

Crawley Borough Council

Report to the Audit Committee

12 March 2024

Internal Audit Progress Report

Report of the Head of Corporate Finance – FIN/653

1. Purpose

- 1.1. The Committee has a responsibility to review the Internal Audit Progress report to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

2. Recommendations

- 2.1. The Committee is requested to receive this report and note progress to date, as at 31 January 2024.

3. Reasons for the Recommendations

- 3.1. The Committee has a responsibility to ensure that action has been taken by relevant Managers on risk based issues identified by Internal Audit.

4. Background

- 4.1. The Committee approved its Internal Audit Plan at its meeting of 20 March 2023.
- 4.2. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
 - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 4.3. In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:
 - The status of 'live' internal audit reports (outstanding management actions);
 - an update on progress against the annual audit plan;
 - a summary of internal audit performance, planning and resourcing issues;

- a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion.

4.4. The progress report is attached at Appendix A and provides a clear and transparent articulation of internal audit activity, performance, and outcomes during the period up to the end of January 2024.

Report author and contact officer: Carolin Martlew, Head of Corporate Finance



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

CRAWLEY BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT JANUARY 2024

Prepared by: Iona Bond, Assistant Head of Partnership

FEBRUARY 2024

APPENDIX A

1. Role of Internal Audit

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.’

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

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 organisations’ 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’.

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.

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 organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

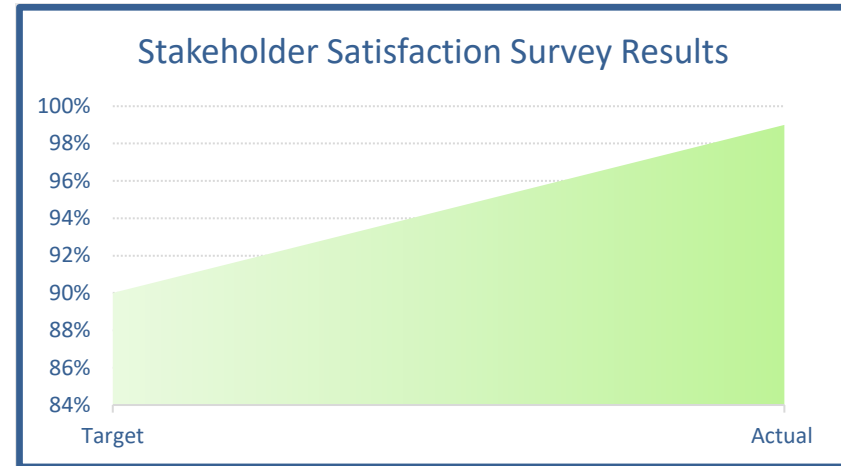
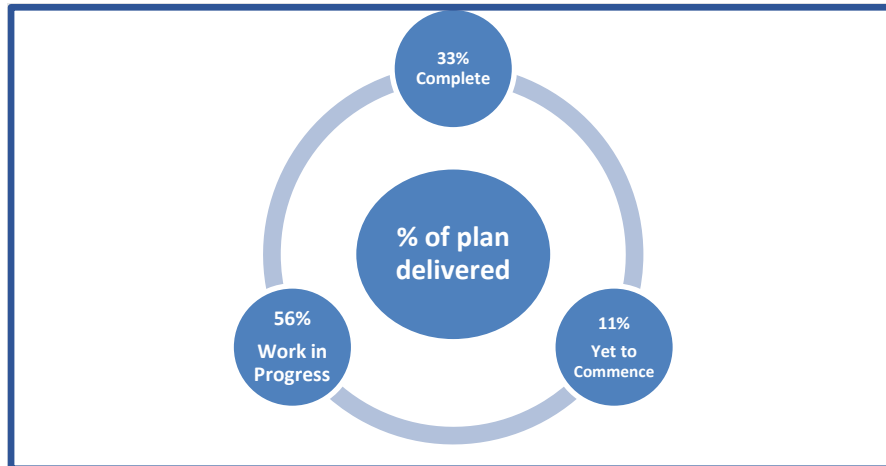
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	<i>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited</i>
Reasonable	<i>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</i>
Limited	<i>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</i>
No	<i>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</i>

