

# Crawley Borough Council

## Report to Audit Committee

25 July 2022

### Internal Audit Annual Report 2021/2022

Report of the Head of Corporate Finance (Section 151 Officer) – **FIN/577**

---

#### 1. Purpose

1.1 This report has been prepared to:

- Summarise the work undertaken by Internal Audit during 2021/2022 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and internal control environment.
- Summarise the effectiveness of audit work.
- Provide a statement on conformance with the Public Sector Internal Audit Standards.

#### 2. Recommendation

2.1 The Committee is requested to note this report.

#### 3. Reasons for the Recommendation

3.1 To comply with the requirements set out in the Public Sector Internal Auditing Standards 2013 (updated 2017).

3.2 The Audit Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

#### 4. The Role of Internal Audit

4.1 The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

***'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'***

4.2 The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

4.3 The role of internal audit is best summarised through its definition within the Standards, as an:

***‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***

4.4 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

4.5 The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

## **5. Internal Audit Approach**

5.1 Prior to December 2021 the internal audit function has been delivered by an in-house team. However, due to a succession of retirements during the course of the year – both foreseen and unforeseen, the Council had to review the method in which this service was provided going forward.

5.2 Interim arrangements were put in place for the Southern internal Audit Partnership (SIAP) to provide audit management support from September 2021 and from the 1 January 2022 to also support the delivery of the revised annual audit plan for the year.

5.3 Sections G8 and G9 of the Financial and Budget Procedure Rules contained within the Council’s Constitution support the statutory requirements outlined above and states:

- The Head of Corporate Finance is responsible for providing the internal audit of the Council’s systems and processes, ensuring it is sufficient in its coverage and independent in its planning and operation;
- The Head of Corporate Finance is responsible for ensuring that the individual responsible for the Council’s audit function has direct access to the Chief Executive, all levels of management, and Chairs of Committees, as appropriate.

5.4 These provisions remained in place during the course of the year, including during the period of interim audit management and delivery arrangements.

## **6. Compliance with the Public Sector internal Audit Standards**

6.1 Due to a number of circumstances relating to the continuing impact of COVID-19 and resourcing difficulties, the internal audit function for 2021/22 did not meet two key fundamental principles of PSIAS:

- An approved Internal Audit Charter was not in place;
- A Quality Assurance and Improvement Programme in line with the Standards had not been maintained by the in-house audit team.

6.2 The Council formally joined the SIAP on 1 April 2022 who fully conform with all requirements of the PSIAS. Consequently, the Council will maintain a fully compliant internal audit service from 2022/23.

## 7. Opinion on the Control Environment

7.1 Due to changes in resourcing, for 2021/22 The Head of Corporate Finance has assumed responsibility for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

7.2 In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

### *Annual Internal Audit Opinion 2021-22*

*"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment.*

*In my opinion, the Council's framework of governance, risk management and control is 'Satisfactory' and audit testing has demonstrated controls to be working in practice.*

*Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."*

7.3 The ongoing pressures presented by the COVID-19 pandemic resulting in a late start to the delivery of the 2021/22 audit plan and the subsequent loss of internal audit staff required a reassessment and review of the audit plan. This was done with the assistance of SIAP to determine the minimum coverage required to still enable provision of an annual opinion for the current financial year.

7.4 By its nature, the internal audit plan is risk based and focused on the key risks faced by the Council and therefore any subsequent dilution of the plan is not sustainable going forward. In recognition of this, the Corporate Management Team have fundamentally reviewed and upscaled the audit plan over the next three years. On joining the SIAP, the Council is also securing the required resource to deliver the audit plan requirements.

## 8. Internal Audit Coverage and Output

8.1 The annual plan as presented to Audit Committee in April 2021 was subject to significant revision during the course of the year. These revisions were required due to:

- Significant reduction in available audit resource during the course of the year due to the loss of all in-house and most contracted audit staff.
- Inclusion of independent review of key governance areas formerly undertaken by the Audit and Risk Manager (from which assurance could be taken).

8.2 The revisions made to the plan were undertaken in acknowledgement of the requirement to be able to provide an annual assurance opinion in support of the Annual Governance Statement at the end of the year.

8.3 In delivering the annual assurance opinion 16 audit reviews have been delivered during the year ending 31 March 2022. The assurance opinion assigned to each completed review is shown in the following table:

Substantial Assurance	Satisfactory Assurance	Limited Assurance	No Assurance
<ul style="list-style-type: none"> <li>• Council Tax</li> <li>• NNDR</li> <li>• Cash and Bank</li> <li>• FMS</li> <li>• Budgetary Control</li> <li>• Treasury Management</li> <li>• Commercial Rents</li> <li>• Information Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Rents Overcharge</li> <li>• Risk Management</li> <li>• Annual Governance Statement</li> <li>• K2 (COVID-19 contract variation payments)</li> <li>• Disaster Recovery</li> </ul>	<ul style="list-style-type: none"> <li>• Complaints</li> <li>• Health and Safety</li> <li>• Cyber Security</li> </ul>	

**Substantial** There is a sound system of internal control designed to achieve the system objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found.

