

**Report of the Chief Audit and Control Officer**

<b>INTERNAL AUDIT PROGRESS REPORT</b>
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1. Purpose of Report

To inform the Committee of the recent work completed by Internal Audit.

2. Recommendation

**The Committee is asked to NOTE the report.**

3. Detail

Under the Council's Constitution and as part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit. A summary of the reports issued and progress against the agreed Internal Audit Plan is included at appendix 1. A summary narrative of the work completed by Internal Audit since the previous report to this Committee is also included.

Internal Audit has also reviewed progress made by management in implementing agreed actions within six months of the completion of the respective audits. Details of this follow-up work are included at appendix 2. Where agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

Further progress reports will be submitted to each future meeting of this Committee. A final report will be prepared for Members' consideration at the next meeting of this Committee detailing the overall performance and productivity of Internal Audit for 2021/22.

4. Background Papers

Nil.

## APPENDIX 1

## INTERNAL AUDIT REPORTS ISSUED SINCE OCTOBER 2021

No	Audit Title	Report Issued	Assurance Opinion	Actions - Significant	Actions - Merits Attention
12	Human Resources	21/10/21	Substantial	0	1
13	Financial Appraisal – Changing Places	27/10/21	n/a	-	-
33	Housing Voids Management	09/11/21	Reasonable	0	2
14	Payroll	09/11/21	Substantial	0	0
15	Procurement and Commissioning	10/11/21	LIMITED	1	2
16	Financial Appraisal – Stapleford Hub	15/11/21	n/a	-	-
17	Creditors and Purchasing	18/11/21	Reasonable	0	7
18	Homelessness	02/12/21	Substantial	0	1
19	Transport and Fleet Management	09/12/21	Substantial	0	1
20	Public Buildings Maintenance	21/12/21	Substantial	0	0
21	Bank Reconciliation	11/01/22	Substantial	0	1
22	Garden Waste Collection	19/01/22	Substantial	0	1
23	Financial Appraisal – Stapleford Hub	01/03/22	n/a	-	-
24	Environmental Health	02/03/22	Reasonable	0	3
25	Customer Services	07/03/22	Reasonable	0	2
26	Bramcote Leisure Centre	11/03/22	Reasonable	0	3
27	<b>Treasury Management</b>	<b>11/03/22</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
28	<b>Financial Appraisal – TCRF Applicant</b>	<b>16/03/22</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
29	<b>Financial Appraisal – TCRF Applicant</b>	<b>17/03/22</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
30	<b>Financial Appraisal – TCRF Applicant</b>	<b>30/03/22</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
1	<b>Homelessness Prevention Grant Return</b>	<b>12/04/22</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
2	<b>Financial Appraisal – High Hazels Court</b>	<b>26/04/22</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
3	<b>Council Tax</b>	<b>11/05/22</b>	<b>Substantial</b>	<b>0</b>	<b>1</b>
31	<b>DH Lawrence Birthplace Museum</b>	<b>12/05/22</b>	<b>Reasonable</b>	<b>0</b>	<b>2</b>

## REMAINING INTERNAL AUDIT PLAN 2021-22

Audit Title	Progress
Grounds Maintenance Services	Draft Report Sent
Corporate Governance	In Progress (nearing completion)
Stapleford Town Fund	In Progress
Health and Safety	In Progress
Commercial/Industrial Properties	Expected to commence in current quarter
Housing Repairs	Expected to commence in current quarter

**COMPLETED AUDITS**

A report is prepared for each audit assignment and issued to the relevant senior management at the conclusion of a review that will:

- include an overall opinion on the adequacy of controls within the system to provide assurance that risks material to the achievement of objectives are adequately managed – the opinion being ranked as either ‘Substantial’, ‘Reasonable’, ‘Limited’ or ‘Little’ assurance;
- identify inadequately addressed risks and non-effective control processes;
- detail the actions agreed with management and the timescales for completing those actions, and;
- identify issues of good practice.

Recommendations made by Internal Audit are risk assessed, with the agreed actions being categorised accordingly as follows:

- Fundamental – urgent action considered imperative to ensure that the Council is not exposed to high risks (breaches of legislation, policies or procedures)
- Significant – action considered necessary to avoid exposure to significant risk.
- Merits Attention (Necessary Control) – action considered necessary and should result in enhanced control or better value for money.
- Merits Attention – action considered desirable to achieve enhanced control or better value for money.

