Internal Audit and Counter Fraud Quarter 2 Progress Report 2022/23

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1. Summary of Completed Audits

Land Charges Audit (2022/23)

1.1 The Local Land Charges service carries out Horsham District Council's statutory duty to maintain an accurate register of local land charges in the District. Information held on the Local Land Charges Register as well as information held by Planning; Building Control; Environmental Health; and Highways departments can be provided upon request by the purchaser of land or property. To put the volume of searches into context, during the period 01/01/2021 to 30/04/2022, the team dispatched almost 5,000 searches.

1.2 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- All applications for local land charge searches are processed promptly and in accordance with legislation;

- Local land charge rates are approved and set in accordance with regulations;

- There is a robust process to ensure all income due is received in full.

1.3 We provided an opinion of **Partial Assurance,** and the following improvements have been agreed:

- Quality review checks of every 100th search prior to dispatch will be undertaken to ensure that high standards are maintained.

- Officers who complete land charge searches have had their administration rights removed and users no longer working within Land Charges have been deactivated.

- Payment integration for VAT was investigated in 2017, but the estimate of £6k was considered to be cost-prohibitive. The Local Land Charges system is due to be replaced with a new system (Agile) within the next two years. This will have the functionality to split VAT.

- The new system, Agile, will have an integrated document management system which will enable all searches and associated correspondence to be saved centrally.

- Until such time Agile is implemented, search requests will be saved in the G:\Drive with the date, search reference number and first line of search address.

- An email receipt is now provided upon payment when a request is submitted via the Council website.

1.4 A total of one high and five medium risk priority improvement actions were identified, all of which have been agreed with management. We will undertake a follow-up audit during 2023/24.

Treasury Management Audit (2022/23)

1.5 Treasury management is defined as 'the management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

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1.6   As at 31st March 2022, the Council's external debt was nil, and investments totalled £83.3 million. During 2021/22, interest of £0.942 million was earned on investments, at an average return of 1.2%. Most investments are fixed deposits with UK institutions, pooled funds, and money market funds.

1.7   The Council's treasury management activities are regulated by a variety of professional codes, statutes, and guidance.

1.8   The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- The Council has established an appropriate Treasury Management Policy & Investment Strategy;

- All borrowing decisions are based on robust cash flow forecasting over the short, medium, and long term;

- Investments are made with approved counterparties within approved limits, are correctly paid, authorised, and are repaid by counterparties with the correct amount of interest;

- There is regular and independent reconciliation between the Treasury Management record, the Bank Account and the General Ledger;

- Decision-making is effective in maximising income, whilst safeguarding the Council's assets.

1.9   Overall, we were able to provide an overall opinion of **Reasonable Assurance** over the control environment.

1.10   The Treasury Management Strategy, Capital Strategy and Investment Strategy, including prudential indicators and limits, have all been reviewed and approved by Members and are compliant with CIPFA Treasury Management guidelines. Monthly treasury management meetings routinely take place which are attended by appropriate senior officers, and investments are authorised and recorded correctly with appropriate separation of duties.

1.11   One area for improvement was identified. The monthly reconciliations between the General Ledger and the treasury management records for May 2022 and June 2022 were found to have been signed off late by the Group Accountant (Technical). To help ensure that any inaccuracies are identified early, reconciliations will now be routinely checked and signed off monthly by a senior officer.

1.12   During the audit, we were informed about a breach of the conditions set out in the Treasury Management Strategy. This occurred when £5m was left in the current account over a weekend, exceeding the limit of £2.5m. The cause of the breach has been identified and appropriate additional training will be provided to relevant officers. Details of the breach will be included in the mid-year treasury management report to the Audit Committee in December.

Email Communication (Personal and Sensitive Encryption) Audit (2022/23)

1.13   Email encryption is available and can be applied by the user to secure confidential data that can be shared by email and can prevent email hijacking, where authorised recipients take unintended

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actions with sensitive information. This is over and above the verification of sender and Transfer Layer System (TLS) that operates as part of the email system.

1.14   The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- A clear policy and effective procedures are available to all council officers in relation to the communication of personal and/or sensitive information via email;

- A robust system is in place to allow for the secure sharing of personal and/or sensitive information via email;

- An efficient and effective process is in place to ensure personal and/or sensitive information is only sent to appropriate and validated recipients;

- Support and training are provided to service users to enable them to access the available secure email portal.

1.15   We were able to provide an opinion of **Reasonable Assurance** on the basis that:

- There are comprehensive policies in place for information security and acceptable use that are available on the Council's Intranet.

- The Council's email system is enabled with Transfer Layer System (TLS) which encrypts all emails, and a secure email sharing system is also available.

- The Council has multiple security authentication processes in place to ensure emails that are sent and received are to/from valid email accounts. In addition, the Council has 'Mimecast', which tracks messages that are sent from and received to Council email accounts.

- All staff are required to complete the Data Protection Training e-learning module. In addition to this training, the Information Security Officer has developed and delivered Cybersecurity training officers and Members, which includes an element of email encryption and how personal and/or sensitive data should be sent via email.

