

INTERNAL AUDIT PROGRESS REPORT

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT

Contact Officer: Committee Services, Email: committees@midsussex.gov.uk

Wards Affected: None

Key Decision: No

Report to: Audit Committee

21st February 2023

Purpose of Report

1. To present the work of Internal Audit for the year thus far and set out the work still to be performed to conclude the programme. This report covers audit activity and performance from 15 November 2022 to 10 February 2023.

Recommendation

2. **The Committee is asked to receive the report.**

Policy Context

3. The purpose of Internal Audit is to provide assurance on the control environment at the Council; the programme is assembled to provide that assurance. It is a requirement that Internal Audit provides a quarterly report on internal audit progress and key findings to the Committee.

Other Options Considered

4. None.

Financial Implications

5. There may be financial implications regarding implementing internal audit recommendations depending on the nature of the area and recommendations made. However, any such implications are considered by Management as part of the consideration of the recommendations raised. Some audit recommendations are also designed to improve value for money and financial control.

Risk Management Implications

6. Internal Audit identifies weaknesses in the control environment. Therefore, the implementation of recommendations improves the control environment and risk management.

Sustainability Implications

7. None.

Equalities and Customer Service Implications

8. None.

Other Material Implications

9. None.

Appendices

- Appendix A - Mid Sussex District Council - Internal Audit Progress Report for the November 2022 to February 2023 Period

Background Papers

None.



Mid Sussex District Council - Internal Audit Progress Report
For the November 2022 to February 2023 Period
February 2023

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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, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Further details are provided in Appendix A3, “Statement of Responsibility”.

01 Introduction

The Audit Committee (Committee) approved the 2022/23 Internal Audit Plan (Plan) on 20 September 2022. The purpose of this report is to outline the following in respect of Internal Audit Activity during the period since the last Committee in November 2022:

- An update on progress in delivering the 2022/23 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.

02 Current Progress

Since the last Committee, we have agreed on audits' start dates with the relevant Services within the Council. For this reporting period, three audits started and had their fieldwork completed (Business Rates, Disabled Facilities Grants (DFG) and Accounts Payable).

As previously reported to the Committee the phasing of work in the prior year's plan saw the majority of audits commence in Q4. Compared to our position reported in March last year, there is an improvement in progress, with more work starting in early Q4. This should allow us to complete the fieldwork for all audits in the Plan by April 2023.

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

Reports issued

- We have issued our final report for the 2021/22 **IT Audits Needs Assessment**, in which we identified a number of auditable areas. In turn, we then classified these auditable areas as either 'High' (H) or 'Medium' (M) risk to be delivered over the three years based on risk as well as organisational preparedness for the audits.

- We have issued our draft report for the 2022/23 **Disabled Facilities Grants** audit on 13 February 2023 .

Work in progress

At the time of drafting this report for the 2022/23 plan:

- We have completed fieldwork on the **Business Rates** audit. The draft report is at the final stages of the review process.
- We have completed fieldwork on the **Accounts Payable** audit. The draft report is at the review stage.
- The **Financial Management System (FMS)** audit started on 8 February 2023 and is currently at fieldwork stage.
- The **Commercial Property Estate** audit started on 10 February 2023 and is currently at fieldwork stage.
- The **Accounts Receivable** audit is due to commence on the 17 February and is currently at fieldwork stage.
- The **HR Recruitment** audit is due to start on 20 February 2023.
- The **Building Controls** audit is due to commence on the 6 March 2023.
- The **Freedom of Information Requests/DPA** audit is due to commence on the 8 March 2023.
- The **NFI Data Matching** testing is due to commence in March 2023.

