

Audit Committee – 23 February 2024

Title of paper:	Internal Audit Report – No Assurance Reports	
Director(s)/ Corporate Director(s):	Ross Brown, Corporate Director of Finance & Resources	Wards affected: All
Report author(s) and contact details:	Simon Parsons John Slater Audit Manager Group Assurance & Audit Governance Manager	
Other colleagues who have provided input:	None	
Does this report contain any information that is exempt from publication?		
Yes An appendix to this report is exempt under paragraph 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information). It is not in the public interest to disclose this information because it highlights a weakness in the Council's systems that potentially poses a risk to the security of the council's buildings and assets contained within them		
Recommendation(s):		
1.	Consider the responses from management regarding action taken to date two follow-ups	

1. Reasons for recommendations

- 1.1 The Public Sector Internal Audit Standards set out the role of the Audit Committee in relation to Internal Audit and the standards include the requirement to receive reports from Internal Audit on significant risk exposures and control issues.
- 1.2 This report has been submitted to update Committee on the results of completed follow up reviews in respect of two 'No Assurance' reports previously reported in September.

2. Follow-up of No Assurance Reports presented in September 2023

Appointeeship

- 2.1 The following concerns arose from our report
 - System used to manage the finances of citizens not fit for purpose.
 - Lack of transparency over balances held, true position for each citizen not apparent. This impacts on the Council's ability to demonstrate that it is acting in the best interests of each client.
 - No effective monitoring of appointeeship accounts, with the risk that inaccurate information is passed to the DWP
 - Inadequate separation between citizen's monies and NCC funds.
 - Council holding in excess of £1m in respect of deceased persons accounts
- 2.2 As requested by the committee we have recently followed up the concerns and found that progress is being made to address the recommendations as set out in Appendix 2 with:

- Procedures and procedure guides relating the Financial Protection Module having been reviewed
- Decisions made on the “ARS Spare account” balances.
- Training has been provided to colleagues to ensure ARS have some resilience in the operation of the Financial Protection Module.
- Balances on Appointeeship accounts have been reviewed. Ascertained balances on externally held savings accounts have been reported to the DWP and to the Deputyship Team.
- However, the fundamental issues surrounding the use of the Financial Protection Module still exist. In mitigation it is fair to state that a decision has been made to transfer all live appointeeship clients to the Deputyship Team, where their accounts will be administered using the more appropriate CASPAR system. A project plan has been developed to manage and control the transfer process and at the point of our follow-up 21 clients have been transferred to the Deputyship Team. 262 still needed to be processed. We acknowledge that external factors, such as the DWP and Lloyds Bank ability to process change requests promptly will hamper the progress of this transfer process.

2.3 Whilst we accept the steps taken as set out above and the limitations noted, the fundamental issue still exists in that there is no transactional transparency for the existing system, therefore our opinion at this stage remains as **No assurance**.

2.4 The service will provide a verbal update of progress made and how they intend to pursue their action plan to address the Internal Audit recommendations.

HR/Payroll

2.5 The following concerns arose from our report

2.6 Particular areas of concern included:

- An absence of ownership & accountability within HR & EDI for ensuring organisational compliance with internal controls and critical processes, i.e. no monitoring of compliance and no challenge to non-compliance.
- The Pay and Governance Board had not met since the Covid Pandemic.
- Inability to demonstrate compliance with legislation in relation to Right to Work Checks for employees under Transfer of Undertakings (Protection of Employment).
- Overpaying and underpaying employees in a number of different ways.
- HR & EDI not applying the Special Payments Guidance consistently, creating an equal pay liability risk. Scrutiny, review and monitoring set forth within the policy had not been undertaken.
- HR & EDI assert line managers are responsible for ensuring pay is correct but Line Managers were often unable to explain why pay decisions have been taken for employees under their responsibility and storage of documentation to explain decisions about pay is inadequate
- A number of data quality / integrity issues affecting the Oracle Fusion HCM system in its use and outcome.

- 2.7 As requested by the committee we have recently followed up the concerns and found that the original concerns remain current as set out in Appendix 3, therefore our opinion at this stage remains as **No assurance**.
- 2.8 Key points from this follow up included:
- We still assess that there is poor system of internal control and consistent non-compliance with key controls resulting in monetary impact to the organisation affecting its ability to achieve its objectives.
 - We recognise work is ongoing to improve controls and some monitoring of non-compliance has taken place, but controls do not appear to be in regular operation to address non-compliance across the organisation.
 - The Pay Governance Board responsible for monitoring the application of the council's pay policy has met once but was deprioritised in November 2023. There is a need for more data to support the board and it is not clear if non-compliance identified by the board will be adequately challenged.
 - Issues with employee pay, caused by failures in the automated progression of grade were resolved through changes in overall organisational pay rather than action taken by HR & EDI to address issues identified by Internal Audit. There is a risk these issues could reoccur and it is not clear if exception report monitoring will continue beyond July 2024.
 - Redesign of establishment controls have been under development with PWC for nine months and are not operational at this time. We have no information about the proposed monitoring activity to ensure the controls are in operation, which is an important consideration in view of the historic weaknesses in the organisation's compliance with policy.
- 2.9 The service will provide a verbal update of progress made and how they intend to pursue their action plan to address the Internal Audit recommendations.
- 3. Background papers other than published works or those disclosing exempt or confidential information**
- 3.1 None
- 4. Published documents referred to in compiling this report**
- 4.1 Public Sector Internal Audit Standards (2017 update)