

Internal Audit and Counter Fraud Quarter 3 Progress Report 2023/24

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1. Summary of Completed Audits

Personal Safety of Staff and Lone Working

- 1.1 The Council is responsible for the management of the risks to staff health, safety, and welfare arising from lone working, as well as the risks arising from work-related violence. Lone working staff also have a responsibility for their own health, safety, and welfare, and to cooperate with their managers in meeting the Council's legal obligations. Instances of work-related violence towards council staff and agents working on behalf of the Council are not tolerated.
- 1.2 The purpose of our review was to seek assurance that:
- Policies are in place in relation to lone working and work-related violence, which are clearly communicated to all employees;
 - Management and staff are aware of their individual responsibilities for lone working, including the completion and timely review of dynamic team risk assessments and, where required, individual risk assessments;
 - Staff are provided with sufficient training in relation to personal safety and work-related violence, reducing the risk of incidents;
 - Incidents of work-related violence are reported, recorded, and monitored in line with agreed protocols; and
 - Arrangements are in place for managing the health, safety, and welfare of third parties and agents.
- 1.3 Overall, we found that a safe working environment for lone working staff has been established through a well-structured and comprehensive Health and Safety (H&S) framework comprising 33 up to date H&S policies including lone working, work-related violence, and homeworking. There is a defined process for reporting incidents and near misses, which are reported to management, reviewed, and investigated as appropriate. The Chief Executive chairs the H&S Management Forum that enables key achievements, working practices, and best practice to be shared.
- 1.4 We did, however, find some instances of non-compliance with the H&S framework by individual line managers, including in relation to completing risk assessments, ensuring lone working procedures are fully implemented, updating risk registers, staff access to the Contact With Caution register, and reporting of third party and violent incidents. Management have agreed to address these issues with relevant managers.
- 1.5 We also identified areas of good practice that management may wish to implement, including bespoke training on personal safety and conflict resolution. Based on the work carried out, we were able to provide an opinion of **Reasonable Assurance**.

Treasury Management

- 1.6 Treasury Management is the management of the Council's cash flows, investments, banking, and money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Such activities are regulated by a variety of professional codes, statutes, and guidance. At the time of the audit, the Council had no external debt, and its investments totalled just over £90million, earning just under £2.3m in interest during 2022/23.
- 1.7 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:
- The Council has established an appropriate Treasury Management Policy and 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 and authorised, and are repaid by counterparties with the correct amount of interest;
 - Borrowings are made only from approved organisations, are correctly authorised, and repaid to 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; and
 - Decision-making is effective in maximising income, whilst safeguarding the Council's assets.
- 1.8 Our testing found the Council's Treasury Management activities are underpinned by strong governance arrangements, with the policy and strategy subject to annual review by Members. The agreed action from our previous audit has been implemented such that the reconciliation of treasury management records to the general ledger is now signed off. The cash flow position is reported regularly and discussed by relevant managers, and a comprehensive schedule of investments is being maintained.
- 1.9 As a result of our audit we were able to provide an opinion of **Substantial Assurance** over the controls in place. We agreed one medium priority action regarding the timing of reports being shared with Members and presented at Audit Committee, and one low priority action relating to increased financial checks in light of the number of local authorities issuing Section 114 notices.

Information Governance

- 1.10 The General Data Protection Regulation and Data Protection Act (2018) introduced changes to data processing requirements for organisations. This includes strengthened conditions for consent, greater rights for data subjects, the requirement for privacy by design, greater enforcement powers, and an increase in the maximum fine or penalty.
- 1.11 The Council processes large amounts of personal and/or sensitive data for employees, Members, volunteers, and service users, covering a wide range of services including in relation to housing needs, planning applications, legal claims, and health and wellbeing.
- 1.12 This review was an addition to the Internal Audit Plan 2023/24 following a request by senior management. The purpose of the audit was to provide assurance that:
- An effective governance framework is in place to support compliance with data protection legislation;
 - Policies and procedures are in place that provide direction as to the Council's approach to information governance to ensure compliance with legislation, as well as documenting and communicating associated responsibilities;
 - Council information assets are known, classified, and recorded accurately; and
 - Breaches of Council data are subject to consistent assessment and reporting to the Information Commissioner's Office (ICO).
- 1.13 Our review found that roles and responsibilities for information governance across the council are known and documented, with statutory roles clearly assigned and recorded in policy. There is a suite of policies in place that covers various aspects of information governance, and detailed guidance and training for officers is in place that includes reporting requirements.
- 1.14 Robust processes have been developed for handling Freedom of Information (FOI), Environmental Information Regulations (EIR), and Subject Access Request (SAR) that are in line with guidance from the Information Commissioner's Office. We noted that the key performance indicator for response rates uses combined figures for FOI, EIR, SAR, and data protection responses, which we believe may create misleading information. However, once these figures are adjusted, overall performance remains on target.
- 1.15 At the time of our audit, the Council was in the process of updating a Record of Processing Activities to replace the Information Asset Register, detailing all council data, where it is stored, the lawful basis for its collection, retention periods, and any security measures deployed. Records of data breaches are maintained across the council with separate logs for 'near miss', serious, and potentially serious breaches to support management oversight.
- 1.16 Management agreed to reinstate in-person Information Governance Group meetings that were paused during home/hybrid working arrangements, and to improve officer guidance

on carrying out Data Protection Impact Assessments. Based on our work, we were able to provide an opinion of **Reasonable Assurance**.