The following audit reports have been issued with key findings as follows:

1. **Treasury Management**

Assurance Opinion – **Substantial**

The specific audit objectives sought to confirm whether adequate management control exists to provide assurance that:

- Adequate and approved policies, procedures and guidance notes are in place for Treasury Management. The Treasury Management Policy reflects all relevant legislation and guidance including the current CIPFA code of Practice.
- Treasury transactions are subject to appropriate review and authorisation prior to execution.
- Short-term and mid-term investment and borrowing decisions are based upon sound cash flow forecasts, portfolio information and in line with appropriate advice.
- The performance of the treasury management function is reported on and monitored for compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and other current regulations.

Internal Audit was pleased to report that the Council has an appropriate framework in place for the management and administration of operations in respect of Treasury Management.

No significant areas of concern were noted during the course of the audit. The findings arising from the review did not indicate any significant areas for improvement and, accordingly, a clearance report was issued on this occasion.

2. **Financial Appraisals – Town Centre Recovery Fund Grant Applications**

Internal Audit provided three financial appraisals of business which had applied for grants from the Stapleford Town Centre Recovery Fund. These reviews were requested by the Regeneration Project Manager, with management requiring consideration of the financial viability of the applicants in order to evidence that the payment of a grant from the fund would be reasonable and to reduce the risk of fraud.

The reviews were produced on the basis of information received from the applicants, reports obtained from 'Creditsafe' (a credit referencing agency), financial data retrieved from Companies House and other publicly available information. No specific cause for financial concern was noted in reference to any of the three applicants. The findings were reported to senior management and the officer requesting the reports.

### 3. **Homelessness Prevention Grant Return**

Internal Audit was requested by the Housing Operations Manager to review and submit a return to the Department for Levelling Up, Housing and Communities. The purpose of the return was to confirm that the grants awarded to the Council for the prevention of homelessness and rough sleeping during 2021-22 had been spent in accordance with the conditions of the grant. A confirmation of the total amount of grant monies spent was also required.

No issues were noted as part of this review and the return was submitted to Government accordingly.

### 4. **Financial Appraisal – Tenancy Application, High Hazels Court**

Internal Audit provided a financial appraisal of a company which had applied to become a tenant at the industrial unit site at High Hazels Court, Newthorpe. This review was requested by the Estates Officer, with management requiring consideration of the financial viability of the company in order to assess the level of risk to the Council in awarding a tenancy.

The review was produced on the basis of information received from the applicant, financial data retrieved from Companies House and other publicly available information. No specific cause for financial concern was noted. The findings were reported to senior management and the officer requesting the report.

### 5. **Council Tax**

Assurance Opinion – **Substantial**

The specific audit objectives sought to confirm whether adequate management control exists to provide assurance that:

- Council Tax is being correctly calculated and the bills are accurately and efficiently raised and distributed.
- Billed amounts are efficiently collected and accounted for correctly, with outstanding debts being efficiently and effectively managed.
- Applied reliefs and discounts to accounts are valid, controlled and managed.
- Refunds and write-offs are valid and appropriately authorised.
- Arrangements for detecting and managing fraud are robust.

Internal Audit was pleased to report that the Council has an appropriate framework in place for the management and administration of operations in respect of Council Tax.

The review identified one area for improvement with one 'Merits Attention – Necessary Control' action being agreed in order to improve controls over the detection and prevention of fraudulently claimed Single Person Discount.

6. **DH Lawrence Birthplace Museum** Assurance Opinion – **Reasonable**

The specific audit objectives sought to confirm whether adequate management control exists to provide assurance that:

- Appropriate measures are in place to facilitate bookings and ensure admission charges are collected and banked.
- The museum shop is operating in an appropriate and effective manner.
- Appropriate health and safety measures and insurance cover are in place.

Internal Audit was pleased to report that the Council has an appropriate framework in place for the management and administration of operations in respect of operations at the DH Lawrence Birthplace Museum.

The review identified two areas for improvement with two 'Merits Attention – Necessary Control' actions being agreed in order to improve controls over performance monitoring and stock control.

Further reviews in respect of Grounds Maintenance, Corporate Governance, the Stapleford Town Fund and Health and Safety are ongoing and the reports have yet to be finalised.

**Current Audit Performance**

Overall, the current level of performance for 2021/22 in terms of audits completed and in progress is similar to what has been achieved at this stage in pre-pandemic years. The target of 90% completion of the Internal Audit Plan is expected to be achieved.

## APPENDIX 2

**INTERNAL AUDIT FOLLOW-UP**

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit. The table below provides a summary of the progress made with agreed actions for internal audit reports issued and where actions have now become due for follow-up. Those audits where all actions have previously been reported as completed have been excluded from this list.