* Some reports listed within this progress report (pre 2022-23 audit plan) refer to categorisations previously adopted by the Council, reference is provided at Annex 3.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due	Complete	Overdue		
							L	M	H
2021/22 Reviews									
Health and Safety	15.06.2022	HofGP&P	Limited	7 (2)	0(0)	5 (2)		2	
2022/23 Reviews									
Air Quality Management	07.02.2023	HofCoS	Reasonable	3 (0)	0 (0)	2 (0)		1	
Compliance – Gas Safety (Housing Stock)	08.03.2023	HofCH	Reasonable	12 (6)	0 (0)	8 (5)		3	1
Health and Safety – Driver Safety Training	13.04.2023	Hof GP&P	Limited	7 (3)	2 (0)	2 (0)			3
Contract Management	18.09.2023	HofCF	Limited	6 (1)	3 (0)	0(1)		2	1
2023/24 Reviews									
Compliance - Electrical Safety (Housing Stock)	13.10.2023	HofCH	Limited	6 (2)	1(1)	0 (2)	1	3	1
Water Neutrality	04.12.2023	HofE&P	Reasonable	3 (0)	3 (0)	0 (0)			
IT Asset Management	15.12.2023	HofD&T	Reasonable	3 (1)	2 (0)	1 (1)			
Housing Responsive Repairs	20.12.2023	HofCH	Reasonable	14 (0)	14 (0)				
Total							1	11	6

*Total number of actions (total number of high priority actions)

Audit Sponsor			
HofCF	Head of Corporate Finance	HofD&T	Head of Digital and Transformation
HofE&P	Head of Economy and Planning	HofComS	Head of Commercial Services
HofCoS	Head of Community Services	HofGP&P	Head of Governance, People and Performance
HofCH	Head of Crawley Homes	HofSS	Head of Strategic Housing

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no reports published concluding a “Limited” or “No” assurance opinion since our last progress report in November 2023.

6. Planning & Resourcing

The internal audit plan for 2023-24 was presented to the Corporate Management Team (CMT) and the Audit Committee in March 2023.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. A number of changes have been made to the plan and these are shown in the table in section 8.

We are satisfied that the revised audit plan for the year remains robust and sufficient to enable an annual assurance statement to be provided.

Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2022/23 Reviews								
Contract Management	HofCF	✓	✓	✓	✓	✓	Limited	
2023/24 Reviews								
Governance								
Procurement	HofCF	✓	✓	✓				
Corporate Complaints	HofGP&P	✓	✓	✓	✓	✓	Reasonable	
IT								
Cyber Security	HofD&T	✓	✓					
IT Asset management	HofD&T	✓	✓	✓	✓	✓	Reasonable	
Core Financial								

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Main Accounting	HofCF	✓	✓	✓				
Housing Rents	HofCH	✓	✓	✓	✓			
Accounts Receivable and Debt Management	HofCF	✓	✓					
Delivering affordable homes for Crawley and reducing homelessness								
Homelessness	HofSS	✓						
Statutory Checks - Asbestos	HofCH	✓						
Statutory Checks – Fire Safety	HofCH	✓	✓	✓				
Statutory Checks - Electrical	HofCH	✓	✓	✓	✓	✓	Limited	
Responsive Repairs	HofCH	✓	✓	✓	✓	✓	Reasonable	
Protecting the Environment								
Water Neutrality Strategy	HofE&P	✓	✓	✓	✓	✓	Reasonable	
Providing high quality leisure and culture facilities and supporting health and wellbeing services								
Community Facilities – Regulatory Compliance	HofComS	✓	✓	✓	✓			
Creating stronger communities								
Community Safety and Enforcement	HofCH	✓	✓	✓				
Other								
Development Management - CIL	HofE&P							
Community Services – Regulatory Compliance	HofCoS							

8. Adjustments to the Internal Audit Plan

The following adjustments to the plan have been made:

Plan Variations	
Removed from the Plan	Reason
Statutory Checks - Lifts	External sources of assurance obtained. No requirement for additional internal audit review.
Statutory Checks – Water Safety	Deferred until 2024/25 to allow for all data to be migrated into the Council’s system.

Health and Safety – New Town Hall	Not a priority area for 2023/24. Policies and procedures as reviewed in 21/22 are substantially the same for new Town Hall. All emergency equipment installed is new and under guarantee.
Towns Fund	Deferred until 2024/25. Full audit in 2022/23 and no new significant projects will be at a stage during 2023/24 that an audit would add value
Crawley Growth Programme	Deferred until 2024/25. Full audit in 2022/23 and no new significant projects will be at a stage during 2023/24 that an audit would add value
PCI	No progress towards compliance, revisit the requirement for review in 2024/25
Port Health	Audit being undertaken by DEFRA, from which we would seek to place assurance, therefore no further internal audit coverage required in 2023/24.
Parks and Open Spaces	Timing considered better from 2024/25 in recognition of new cash receipting system being implemented during the Q3/4 of 2023/24.
Climate Action Plan	Deferred until 2024/25 to allow for the new Sustainability Manager to take up post.
Commercial Properties	Internal review currently in progress. Will be reconsidered as part of annual planning for 2024/25
Parking and Enforcement	Deferred until 2024/25 due to service capacity issues.
Information Governance	Deferred to 2024/25 to focus on data retention and storage following the rollout of Sharepoint.
Added to the Plan	Reason
Compliance Checks – Fire Safety	Cancellation from 2022/23
Compliance Checks – Electrical Safety	Cancellation from 2022/23
Accounts Receivable and Debt Management	Brought forward from 24/25 to impending service management changes.
Community Services - Regulatory Compliance	Introduced for 24/25 to complete the key areas of the corporate estate (non housing stock) that require health and safety compliance checks for gas, water, electric and fire.