**Satisfactory** Whilst there is a basically sound system of internal control designed, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

**Limited** Weaknesses in the design of the system of internal controls are such as to put the system objectives at risk, and/or the level of non-compliance with some of the controls puts the system objectives at risk.

**No** Control design is generally weak leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

8.4 Additionally, a follow up review was undertaken on the 2020/21 car parks (staff permits) audit that resulted in a no assurance opinion. The follow up review has demonstrated that significant progress has been made in implementing the recommendations from the review. Of 11 recommendations made:

- 8 have been fully implemented.
- 2 have been partially implemented and are set to be completed by the end of July 2022.
- 1 has yet to be implemented, due to a misunderstanding of the requirements of the recommendation. This is now scheduled to be implemented by the end of October 2022.

All outstanding recommendations will continue to be followed up and reported accordingly.

## 9. Key Observations

9.1 There were no 'No Assurance' opinions issued during the year. In general, internal audit work found there to be a sound control environment in place across a majority of review areas that were working effectively to support the delivery of corporate objectives, however, there were some areas identified that provide challenge to the organisations risk environment:

Review Area	Key Observations
Complaints	<ul style="list-style-type: none"> <li>• The Council's Complaints Procedure advises that for issues which are straightforward, can be easily resolved or require little or no investigation, the Council will deal with the complaint as a front line resolution complaint as this will provide a better experience for the customer in resolving their issue more quickly. Audit testing identified that there were inconsistencies in the categorisation between complaint or front line issue.</li> <li>• Stage 1 &amp; Stage 2 complaints were not being responded to within the 10 day deadline with no monitoring undertaken to establish the reasons behind this non conformance.</li> <li>• 'Lessons learned' whilst resolving complaints were not being captured in line with the Local Government and Social Care Ombudsmen guidance. As a result, any service improvements/efficiencies were not being identified. Additionally, reporting of complaints statistics to managers ceased in September 2020 with no identified agreement for this change in process.</li> </ul>
Health and Safety	<ul style="list-style-type: none"> <li>• Corporate Management Team have not been receiving the reports and metrics outlined in the Health and Safety Policy for a number of years. This predates the COVID pandemic.</li> <li>• The Health and Safety Handbook which supports the Health and Safety Policy has not been updated since 2017. Any relevant changes since this time in working practices, use of equipment, etc are therefore not reflected.</li> <li>• Although new starters are required to undertake Health &amp; Safety eLearning training, not all have taken this up and</li> </ul>

	<p>there is currently no process to follow up or escalate those staff who have not undertaken it.</p> <ul style="list-style-type: none"> <li>Up to date and complete risk assessments are not in place, where relevant across the Council. The Council had recognised that this and work was already underway to identify which areas should be risk assessed at a service level and to put in place arrangements to ensure that this happens.</li> </ul>
Cyber Security	<ul style="list-style-type: none"> <li>Although GDPR and Cyber Security Awareness e:learning training is available – both generally and as part of induction for new staff, neither course is mandatory. Only 63.5% of current staff have undertaken this training. Monitoring of the uptake of these courses is not undertaken. As a result those yet to complete are not identified and followed up to ensure training is completed.</li> <li>Council Members were not receiving GDPR and cyber security awareness induction training at the time of audit. The Democracy and Data Manager has planned for this to be in place following the May 2022 elections.</li> <li>Reading and accepting the Acceptable Use Policy is not a requirement as part of the new staff induction checklist.</li> <li>There is currently no requirement for regular cybersecurity awareness refresher training for staff. The Information Security Officer has submitted a request to subscribe to a cybersecurity training company providing general cyber security information as well as phishing testing and training. The proposition was agreed by the Information Governance Committee, but funding has yet to be sourced.</li> <li>The Cyber security incident reporting procedure is not prominently publicised.</li> </ul>

## 10. Acknowledgement

- 10.1 I would like to take this opportunity to thank all those staff throughout the Council who have continued to engage with the audit work notwithstanding the continued pressures upon them through the COVID-19 pandemic. The working relationship has remained positive and management were responsive to any actions identified through the audit work that have been raised either informally or through the formal reporting.

Report author and contact officer:

Karen Hayes, Head of Corporate Finance  
[Karen.hayes@crawley.gov.uk](mailto:Karen.hayes@crawley.gov.uk)