



Internal Audit

FINAL

Runnymede Borough Council

Standards and Audit Committee – 18 July 2023

Summary Internal Controls Assurance (SICA) Report

2023/24

July 2023

Summary Internal Controls Assurance

Introduction

1. This summary controls assurance report provides the Standards and Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Runnymede Borough Council as at 30th June 2023

Future of Internal Audit (IA)- Digital drivers

Use of Data analytics by TIAA

2. TIAA is always adopting new ways of working and methodologies including innovative approaches for delivering internal audits. This is part of our continuous improvement programme which facilitates improvements in efficiency, effectiveness, and the quality of the work we deliver. We currently use data analytics as part of our work in relevant areas to test against full data sets, spot hidden risks, to target our testing and to provide 'proof in total' assurance; this adds credibility and value to the reports we produce. Data Analytics helps us to analyse large volumes of data to identify trends, patterns, and anomalies that may indicate potential risks or opportunities for improvement.

How will Artificial Intelligence (AI) enhance the delivery Internal Audit of the future?

3. We believe that the way internal audits are delivered will change significantly in the next 3 to 5 years through the use of AI, through the use of auditing tools which contribute towards a process of continuous audit assurance, a wider use of predictive analytics to allow auditors to provide reports that are far more forward looking, and robotic process automation which will help remove much of the manual data collection work, thereby allowing Internal Audit more time to provide value-added analysis. Another branch of AI, Natural Language Processing (NLP), has the potential of also enabling auditors to analyse text in a large number of documents.
4. In addition to the use of Data Analytics, TIAA is actively exploring, as part of our vision for the future, the use of AI, automation and other digital tools to streamline the audit process, inform planning, reduce manual effort, and enhance the quality of audit results. Automated data collection and analysis will help reduce the time required to complete audits and improve the accuracy and consistency of audit results. Innovative ways of using and integrating artificial Intelligence in the delivery of audits in response to the exponential growth in data, and how it is analysed and used in the context of Internal Audit, is part of TIAA's innovation strategy. We will also as part of our strategy be investigating more opportunities to not only use AI, but also to develop the capabilities to audit AI and the associated ethical considerations.

Audits completed since the last SICA report to the Audit Committee

5. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Audits completed since previous SICA report

| | | Key Dates | | | Number of Recommendations | | | |
|--------------------------------------|-------------|--------------|--------------------|--------------|---------------------------|---|---|-----|
| Review | Evaluation | Draft issued | Responses Received | Final issued | 1 | 2 | 3 | OEM |
| <u>2021/22 Audits</u> | | | | | | | | |
| ICT – Software Asset Management | Reasonable | 08.12.22 | 14.06.23 | 19.06.23 | - | 4 | 1 | 1 |
| ICT – Contract Management | Reasonable | 20.12.22 | 24.04.23 | 25.04.23 | - | 3 | 1 | - |
| <u>2022/23 Audits</u> | | | | | | | | |
| Housing Allocations and Homelessness | Reasonable | 10.05.23 | Not yet received | | - | 4 | - | - |
| ICT – Service Desk | Reasonable | 26.04.23 | Not yet received | | - | 2 | 1 | 1 |
| Key Revenues Controls | Substantial | 20.03.23 | Not yet received | | - | - | 2 | - |
| | | | | | | | | |
| | | | | | | | | |

6. The Executive Summaries and the Management Action Plans for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2023/24 Annual Plan

7. Our progress against the Annual Plan for 2023/24 is set out in Appendix B.

Changes to the Annual Plan 2023/24

8. There are a number of areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2023/24. These are summarised below.

| Review | Rationale |
|--------|-----------|
| None | |
| | |

Progress in actioning priority 1 & 2 recommendations

9. We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. The table below summarises the extent to which confirmation has been received that management actions have been taken that the risk exposure identified has been effectively mitigated. More information is provided in Appendix C.