Parking Services Corporate Compliance

- 1.17 Parking Services is responsible for 3 multi-story and 11 surface car parks in the Horsham town area, in addition to rural car parks and on-street parking. Car parking revenue is an important income stream for the Council, generating £5.5m in 2022/23 through on- and off-street parking, parking permits, and penalty charge notices.
- 1.18 The purpose of this audit was to ensure that the service is delivered effectively and in compliance with all appropriate Council policies and procedures. We therefore sought to provide assurance that controls were in place to meet the following objectives:
- 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; and
 - Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process.
- 1.19 Overall, we found the service has good compliance with corporate policies. There are robust arrangements in place to support and manage staff, and risk assessments are in place for officers with patrolling (civil enforcement) roles. Despite there being no corporate requirement to do so, the Parking Manager has proactively created and communicated a Vision Statement for the team.
- 1.20 The new Council-wide system to manage declarations of interest should ensure the team completes declarations in a timely manner, and the Parking Manager has agreed to strengthen oversight of purchase card transactions. We were therefore able to provide an opinion of **Reasonable Assurance**.

Environmental Health Corporate Compliance Follow-up

- 1.21 Environmental Health and Licensing makes a fundamental contribution to the maintenance and improvement of public health, quality of life, and wellbeing by correcting and preventing those factors in the environment that may adversely affect the health of the population. An audit of Environmental Health Corporate Compliance completed in 2021/22 resulted in an audit opinion of Partial Assurance and included eight actions that were agreed with management.

- 1.22 The purpose of this audit was to follow up on the agreed actions. Testing did not include controls that were found to be satisfactory during the previous review. The control objectives from the original review were that:
- 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;
 - Expenditure is only incurred for legitimate Council business and is in line with relevant procurement process; and
 - Robust management arrangements are in place and all members of staff are subject to appropriate management and supervision.
- 1.23 We were pleased to note that the control environment has been strengthened, with six of the eight originally agreed actions fully implemented including in relation to recording supervision and return to work meetings, declarations of interest, risk register updates, information asset register, and budget monitoring. A further action relating to retaining evidence of purchase card approvals has been partially implemented.
- 1.24 Only one action remains to be implemented in relation to carrying out and recording driver documents, and a revised date has been agreed with management. As a result of the improvements made, we were able to issue an opinion of **Reasonable Assurance**.

Agile (PLACIS) Computer Application Audit

- 1.25 The PLACIS computer application is a Software as a Service (SaaS) solution provided by Agile Azure Applications Limited. The system went live and initially operational for the Environmental Health & Licensing department in 2020, and implementation is currently focusing on the Building Control department. The PLACIS application supports a range of different areas such as food inspections, housing grant applications, environment health requests, and taxi licensing.
- 1.26 The purpose of this application was to provide assurance that:
- System access is restricted to appropriately authorised individuals and the permissions provided to those users are in line with job functions;
 - Data processed through interfaces is authorised, accurate, complete, securely processed, and written to the appropriate file;
 - Outputs produced by the system are complete, accurate, reliable, and distributed on time and with confidentiality where appropriate;
 - System updates and enhancements are performed in a consistent manner and are subject to sufficient testing and authorisation before implementation; and

- Appropriate support arrangements are in place to manage changes within the system.
- 1.27 Our testing confirmed that robust user access controls are in place with user access reviewed regularly to ensure users remain current and have the correct level of access. Controls are also in place to ensure all system outputs (reports) are reviewed, approved, and accurate prior to being released. Upgrade notes received from Agile are fully tested before going live, with process notes developed and distributed prior to system updates being completed out of hours to minimise disruption. There is a Business Continuity Plan in place to enable the service to continue in the event of any system outage.
- 1.28 We were able to provide an opinion of **Reasonable Assurance** following agreement of three medium priority actions with management regarding provider notification of penetration testing and results, strengthening mitigation of single point of failure risk, and Multi Factor Authentication. We also agreed three low priority actions where implementation represents good practice.

Business Continuity

- 1.29 The Civil Contingencies Act 2004 places a statutory duty on local authorities, as a category one responder, to develop, maintain, and test business continuity plans. Effective business continuity planning provides a controlled resumption of prioritised services within expected timescales, ensuring an organisation can deliver a satisfactory, pre-defined level of business operations in response to a disruption to business as usual.
- 1.30 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- Adequate governance arrangements are in place in relation to Business Continuity Planning;
 - A business impact assessment (risk assessment) has been completed across the Council to prioritise service continuation; and
 - Adequate and effective continuity plans have been developed, maintained, kept up to date, communicated, and tested for all services.
- 1.31 We found that the Council has defined and established responsibilities for business continuity invocation and escalation, and business continuity information and documents are readily available and accessible to those who need them, which should enable appropriate actions to be taken in a timely manner should disruptions occur. A Business Impact Analysis process has been established, allowing for understanding of the potential impact of disruptions on various business activities and creating robust arrangements for identifying the Council's critical and priority activities.
- 1.32 Whilst we identified a small number of gaps in the documenting of mitigations for red and amber risks, overall, we observed good practice in managing business continuity

arrangements. We were therefore able to provide an opinion of **Reasonable Assurance** over the controls in place to manage business continuity.

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. To date, no instances of fraud have been identified.

Fraud Risk Assessments

- 2.2 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

- 2.3 Horsham District Council 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 of 31 December 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 review has been removed from the 2023/24 audit plan:

Planned Audit Work	Rationale for Postponement / Removal
Private Sector Leasing	In light of the low uptake of this scheme, an audit would not be beneficial at this time.

4.3 We will consider this audit for inclusion in the 2024/25 audit plan as part of the overall risk assessment completed during the annual audit planning process.

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 the end of Q3, we had achieved delivery of 62.5% of the annual plan to draft report stage (against a pro-rata target of 67.5%). A high volume of work was in progress at the end of the quarter and delivery of the audit plan for 2023/24 is therefore 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 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:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				<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	91% 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.