Audit Title	Report Issued	Original Assurance Opinion	Number of Actions (Significant in brackets)	Progress
Cemeteries	25/06/18	Substantial	1	Completed
Cash Receipting (Payment Kiosk)	05/06/20	LIMITED	7 (2)	Superseded
Financial Resilience	03/07/20	Reasonable	4	1 Outstanding
Local Authority Trading Company	06/07/20	Reasonable	3 (1)	2 Outstanding
Housing Delivery Plan	08/06/21	Substantial	3 (1)	2 Outstanding
Sundry Debtors	04/08/21	Reasonable	5	2 Outstanding
Procurement and Commissioning	10/11/21	LIMITED	4 (1)	2 Outstanding

Note: The 'original assurance opinion' listed refers to the individual opinions provided by Internal Audit at the date of concluding the audit. The summary details regarding the 'limited' assurance opinion reports were presented to this Committee on 20 July 2020 for Cash Receipting (Payment Kiosk) and 29 November 2021 for Procurement and Commissioning.

Further details of progress being made with agreed actions that have not yet been fully implemented are included below along with comments from management reflecting any updates on progress. Evidence of implementation will not be routinely sought for all actions as part of this monitoring process. Instead, a risk-based approach will be applied to conducting further follow-up work. Actions marked as 'superseded' refer to occasions where either 1) developments within the relevant Council department, or the environment within which the department operates, have occurred since the date of the original audit report and the action is no longer relevant or considered a priority in light of the consequent change to the Council's risk profile; or, 2) an alternative action has been implemented to mitigate the risk identified.

Where the agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

**OUTSTANDING ACTIONS****1. Financial Resilience****1.1 CIPFA Financial Resilience Index**Agreed Action (Merits Attention 'Necessary Control')

It is anticipated that the CIPFA Financial Resilience Index will be refined post Covid-19 to ensure that it remains fit for purpose. The benefits of using this analytical tool to support good financial management and provide a common understanding amongst managers and members of the current financial position and potential risks are acknowledged. Further work in developing this for Broxtowe, at least in the short-term, will be dependent upon further updates from CIPFA.

Manager Responsible  
Deputy Chief Executive

Target Date: 31 March 2021

**Progress Report of the Deputy Chief Executive**

The 2022 update of the CIPFA Financial Resilience Index has only recently been published. As one of several key tools which assist the Council in understanding its overall financial position relative to comparable and neighbouring Authorities, the Index data will be reviewed and any insights considered and actioned as appropriate.

**Revised Target Date: 30 September 2022**

**2. Local Authority Trading Company****2.1 Revision and Update of Service Management Agreement**Agreed Action (Significant)

The Council's new Leisure Facilities Strategy is currently being developed, although its full adoption and implementation will be a long-term project. In the meantime, it is anticipated that the proposed Strategy will have been developed by late summer 2020. At this stage, the Strategy will be used as the starting point for an initial review of the Service Management Agreement between the Council and the Company.

Managers Responsible  
Deputy Chief Executive  
Leisure Client Officer  
Managing Director – Liberty Leisure Limited

Target Date: 31 October 2020

**Progress Report of the Deputy Chief Executive and Leisure Client Officer**

At the present time the priority continues to be the finalisation of the new arrangements with Kimberley School for the continued operation of Kimberley Leisure Centre. Currently the TUPE of staff is being finalised, along with the Licence to Occupy and it is expected this will be completed by May 2022 with a transfer to the new arrangement taking place on 1 September 2022.

Development of the Leisure Facilities Strategy has commenced in conjunction with external consultants. The review of the Service Management Agreement is expected to follow the Kimberley School work commencing June 2022.

**Revised Target Date: 31 December 2022**

## 2.2 Review of Joint-Use Agreement with Chilwell School

### Agreed Action (Merits Attention 'Necessary Control')

The ongoing review and re-negotiation of the Joint-Use Agreement with Chilwell School will recommence, in conjunction with Legal Services, with a view to finalising the agreement.

### Managers Responsible

Deputy Chief Executive

Leisure Client Officer

Target Date: 30 April 2021

### Progress Report of the Deputy Chief Executive and Leisure Client Officer

At the present time the priority continues to be the finalisation of the new arrangements with Kimberley School for the continued operation of Kimberley Leisure Centre. A review of the Joint-Use Agreement with Chilwell School is expected to follow the Kimberley Leisure Centre work, commencing June 2022.

Revised Target Date: 31 December 2022

## 3. Housing Delivery Plan

### 3.1 Revision and Update of the Housing Delivery Plan

#### Agreed Action (Merits Attention 'Necessary Control')

The Housing Delivery Plan will be refreshed and updated, in consultation with the Head of Housing, to fully reflect the current aspirations and potential of the project. An update report will be presented to the Housing Committee accordingly.