Mitigating risk exposures identified by internal audit reviews

| Review | Date | Priority 1 | | | Priority 2 | | |
|---------------------------------|------|------------|---|---|------------|---|---|
| ICT – Software Asset Management | | 0 | 0 | 0 | 0 | 4 | 0 |
| ICT – Contract Management | | 0 | 0 | 0 | 0 | 3 | 0 |

Root Cause Indicators

10. The Root Cause Indicators (RCI) have been developed by TIAA to provide a strategic rolling direction of travel governance, risk and control assessment for Runnymede Borough Council. Each recommendation made is analysed to establish the underlying cause of the issue giving rise to the recommendation (RCI). The analysis needs to be considered over a sustained period, rather than on an individual quarter basis. Percentages, rather than actual number of reviews/recommendations made permits more effective identification of the direction of travel. A downward arrow signifies a positive reduction in risk in relation to the specific RCI.

RCI – Direction of Travel Assessment

| Root Cause Indicator | Qtr2 (2022/23) | Qtr 3 (2022/23) | Qtr 4 (2022/23) | Qtr 1 (2023/24) | Medium term Direction of Travel | Audit Observation |
|------------------------|----------------|-----------------|-----------------|-----------------|------------------------------------|-------------------|
| Directed | | | | | | |
| Governance Framework | 37% | 20% | 23% | 14% | | |
| Risk Mitigation | - | - | - | - | | |
| Control Compliance | 63% | 80% | 77% | 86% | | |
| Delivery | | | | | | |
| Performance Monitoring | - | - | - | - | | |
| Sustainability | - | - | - | - | | |
| Resilience | - | - | - | - | | |

Frauds/Irregularities

11. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Other Matters

12. We have issued a number of briefing notes and fraud digests, shown in Appendix D, since the previous SICA report. The actions taken by the Council are summarised below:

Client Briefing Alerts issued by TIAA

| Briefing Note |
|---|
| Five-year local authority audit procurement results announced |
| |
| Anti-Crime Alert |
| Failure to prevent fraud offence |
| Fraud Stop – Spring 2023 |
| Fraud Stop – Healthcare spring 2023 |
| |

Responsibility/Disclaimer

13. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Standards and Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Standards and Audit Committee and therefore is not included in this Appendix.

| Review | Evaluation |
|---------------------------------|------------|
| ICT – Software Asset Management | Reasonable |
| ICT – Contract Management | Reasonable |
| | |

Progress against Annual Plan

| System | Planned Quarter | Current Status | Comments |
|---|-----------------|---|--|
| Data Quality | 1 | Due to commence at the end of July 2023 | |
| Recruitment | 1 | | Audit delayed at the request of the Head of HR |
| Governance - Corporate | 1 | At draft report stage | |
| Procurement/Contracts | 2 | | |
| Risk Management | 2 | | |
| Housing Repair and Maintenance | 2 | Audit in progress | |
| Depot | 2 | | |
| Commercial Property | 2 | | |
| Community Grants | 3 | | |
| ICT – Virtual Cloud Based Approach to DR | 3 | | |
| ICT Audit Follow up of previous recommendations | 3 | | |
| Key Revenues Controls | 3 | | |
| Key Financial Controls | 3 | | |
| Main Accounting | 3 | | |
| Payroll | 3 | | |
| Treasury Management | 3 | | |
| Meals at Home | 3 | | |
| Safeguarding | 3 | | |
| Follow-up | 1-4 | | |

KEY:

| | | | | | | | |
|--|-----------------|--|---------------------|--|---------------------|--|---------------------|
| | To be commenced | | Site work commenced | | Draft report issued | | Final report issued |
|--|-----------------|--|---------------------|--|---------------------|--|---------------------|

