

Internal Audit and Counter Fraud Quarter 2 Progress Report 2023/24

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1. Summary of Completed Audits

Print Procurement

- 1.1 The Council does not have an in-house print room. Instead, print work is procured by inviting quotes from a framework of a pre-determined list of suppliers or through the Dynamic Purchasing System (DPS). In 2022/23, expenditure on external printing contracts was just under £162k.
- 1.2 The purpose of this audit was to provide assurance that:
 - All expenditure is made in compliance with the Contract Procedure Rules and is subject to approval in accordance with delegated levels of authority; and
 - Conflicts of interest are managed, and procurement decisions are made in the interests of the Council.
- 1.3 We identified two areas where improvements could be made: to provide further guidance on the intranet for staff, which has since been published; and to monitor compliance with the framework and DPS, which is currently being addressed.
- 1.4 Based on the work carried out, we were able to provide an opinion of **Reasonable Assurance**, as all officers involved with print procurement in 2022/23 had completed declarations of interest to ensure transparency regarding potential conflicts of interest. Further, compliance with the Contract Procedure Rules was evident, with suppliers invited to tender for the work, which was approved in accordance with delegated levels of authority.

Fleet Management Follow-up

- 1.5 The Council has a fleet of 66 road going assets that are required to be maintained, run efficiently, and within budget. The purpose of this audit was to follow up on the agreed actions from the 2022/23 audit, for which we gave an opinion of Partial Assurance.
- 1.6 The control objectives from the original review were:
 - There is an overarching, strategic fleet management plan in place, and this links with the strategic objectives of the organisation;
 - Robust arrangements are in place, and working effectively, regarding the acquisition and disposal of fleet vehicles;
 - Policies and procedures on the management and use of the fleet vehicles are adequate and these are followed at a departmental level; and
 - There is compliance with the national legislative requirement concerning fleet management.
- 1.7 As part of our follow up, we have obtained the necessary evidence to confirm that all four actions agreed during the previous review had been fully implemented. Therefore, we

were able to provide a revised opinion of **Substantial Assurance** over the controls operating within the service.

Bar & Catering Follow-up

- 1.8 We completed an audit of the Bar and Catering at the Capitol Theatre in 2022/23, for which we provided an opinion of Minimal Assurance as a result of control weaknesses being identified in relation to stock control, income processes, and staff training and guidance. The purpose of this audit was to follow up on the agreed actions to confirm the control environment had been improved. Testing did not include controls that were found to be satisfactory during the previous review.
- 1.9 The control objectives from the original review were:
- All income due is received and banked appropriately;
 - Assets are appropriately safeguarded; and
 - Secure arrangements are in place to manage cash handling processes.
- 1.10 We were pleased to note that the control environment had been strengthened, including through appropriate recording of reconciliations for the cash float and refunds, and the introduction of separation of duties in relation to financial and stock processes.
- 1.11 Only two actions remained to be implemented, with revised dates agreed with management. These related to improving the process for stock checks and reducing wastage, and reviewing health and safety training to ensure it can be delivered online or in-person. As a result of the improvements made, we were able to issue an opinion of **Reasonable Assurance** over the controls in place.

Volunteers

- 1.12 Unison defines volunteers as “members of the public who give their time freely to a task without financial recompense, volunteers do not have a contract of employment and therefore they do not have rights to which employees or workers are entitled.”
- 1.13 Our audit considered the controls in place for managing individuals who volunteer for the Council and sought to obtain assurance that:
- There are clear policies and procedures in place in relation to the use of volunteers;
 - Induction and training are provided to volunteers, including performance monitoring to ensure roles and responsibilities are known and defined;
 - Risk assessments are comprehensive and completed with a specific focus on health and safety arrangements for volunteers; and
 - The Council has adequate Public Liability Insurance (PLI) that covers all necessary eventualities in relation to volunteers.