1.16   An end user survey found that whilst there are well laid out policies and guidance in place, there was a need for further training to increase awareness. The Information Governance Officer has been attending all team meetings to deliver specific awareness training on sending personal and/or sensitive information.

Purchase Cards Follow-up Audit (2022/23)

1.17   An opinion of Partial Assurance was provided in respect of the 2020/21 audit of purchase cards. As part of our planned work for 2022/23 we agreed with management to undertake a follow up review of this audit.

1.18   The primary purpose of this audit was to follow up the agreed actions from the 2020/21 review. The control objectives from the original review were:

- Payments made are for goods and services that are necessary, and solely for Council

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use.

- Purchase card expenditure is submitted with robust supporting evidence, and transactions are authorised by an appropriate officer.

1.19　Based on the work carried out as part of this follow up audit, we have been able to provide a revised opinion of **Reasonable Assurance** as:

- All seven agreed actions from the 2020/21 report have been implemented.

- All purchase card holders have been reminded of their responsibilities, and the guidance manual has been enhanced, particularly around the area of VAT.

- Further independent transaction testing was undertaken to evidence that the reminders had resulted in improvements in compliance. The results were very positive.

- An area for improvement was identified concerning VAT rules for overseas transactions. Finance will look to add a further section within the staff VAT guidance about international payments and ask that staff making such payments contact Finance for advice prior to placing an order.

Strategic Planning Corporate Compliance Audit (2022/23)

1.20　The Strategic Planning service is responsible for the development and delivery of the Council's Local Plan, which outlines the Council's ambitions for the community. The strategic planning process establishes goals and objectives for the future and the policies to achieve them. The total spend across the Strategic Planning service in 2020/21 was approximately £1.2 million.

1.21　The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- To ensure management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness;

- All key activities undertaken by the team are conducted in accordance with the Council's policies and procedures and comply with basic internal controls;

- Robust management arrangements are in place and all members of staff are subject to appropriate management and supervision;

- Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process.

1.22　Overall, we found that the department complied with the majority of corporate policies and procedures we reviewed. Therefore, we have been able to provide an opinion of **Reasonable Assurance** over the controls operating within the are under review because:

- The department's Service Plan links to key service objectives and includes central government targets, which are monitored quarterly. In addition, budget monitoring reports, risk assessments and key performance indicators are regularly completed and reviewed by

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the department, in accordance with the Council's policies and procedures, to identify patterns, trends, or potential variances in performance at the earliest opportunity

- Personal and sensitive data can only be accessed by appropriate officers within the department. A Record of Processing Activities (RoPA) is completed and updated by the team, which ensures staff are aware of their responsibilities around the management of personal and/or sensitive information

- Declarations of interest and mandatory e-learning packages are completed by staff. The department also has a team charter which clearly outlines the department's objectives, and roles and responsibilities within the team.

1.23 A few medium priority findings were raised, and the following improvements have been agreed with the Head of Strategic Planning:

- Procurement refresher training will be provided, and newly appointed strategic planning officers will receive procurement training as part of their induction process. All staff now contact the Procurement team regarding possible aggregation issues, and some additional controls have been put into place before entering into contracts and before engaging with consultants.

- All strategic planning officers have been reminded of the requirement to complete 1-2-1 forms on T1 (TechnologyOne) on a quarterly basis.

- All strategic planning officers, travelling on council business, have been reminded of the requirement to upload their driving documents into T1 when they expire.

Housing Corporate Compliance Audit (2022/23)

1.24 The Housing Team is responsible for housing allocations from the housing register; managing accommodation (including leases and lettings); and assisting those in the district who are at risk of homelessness or present themselves to the Council as homeless.

1.25 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- To ensure management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness;

- All key activities undertaken by the team are conducted in accordance with the Council's policies and procedures and comply with basic internal controls;

- Robust management arrangements are in place and all members of staff are subject to appropriate management and supervision;

- Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process.

1.26 We were able to provide an opinion of **Substantial Assurance** with the department complying with the majority of corporate policies and procedures we reviewed.

1.27 There were just a few areas where the control environment could be improved which related to purchase card transactions; driver documentation; and declarations of interest. An action plan has been agreed with the responsible Head of Service to address these.

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1.28   Horsham DC is in the process of replacing the legacy system for Environmental Health and Licensing; Building Control; Planning; and Land Charges, historically held in the Uniform System with an Oracle Database. As part of this programme of work, there will be changes to how the Property Gazetteer and GIS Mapping work.

1.29   There is also a future need to align Land Charges with HM Land Registry systems. The new system has been procured from AGILE Communications Ltd and will be delivered as a Software as a Service solution.

1.30   At the time of the audit, the Environmental Health and Licensing system has gone live with the remaining two systems due to be implemented in the future.

