internal Audit Charter:</p> <p>Position in the organisation (para 4) (Page 108): <i>"Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on</i></p>

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			<p><i>committees charged with governance (i.e. the Audit Committee)."</i></p> <p>With the exception of the March 2024 Committee, albeit in the background, the Auditor has been available for questions at every Audit Committee. Going forward, we will be in attendance for at least the July and March Committees which have the 2 key audit documents of the year – the Plan and the Annual Report. We will discuss attendance for the remaining meetings that receive progress reports only with the Head of Corporate Finance on a case by case basis if the Council has still not got the facility in place for virtual attendance.</p>
23	9 – Internal Audit Charter (pg 103-114) (Atta UI-Haque – Independent Member)	I believe we have been using 'the Board' and 'Audit Committee' interchangeably. I suggest we consistently use 'Audit Committee' instead of 'the Board' for clarity.	Page 108 provides a clear definition of 'the Board' and 'Senior Management': <i>"The Charter is likely to change substantially next year with the introduction of the new Standards that come into effect from January 2025. Any revisions in terminology and consistency of use will be reviewed at this time."</i>

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25	10 – Internal Audit Annual Plan 2024/2025 (pg 115-126) (Atta Ul-Haque – Independent Member)	Shouldn't we include 'Finance Reporting and Close Process' in the 2024 plan, considering the auditor has expressed concerns and we are undergoing process changes?	<p>These findings to relate to External Audit and will be matters followed through by them.</p> <p>Any further work on this by internal audit would be a duplication and would not add value to the Council or the internal audit plan.</p>
26	10 – Internal Audit Annual Plan 2024/2025 (pg 115-126) (Atta Ul-Haque – Independent Member)	Can we have a briefing on the key considerations and approach followed by the Internal Audit to come to the current audit plan i.e. what factors were considered, including risk assessments, regulatory requirements, organisational priorities, and stakeholder input etc.?	This will be incorporated into the Member training proposed for July 2024.