Priority 1 and 2 Recommendations - Progress update

| Recommendation | Priority | Management Comments | Implementation Timetable | Responsible Officer | Action taken to date (and any extant risk exposure) | Risk Mitigated |
|--|----------|---|---------------------------------|---|---|----------------|
| ICT – Software Asset Management | | | | | | |
| Management to ensure that the asset registration and control policy is reviewed as soon as possible. The review to ensure that the policy includes the Council's requirements and controls for the management, monitoring and reporting of software assets, including licenses, versions, installed endpoints, enterprise software license agreements, subscriptions and commercial software licenses. | 2 | Agreed. | 29 th September 2023 | Corporate Head of Customer, Digital and Collection Services | | |
| Management to review and update the Digital Services risk register. | 2 | Suggested response (taken from your email with comments from Marcel): Agreed. We are working to take this forward during Q4 23/24. | 29 th March 2024 | | | |

| Recommendation | Priority | Management Comments | Implementation Timetable | Responsible Officer | Action taken to date (and any extant risk exposure) | Risk Mitigated |
|---|----------|--|--------------------------|---------------------------------|---|----------------|
| Digital Services to introduce a regular, at least annual, process of reviewing the software list against data from SCCM, liaising with the infrastructure team to create reporting from the system where necessary. | 2 | <i>We review software installation monthly.</i> <i>Auditor comment: Confirmed.</i> | N/A | N/A | | |
| ICT management to implement Windows Defender Application Control. | 2 | <i>There are currently too many issues with WDAC to implement. As a workaround, we are monitoring software installation through SCCM and remove unauthorised software.</i> <i>Auditor comment: Confirmed.</i> | N/A | N/A | | |
| ICT – Contract Management | | | | | | |
| Management to document a corporate Contract Management Policy that undergoes regular review. | 2 | <i>Agreed.</i> | <i>Quarter 2 2023</i> | <i>Head of digital services</i> | | |
| Management to review and update the Digital Services risk register as intended. | 2 | <i>The corporate risk register has been updated.</i> | <i>Completed</i> | <i>n/a</i> | | |
| Management to satisfy themselves that the items in question have been addressed. | 2 | <i>The IKEN system has now been replaced with a cloud version. The go live for the new system was January 2023 and we are satisfied that the areas listed have been addressed.</i> | <i>Completed</i> | <i>n/a</i> | | |

KEY:

Priority Gradings (1 & 2)

| | | | | | |
|---|--------|--|---|-----------|--|
| 1 | URGENT | Fundamental control issue on which action should be taken immediately. | 2 | IMPORTANT | Control issue on which action should be taken at the earliest opportunity. |
|---|--------|--|---|-----------|--|


Risk Mitigation

| | | | | | |
|---------|--|-----------|--|---------|--|
| CLEARED | Internal audit work confirms action taken addresses the risk exposure. | ON TARGET | Control issue on which action should be taken at the earliest opportunity. | EXPOSED | Target date not met & risk exposure still extant |
|---------|--|-----------|--|---------|--|




Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk, Control and Anti-Crime which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs and Anti-Crime Alerts issued in the last three months which may be of relevance to Runnymede Borough Council is given below. Copies of any CBNs are available on request from your local TIAA team.

Summary of recent Client Briefing Notes (CBNs)

| CBN Ref | Subject | Status | TIAA Comments |
|-----------|---|--|---|
| CBN 23031 | Five-year local authority audit procurement results announced |  | Action Required Audit Committees and Boards / Governing Bodies are advised to familiarise themselves with the new guidance. |

Summary of recent Anti-Crime Alerts

| Ref | Subject | Status | TIAA Comments |
|-----------|-------------------------------------|--|--|
| CBN 23006 | Failure to prevent fraud offence |  | Action Required For information only to Audit Committees and Boards / Governing Bodies |
| N/A | Fraud Stop – Spring 2023 |  | Action Required For information only to Audit Committees and Boards / Governing Bodies |
| N/A | Fraud Stop – Healthcare spring 2023 |  | Action Required For information only to Audit Committees and Boards / Governing Bodies |