- 1.14 Through our review, we identified a number of areas of good practice, including clear policies and procedures regarding volunteers, due diligence checks being completed prior to volunteers starting, and sufficient PLI that covers volunteers while they are carrying out Council business.
- 1.15 We did, however, identify areas for improvement, including the need to:
- Establish and agree a process for volunteer expenses;
 - Provide training for engaging/recruiting volunteers and the documentation that should be retained as part of this; and
 - Remind managers of the risk assessment process for all volunteers and training record requirements for volunteers who regularly undertake work for the Council.
- 1.16 Management have agreed actions to address these findings as well as two additional, low risk findings where implementation represents good practice. Overall, we were able to provide an opinion of **Reasonable Assurance**.

Cyber Security – Response & Resilience

- 1.17 Cyber resilience is the ability of an organisation to protect, detect, respond, and recover from cyber-attacks. Through being resilient, organisations have the ability to reduce the impact of an attack and ensure that they are able to continue to operate effectively.
- 1.18 The purpose of this audit was to provide assurance that:
- Incident response processes and procedures are executed and maintained, to ensure a timely response to cyber-attacks;
 - The Council understands the cybersecurity risk to operational activities and mitigates for them accordingly; and
 - Response and recovery activities are improved through the incorporation of lessons learned for future incidents.
- 1.19 We found that appropriate steps have been taken to ensure that the Council and its services are resilient and able to respond to the loss of IT services. Robust business continuity arrangements are in place, promoting resilience to a cyber-attack, and scenarios of IT loss various levels have been considered. Further, in-person cyber security training has been provided to officers and Members, and a new cyber awareness training system is being implemented.
- 1.20 There is an Information Security Policy in place, which includes a risk rated incident response plan outlining specific action to take in the event of a cyber incident. Whilst the response plan appears to be robust, there have not been any incidents that required it to be initiated, and it has not been subject to testing.

- 1.21 Overall, we were able to provide an opinion of **Reasonable Assurance** regarding the Council's cyber security resilience.

2. Counter Fraud and Investigation Activities

National Fraud Initiative (NFI)

- 2.1 Internal Audit has been working with relevant departments to ensure that data matches received in January 2023 as part of the biennial NFI exercise are being investigated and actioned appropriately.
- 2.2 To date, no instances of fraud have been identified. Checks relating to council tax reductions against pensions and payroll changes have revealed 16 errors, resulting in the ongoing recovery of £8,793.

Fraud Risk Assessments

- 2.3 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat to the Council has been considered, and appropriate mitigating actions identified.

Counter-Fraud Strategy and Framework

- 2.4 Horsham DC has in place a Counter Fraud Strategy that sets out its commitment to preventing, detecting, and deterring fraud.

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 31 October 2023, 100% of high priority actions due had been implemented within agreed timescales.
- 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 is kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk.
- 4.2 Following discussions with management, the following audit has been removed from the 2023/24 audit plan and will be considered for inclusion in the 2024/25 audit plan as part of the overall risk assessment completed during the annual audit planning process:

Planned Audit Work	Rationale for Postponement / Removal
Taxi Licensing	This audit has been deferred from the current plan to enable the implementation of service changes by the new lead officer.

4.3 The following review has been added to the 2023/24 audit plan:

Planned Audit Work	Rationale for Addition
Alcohol Licensing	This audit will be carried out as part of the current plan in lieu of the deferred audit, as above.

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:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April 2023	G	Approved by Audit Committee on 29 March 2023
	Annual Audit Report and Opinion	By end July 2023	G	2022/23 Annual Report and Opinion approved by Committee on 12 July 2023
	Customer Satisfaction Levels	90% satisfied	G	100% satisfaction for surveys received in the period
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	Annual: 90%	A	At Q2, we had achieved delivery of 35% of the annual plan to draft report stage (against a pro-rata target of 45%). This is largely due to staff changes, and measures are in place to bring the plan back on track. Delivery of the audit plan for 2023/24 is not considered to be at risk at this time.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Dec 2022 - External Quality Assurance completed by the Chartered Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				<p>highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as:</p> <ul style="list-style-type: none"> • Excellent in: <ul style="list-style-type: none"> - Reflection of the Standards - Focus on performance, risk and adding value • Good in: <ul style="list-style-type: none"> - Operating with efficiency - Quality Assurance and Improvement Programme • Satisfactory in: <ul style="list-style-type: none"> - Coordinating and maximising assurance
	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 priority agreed actions	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	97% ¹

¹ Includes part-qualified staff and those in professional training

Appendix B

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.