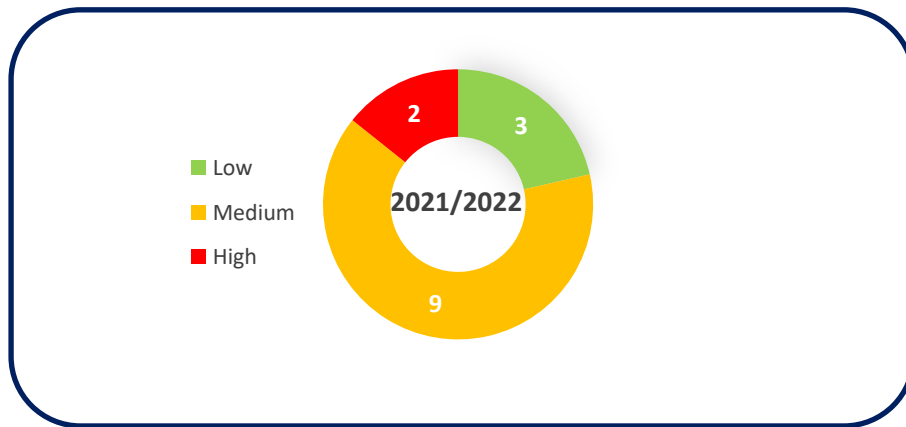
Further details of the Plan timetable and current status are detailed in Appendix A1.

03 Follow-Ups

In the delivery of our work last year, we included relevant recommendations raised by the former Internal Auditor from their 2020/21 Internal Audit reports. Also, we monitored recommendations raised as part of the 2021/22 internal audits and created a centralised record capturing these, including

agreed management actions and timescales for implementation. This has been used as the basis of our follow-up activity.

Four recommendations were due in this reporting period and were all followed up by Internal Audit. We confirmed with the relevant Officers and Senior Council Officers that all four had been actioned as agreed. There are a further 14 recommendations that were raised during 2021/22 but are still within the agreed timescales for implementation and, therefore, not reviewed. Priorities for recommendations raised and to be implemented are as follows:



We will review these as part of cyclical work in 2022/23 (where applicable) and liaise with the responsible Officers for implementing these. We also discuss updates with the Assistant Director Corporate Resources and subsequently with this Committee in due course, including any overdue high-priority actions (i.e., actions past their agreed implementation date).

04 Other Matters

At Mazars, we support the public sector by providing solutions and services that help organisations meet their challenges. We are committed to providing the insight and innovation that helps make informed decisions and

deliver objectives.

In the September 2022 Committee Meeting, the Chair requested Internal Audit to provide guidance on “what Internal Audit expects from the Committee and its Members”. In December 2022, we hosted a discussion forum for local authority Audit Committee Members, in which our team considered the role and purpose of an Audit Committee.

Our team of experts have put together two videos which we hope will help. In the first recording, The Role of the Audit Committee, experts at Mazars explain what audit committee members need to be aware of; how to develop a strong and effective Audit Committee and what questions you should be asking so that an Audit Committee helps public bodies develop good governance, ethical values, effective financial management and reporting to build and maintain public trust and confidence.

[Audit Committee webinar for local authorities - Mazars - United Kingdom.](#)

A1 Current Progress – 2022/23 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Disabled Facilities Grants (DFG)	Draft issued	Substantial*	-	-	1
Business Rates	Fieldwork Complete	-	-	-	-
Accounts Payable (Creditors)	Fieldwork Complete	-	-	-	-
Financial Management System	Started 08/02/2023	-	-	-	-
Commercial & Investment Property Portfolio	Started 10/02/2023	-	-	-	-
Accounts Receivable (Debtors)	Started 17/02/2023	-	-	-	-
HR - Recruitment and Retention	Started 20/02/2023	-	-	-	-
Building Controls	Starts 06/03/2023				
Freedom of Information Requests / DPA	Starts 08/03/2023				
NFI – Data Matching	Work to commence in March 2023	-	-	-	-
IT					
IT Disaster Recovery	Work to commence in April 2023	-	-	-	-
Data Security	Work to commence in April 2023	-	-	-	-
Total			0	0	1

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

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 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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*Where permitted under applicable country laws.

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