1.31   The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Project initiation documentation exists that clearly defines the objectives of the project;

- The project initiation documentation lists the roles and responsibilities of the project team, and these are known and understood by members of the project team and other key stakeholders;

- Risks are appropriately identified, evaluated, and managed;

- Effective quality and cost controls are in place;

- Reporting and communication during the project are well managed and accurately reflects the position of the project.

1.32   The audit was undertaken as a light touch review at the end of the first phase, designed to identify any improvements required to the project governance arrangements whilst minimising any disruption to delivery. As such, no formal audit opinion has been provided.

1.33   We found that whilst project management arrangements are in place, improvement could be made to enhance risk management and reduce the possibility for delays within the project.

1.34   We identified a number of areas of good practice, including:

- The Project Sponsor and Deputy Project Sponsor receive updates on the progress of the project on a six-weekly basis via highlight reports. The quality of the highlight reports is considered to be good.

- Both the Project Sponsor and Deputy Project Sponsor are attending Project Board Meetings to support corporate oversight.

- The cost of the project was agreed via Tender response and we were advised that there is regular monitoring of expenditure against budget to ensure there is no over/under spend. As the audit is a light touch review, we have not investigated the budget monitoring arrangements in any detail.

- There is a Project Initiation Document in place that was agreed with AGILE Communications Ltd – the new software supplier.

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- Regular Project Board meetings are held and there is a good working arrangement between all parties.

1.35 The main findings from our review are summarised below:

- Whilst there is a gateway review/checkpoint process in place, linked to the payment process, project progress against these is not regularly reviewed at project board meetings, and delivery timelines have passed and are considered to be out of date. It has been agreed that a process will be developed to revise the project plan and the gateways/checkpoints. Moving forward, the project board will regularly review progress against revised plans and gateway/checkpoints to monitor the progress of the project.

- We found that there are a number of risk and issues logs in place. In the absence of a single project wide record and a consistent approach to the monitoring and escalation of risks and issues, these logs may not all be fully monitored and mitigated sufficiently. The project manager has agreed to discuss this with the Board, and if it is decided that the recording of risks and issues on a separate log wouldn't add value, then it was agreed that there will be oversight of all logs when capturing and reporting information as part of the highlight reports.

2.   Counter Fraud and Investigation Activities

National Fraud Initiative (NFI)

2.1 Internal Audit are currently working with services to ensure that the relevant data extracts are uploaded for the 2022 National Fraud Initiative (NFI) data matching exercise. The matches from the exercise will be available to review from 26 January 2023. The team continue to monitor intel alerts and share information with relevant services when appropriate.

Fraud Risk Assessments

2.2 A Fraud risk assessment has been undertaken to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. The outcomes from the assessment help to inform the annual internal audit plan.

Counter-Fraud Strategy and Framework

2.3 The Orbis Counter Fraud team has developed a Counter-Fraud Strategy and Framework for Horsham. This has recently been reviewed and updated and the revised version was approved by both the Senior Leadership Team and the Audit Committee in September 2022. The revised version is being updated on the Council's Intranet.

3.   Action Tracking

3.1 All high priority actions agreed with senior management as part of individual audit reviews are subject to action tracking. As at the end of quarter 2, 100% of high priority actions due had been implemented within agreed timescales.

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3.2   Internal Audit will continue to work with senior management to ensure that sufficient attention is given to any high or medium priority actions that are overdue and an update on progress with high priority actions will continue to be reported to this committee.

4.   Amendments to the Audit Plan

4.1   In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews were added to the original audit plan during the year:

Planned Audit Work	Rationale for Addition
Protect & Vaccinate Grant Certification	Central Government directive
COMF (Contain Outbreak Management Fund) Grant Certification	Central Government directive
Bespoke Risk Management Training	Client request
Declaration of Interest Reports compiled and sent to each Head of Service covering their individual areas of responsibility.	Client request
Provision of audit advice following changes in officer roles for administering the payroll function.	Client request - Potential risk to the control environment

4.2   In order to allow this additional work to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- Private Sector Leasing Scheme (advisory work in respect of the process will be undertaken instead of a full review, with a view to undertaking a full audit once the Scheme is operational).

5.   Internal Audit Performance

5.1   In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

6. Aspect of Service	Orbis IA KPI	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by the Audit Committee on 30th March 2022.

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	Annual Audit Report and Opinion	By end July	**G**	2021/22 report presented to the Audit Committee on 29th June 2022.
	Customer Satisfaction levels	90% satisfied	**G**	100%
Productivity and process efficiency	Audit Plan – completion to draft report stage	90%	**G**	54.3% completed to draft report stage at the end of Quarter 2, against a target of 45%.
Compliance with professional standards	Public Sector Internal Audit Standards complied with	Conforms	**G**	January 2018 – External assessment by the South-West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings. June 2022 - Quality Review of audit assignments identified no major areas of non-conformance.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	**G**	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high & Medium priority agreed actions	**G**	100%
Our staff	Professionally qualified / accredited	80%	**G**	91%[1]

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[1] Includes part-qualified staff

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Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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