#### Managers Responsible

Head of Asset Management and Development

Housing Delivery Manager

Target Date: 31 December 2021

### Progress Report of the Housing Delivery Manager

A review of the adopted Housing Delivery Plan will be undertaken at the next meeting of the Housing Delivery Group (an inter-departmental officer group) in May 2022. Following this a report will be prepared for Cabinet during summer 2022 outlining the strategy for the future development of the Housing Delivery Plan.

Revised Target Date: 31 July 2022

### 3.2 Risk Register

#### Agreed Action (Merits Attention 'Necessary Control')

A standalone project-specific risk register for the Housing Delivery Plan will be developed and maintained.

#### Managers Responsible

Head of Asset Management and Development

Housing Delivery Manager

Target Date: 31 August 2021

### Progress Report of the Housing Delivery Manager

A risk register for the Housing Delivery Plan will be developed following the review of the Housing Delivery Plan and presented to Cabinet during summer 2022.

Revised Target Date: 31 July 2022

## 4. Sundry Debtors

### 4.1 Production of Accounts

Agreed Action (Merits Attention 'Necessary Control')

A periodic reminder will be sent to all system users regarding the need to appropriately record VAT. This will refer to the guidance offered through the VAT Manual; advice and support available from Accountancy; and the subsequent checking of significant debtor accounts to ensure the appropriate VAT treatment.

There will be further work to develop a common approach to raising sundry debtor accounts. This could include a 'sundry debtor request form' being completed for every account raised that will include links to supporting documents like agreements and rechargeable works invoices to assist in the production of accurate bills (including the appropriate VAT treatment) and the recovery of debt.

Managers Responsible

Head of Finance Services

Head of Revenues, Benefits and Customer Services

Quality and Control Manager

Target Date: 31 October 2021

### 4.2 Access Permissions – Systems Access Requests

Agreed Action (Merits Attention 'Necessary Control')

System access permissions request forms for new users will be completed for each and every request and filed electronically for easy access and completeness of audit trail. An annual review of system users and access permissions will be conducted jointly with the Accountancy team and in conjunction with the respective Heads of Service.

Managers Responsible

Head of Finance Services

Head of Revenues, Benefits and Customer Services

Quality and Control Manager

Target Date: 31 October 2021

### **Progress Report of the Head of Finance Services and Head of Revenues, Benefits and Customer Services**

The Council has experienced a significant turnover of staff within the Finance Team during the previous 18 months. Now the team is almost back to previous staffing levels, the Council is in a position to fully consider the recommendations raised and apportion the responsibilities accordingly. The Head of Finance Services and the Head of Revenues, Benefits and Customer Services will work together to establish the responsibilities and progress each action in due course.

**Revised Target Date (both outstanding actions): 30 June 2022**

**5. Procurement and Commissioning**

Nov 2021, Limited Assurance, Actions – 4

**5.1 Procurement Training**Agreed Action (Merits Attention)

A procurement e-learning module will be developed to support the embedding of the Procurement and Commissioning Strategy. This will complement the existing support and guidance that is already available on the intranet and website.

Managers Responsible

Interim Procurement and Contracts Officer

Target Date: 30 June 2020  
(carried forward from previous

audit)

**Progress Report of the Head of Finance Services and Interim Procurement and Contracts Officer**

Initial progress made in conjunction with the Learning and Development Officer to develop an e-learning facility was unfortunately hampered by officer turnover. Since then, efforts have been focussed on finding and developing a suitable module for the 'Broxtowe Learning Zone'. In the meantime, regular training updates and reminders have been provided to service/contract managers. It is now a priority to deliver this action by the revised target date.

**Revised Target Date: 31 July 2022**

**5.2 Formal Procedure for Committee Approval**Agreed Action (Merits Attention 'Necessary Control')

A procedure will be established to obtain formal approval from GMT and/or the relevant Committee prior to tendering in order to clearly establish reporting expectations and approval requirements.

Managers Responsible

Head of Finance Services

Interim Procurement and Contracts Officer

Target Date: 31 March 2022

**Progress Report of the Head of Finance Services and Interim Procurement and Contracts Officer**

A pre-tender procedure is being developed to obtain formal approval from GMT and/or Cabinet that will clearly establish reporting expectations and approval requirements in advance of any tender exercise. As part of this process, the Contracts Register will be presented regularly to GMT showing the current status of contracts and proposed actions upon expiry. This will include any contracts where it is proposed to extend due to an excessive cost of change (such as ICT software systems) which would far outweigh any benefit of tendering. It is intended to deliver this action by the revised target date.

**Revised Target Date: 31 July 2022**