Annexe 1

Overdue 'High Priority' Management Actions

Compliance – Gas Safety Audit (Housing Stock) – Reasonable Assurance**Observation:**

The Council has a contractual arrangement with a third party to undertake gas safety checks and included in the terms of the contract is an agreement to comply with Data Protection legislation between the parties. The Council shares gas safety data with the contractor which includes information relating to individuals residing in council owned properties. The contract states that "Notwithstanding this clause 30, in the event that the Service Provider is reasonably expected to be acting as a Data Processor it shall enter into a data sharing agreement with the Client". We requested a copy of the Data Sharing Agreement between the two parties however we were informed that the Council was not able to locate the Data Sharing Agreement that was in place. Without reference to the Data Sharing Agreement the Council cannot define what is the parties' roles and the purpose of the data sharing and what is going to happen to the data.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
If there is no DSA present in the strong room, we will draft and issue a DSA between the Client and the Service Provider.	28.04.2023	29.09.2023 30.06.2024	Work in progress. New DSA being drafted.

Health and Safety – Driver Safety Training – Limited Assurance**Observation:**

The Council's Vehicle Policy requires a Manager or Supervisor to complete a Grey Fleet Register Form for drivers using their own vehicle/s during any Council business to ensure the vehicles are 'fit for purpose', taxed and roadworthy. The purpose of the form is to capture that a drivers Driving Licence, Road Fund Licence Disc, Insurance Certificate and MOT Certificate has been checked annually at the same time as the CBC Drivers Assessment Form and placed on file.

A sample of 25 drivers were selected for testing across three service areas; these were Crawley Homes, Communities and Neighbourhood Services. Of the 25 drivers, 11 were drivers that used their own vehicles and should have been subject to completion of a Grey Fleet Register Form. This had not been

completed for any of the drivers, nor were the Services Managers aware of the requirement.

We also noted that vehicle tax discs were abolished in 2014 and therefore, the requirement to check a drivers 'Road Fund Licence Disc' is obsolete. The Council can check this on the Gov website at <https://www.gov.uk/check-vehicle-tax> and may wish to amend the wording in the Vehicle Policy if this is still a requirement.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
All employees who use their personal vehicle for council business will have their Driving Licence, Road Tax paid status, Insurance Certificate and MOT Certificate checked annually as part of their annual PDR (appraisal). The Grey Fleet Form (GFF) will be completed as a record of these checks. Further, all council vehicle drivers will have their driver licences checked annually during PDRs. These driver checks (via PDRs) will next take place between mid-June and the end of August 2023. (Head of Governance, People and Performance to seek confirmation of completion of this initial task from line managers).	30.09.2023	31.05.2024	<p>More detailed work was required before a corporate request could be put to all team managers.</p> <p>In the meantime the Finance Team has also undertaken some work to check these details. The new process will be ready for team managers to implement for 24/25 to tie in with staff PDRS (annual appraisals).</p> <p>Corporate comms will go out ASAP with a view to checks being undertaken.</p>

Health and Safety – Driver Safety Training – Limited Assurance

Observation:

All employees driving on Council business, whether they are operating personal, or fleet vehicles are subject to driver risk assessments completed by line management.

A sample of 25 drivers were selected for audit testing. One Driver Assessment Form could not be provided, leaving 24 available for testing.

