



Mid Sussex District Council - Internal Audit Progress Report

Audit Committee

March 2022

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Disclaimer

This report (“Report”) was prepared by Mazars LLP at the request of Mid Sussex District Council (MSDC), and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of MSDC, and to the fullest extent permitted by law, Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk.

01 Introduction

This report provides a summary of internal audit activity at Mid Sussex District Council (MSDC) since the last Audit Committee (Committee), including:

- An update on progress in delivering the 2021/22 internal audit plan;
- A summary of any Limited/Unsatisfactory Assurance reports issued and high priority recommendations raised; and
- An update on follow up activity and any recommendations outstanding for implementation.

The Committee approved the 2021/22 Internal Audit Plan (Plan) on 2 March 2021. This Plan was developed by the former Internal Auditor at Crawley Borough Council, with Mazars being appointed in July 2021 as the new Internal Audit team.

02 Current Progress

Since the last Committee, Covid continued to present challenges in late Q3 of the 2021/22 financial year, with MSDC staff becoming unavailable at very short notice. This meant that planned audits had to be delayed after the New Year. For this reporting period, there is work at draft report stage, in progress or with resources allocated to them with agreed start dates.

In addition, since the last Committee, management has requested to defer the audit of *Covid-19 Grant Assurance* from Q4 to the 2022/23 Plan. This is due to the Business Unit Leader for Benefits and Revenues advising that a key team member had unexpectedly become unavailable. This meant that the small team working in this area had increased workload pressures and would find it difficult to accommodate the audit until the next financial year. This was further discussed with the Head of Corporate Resources, and it is proposed that this will be re-scheduled to start in Q2 as part of the 2022/23 Plan.

Since the last meeting of the AC, the following progress has been made:

Reports issued

- We have issued our draft report for the Council Tax audit, in which we raised a medium priority recommendation. However, the draft report is currently awaiting management responses.

Work in progress

At the time of drafting this report:

- We have completed fieldwork on the Business Rates and Budgetary Controls audits. The Draft reports are at the final stages of the review process.
- The Income Collection (Cashiers) audit is currently in progress with aims to complete the fieldwork on the week commencing 28 February.

Further details of the Plan timetable and current status are detailed in Appendix A1.

03 Follow-Ups

There was no formal handover of previously raised recommendations from the former auditor at Crawley Borough Council nor a record listing these, including timescales for implementation. Although we have been given access to historical records from the former auditor, there is no indication of a follow-up record in the dedicated SharePoint.

However, we have considered this as part of the 2021/22 fieldwork. We will include relevant recommendations raised by the former Internal Auditor from the 2020/21 Internal Audit reports.

We will continue to monitor recommendations raised as part of the 2021/22 internal audits and create a centralised record capturing these, including agreed management actions and timescales for implementation.

Updates will be discussed with the Head of Corporate Resources and subsequently provided to this Committee in due course, including any outstanding actions (i.e., actions past their agreed implementation date).

Appendix A3 below.

04 Other Matters

A recurring monthly meeting had been agreed to be held with the Head of Corporate Resources, with the first session taking place in February 2022. During these meetings, progress against the plan is discussed among any other issues arising from our work or the Council's activities.

A three-year plan was formerly put together by the previous Internal Auditor and approved by the Committee. Following our appointment in July 2021, and alongside the 2021/22 work delivery, there will be a need to revisit its content for 2022/23 and 2023/24 to ensure this aligns with the key risks of MSDC.

With several 2021/22 reviews to be completed, it is proposed we present proposals around changes to the outline 2022/23 Internal Audit Plan in July 2022.

The main factors that will be taken into account in revisiting the 2022/23 Plan will consist of:

- Materiality and significance based upon budgets and volume of transactions;
- Changes to the control environment or legislative changes;
- A review of internal audit themes against the Council's strategic and corporate objectives;
- Other sources of assurance available to the Council;
- Concerns and emerging risks as identified by Chief Council Officers and Business Unit Leaders, and,
- Mazars Horizon Scanning of issues affecting all Local Authorities.

The Mazars Horizon Scanning document is updated annually and details some of the challenges and opportunities on the horizon that are faced by the Public Sector, including local authorities. The document also sets out proposed areas for internal audit coverage. Further detail is provided in

A1 Current Progress – 2021/22 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Council Tax	Draft *	Substantial	-	1	-
Business Rates	Fieldwork Complete	-	-	-	-
Budgetary Control	Fieldwork Complete	-	-	-	-
Income Collection (Cashiers)	In Progress	-	-	-	-
Payroll	Starts 21/02/2022	-	-	-	-
NFI – Data Matching	Starts 21/02/2022	-	-	-	-
Payments (Creditors)	Starts 07/03/2022	-	-	-	-
Capital Accounting and Asset Management	Starts 17/03/2022	-	-	-	-
Treasury Management	Starts 17/03/2022	-	-	-	-
Risk Management Awareness and Training	Starts 21/03/2022	-	-	-	-
Sundry Debtors	Starts 25/04/2022	-	-	-	-
Financial Management System (FMS)	Starts 25/04/2022	-	-	-	-
Housing Benefits	Starts 10/05/2022	-	-	-	-
Grant Assurance (Covid-19)	Deferred to 2022-23	-	-	-	-
IT					
Cyber Security	Starts in March 2022	-	-	-	-
Audit Needs Assessment	Starts in March 2022	-	-	-	-
Total			0	1	0

*Draft reports currently awaiting management responses, which may lead to changes in content, including assurance levels and/or recommendations

A2 Definitions of Assurance

Definitions of Assurance Levels	
Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
Priority	Definition	Action required
High (Fundamental)	Significant weakness in governance, risk management and control that, if unresolved, exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium (Significant)	Weakness in governance, risk management and control that, if unresolved, exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.

A3 Challenges and Opportunities for the Public Sector in 2022

As our economy and society move into an endemic state of virus management, local authorities have found themselves in an unenviable position. They must balance pre-COVID-19 service demand within a new normality that has exacerbated the need for public services, along with an emptying high street, hybrid working, environmental awareness, and increased personal debt.

Balancing the budget has never been more challenging, nor is internal audit so critical to an organisation's resilience. In this year's Horizon Scanning report, we have broken down the assurance requirements of a local authority into five categories: financial resilience, council services, IT, ESG, and fraud. Within these, we have broken down the detail and shared considerations for your internal audit plans.

Please note that this document was prepared at a point in time. Subsequent government announcements or changes should be considered when reading.

Download the full report below



A4 Statement of Responsibility

We take responsibility to MSDC for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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