On 4 occasions the drivers risk rating had not been calculated correctly. This meant that:

- One driver was scored 15 points rather than 35, still making them low risk.
- One driver was scored 35 instead of 40 taking them from low to medium risk.
- One driver score had not been populated in the available fields nor had their total risk rating been calculated. When populated by Audit, the driver's score put them at medium risk.
- One driver score had been incorrectly calculated as 45 instead of 55 taking them from medium to high risk.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
All employees who use their personal vehicle for council business or drive council vehicles will undergo a Driver Risk Assessment (DRA) annually as part of their annual PDR (appraisal). These will next take place between mid-June and the end of August 2023. Line Managers (conducting the assessments) will be reminded to take care in completing this task accurately. (Head of Governance, People and Performance to seek confirmation of completion of this initial task from line managers).	31.08.2023	31.05.2024	More detailed work (including policy review) has been required before the refreshed Driver Risk Assessment can put in place for team managers to use. The new tool will be ready for team managers to implement for 24/25 to tie in with staff PDRS (annual appraisals).
The Health & Safety Team will review a small sample from across the organisation to scrutinise the accuracy of scoring.	30.09.2023	31.05.2024	This action will form part of the annual cycle of these checks from 24/25.

Contract Management - Limited Assurance

Observation:

The Contract Register records the contract expiry dates together with the expiry review dates to ensure that service continuity can be maintained. Testing for two contracts included in the audit found:

- Estates Management Services – the Contract Register records the contract expiry date as 31/1/2023. The Contract Lead confirmed this should be 31/1/2024. In addition, the expiry review date was not recorded.
- Occupational Health Services – the Contract Register records the contract expiry date as the 31/7/2024 with a potential extension to 31/7/2025. The expiry review date is also recorded as 31/7/2024, however, Contract Management Guidance confirms that the expiry review timescale for this contract should be 12 months prior to its expiry date. The expiry review date should therefore be 31/7/2023 in order to maintain continuity of service provision either through a procurement exercise or the extension period.

In addition, it was found that the expiry review date for contracts is not always recorded within the Contract Register, with the date being shown as “Not Applicable” or left blank.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
The Shared Procurement Service will contact all contract managers and ensure that this is updated to ensure accuracy of the expiry review date. The Contracts Register is to be reviewed by CMT and their departments to be completed by the end of November 2	30.11.2023	31.01.2024	Delay in taking to CMT. Contract register sent out to all services managers for completion by close of play 5 Jan 24, when we will be able to publish the following week.

Compliance – Electrical Safety (Housing Stock) - Limited Assurance

Observation:

There is an Electrical Safety Policy in place which covers the legislation, staff responsibilities, Council’s responsibilities, tenants and leaseholders’ responsibilities as well as contractors’ responsibilities. It also covers legal access and enforcement, repairs and rewire and data management. The policy was due for a review in December 2022, however, there is no documentation to substantiate that a review took place and no evidence that the policy was approved by the Head of Crawley Homes. In addition, the policy states in section 14 that; ‘Failure to allow access after 3 attempts/ 3 letters should result in the case being passed back to Crawley Borough Council legal department to progress through one of the routes identified below. ‘ However, there is no mention of any routes to resolve these outstanding checks, which makes this section of the policy incomplete.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
The Electrical Safety Policy will be amended to correct the ‘Head of Property’ to ‘Head of Crawley Homes’. The review will also incorporate the outcome of the review of no access compliancy visits being undertaken together by the new Policy and Engagement Manager, with the agreed outcome being incorporated into the Policy document. Once agreed the amended Electrical Safety Policy document will be submitted to the Head of Crawley Homes, Amanda Kendall, for her	30.11.2023	31.03.2024	Crawley Homes Policy and Engagement Manager has been approached for support in drafting of enhanced Electrical Safety Policy and has offered support. The Policy will be finalised at the later date of 31/03/24 due to there being an existing Policy Document in place and competing pressure of

comment with any changes (if applicable) incorporated and corporately approved.			other compliance tasks which are required at this time. Priority remains the same.
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Annexe 2

Overdue 'Low & Medium Priority' Management Actions (July 2023)

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Health and Safety	15.06.2022	Reasonable	Medium	31.08.2022	31.05.2023
			Medium	31.08.2022	31.05.2023
Air Quality management	07.02.2023	Reasonable	Medium	01.07.2023	31.03.2024
Compliance – Gas Safety Audit (Housing Stock)	08.03.2023	Reasonable	Medium	31.03.2023	31.03.2024
			Medium	31.03.2024	31.03.2024
			Medium	28.04.2023	30.06.2024
Contract Management	18.09.2023	Limited	Medium	30.11.2023	31.03.2024
			Medium	30.11.2023	31.03.2024
Compliance - Electrical Safety (Housing Stock)	13.10.2023	Limited	Medium	30.11.2023	31.03.2024
			Medium	30.11.2023	31.03.2024
			Medium	30.11.2023	31.03.2024
			Low	30.11.2023	31.03.2024

Crawley Borough Council Assurance Opinions (Pre 2022/23)

- 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.*