

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PROGRESS REPORT1. 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 detailing the overall performance and productivity of Internal Audit for 2021/22 is presented to this Committee alongside this report.

4. Financial Implications

The annual cost of the Internal Audit activity is included within established Finance Services budgets. The salary cost for Internal Audit was underspent in 2021/22 due to the vacancy referred to in the report.

5. Legal Implications

This report already sets out the legal framework for Internal Audit to provide a summary of internal audit work. It addresses the statutory obligations for local audit processes. The Local Government Act 1972 and subsequent legislation sets out a duty for the Council to make arrangements for the proper administration of its financial affairs. This report also complies with the requirements of the following:

- Local Government Act 1972
- Accounts and Audit Regulations 2015
- CIPFA/IIA: Public Sector Internal Audit Standards (PSIAS)
- CIPFA/IIA: Local Government Application Note for the UK PSIAS 33.

The provision of an Internal Audit service is integral to financial management at the Council and assists in the discharge of its duties.

6. Background Papers

Nil.

APPENDIX 1

INTERNAL AUDIT REPORTS ISSUED SINCE JANUARY 2022

No	Audit Title	Report Issued	Assurance Opinion	Actions - Significant	Actions - Merits Attention
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	No cause for financial concern noted		
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	Treasury Management	11/03/22	Substantial	0	0
28	Financial Appraisal – TCRF Applicant	16/03/22	No cause for financial concern noted		
29	Financial Appraisal – TCRF Applicant	17/03/22	No cause for financial concern noted		
30	Financial Appraisal – TCRF Applicant	30/03/22	No cause for financial concern noted		
1	Homelessness Prevention Grant Return	12/04/22	Submitted with no issues noted		
2	Financial Appraisal – High Hazels Court	26/04/22	No cause for financial concern noted		
3	Council Tax	11/05/22	Substantial	0	1
31	DH Lawrence Birthplace Museum	12/05/22	Reasonable	0	2
32	Corporate Governance	16/05/22	Annual Governance Statement ‘Approved’		
4	Financial Appraisal – TCRF Applicant	26/05/22	No cause for financial concern noted		
5	Financial Appraisal – TCRF Applicant	30/05/22	No cause for financial concern noted		
6	Cash Receipting	20/06/22	Audit re-scoped (see paragraph 3 below)		
7	Financial Appraisal – TCRF Applicants	21/06/22	No cause for financial concern noted		
8	‘Protect and Vaccinate’ Grant Return	24/06/22	No issues noted – return submitted		
33	Grounds Maintenance Services	27/06/22	LIMITED	1	2
34	Health and Safety	11/07/22	Reasonable	0	3

REMAINING INTERNAL AUDIT PLAN 2022-23

Audit Title	Progress
Licensing	In progress
Major Projects Dashboard	In progress
Financial Resilience	In progress
Rents	Not yet commenced
Former Council House Repurchasing	Not yet commenced
Right-to-Buy	Not yet commenced
Housing Management System	Not yet commenced
Choice Based Lettings	Not yet commenced
Human Resources	Not yet commenced
Local Authority Trading Company	Not yet commenced
Benefits	Not yet commenced
Business Rates (NNDR)	Not yet commenced
Council Tax	Not yet commenced
Sundry Debtors	Not yet commenced
Bank Reconciliation	Not yet commenced
Creditors and Purchasing	Not yet commenced

Key Reconciliations	Not yet commenced
Gas Servicing and Maintenance	Not yet commenced
Electrical Testing	Not yet commenced
Climate Change	Not yet commenced
Business Support	Not yet commenced
Business Continuity	Not yet commenced
Payroll	Not yet commenced
Information Management	Not yet commenced
Operational Risk Management – Kimberley Depot	Not yet commenced
Waste Management (including Trade Waste)	Not yet commenced
Legal Services	Not yet commenced
Kimberley Leisure Centre	Not yet commenced
Stapleford Town Fund	Postponed pending management changes
Commercial/Industrial Properties	Postponed pending management changes
Housing Repairs	Postponed pending outcome of external review

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. Corporate Governance

As part of the Council's Corporate Governance Framework, the Chief Audit and Control Officer is required to review the draft Annual Governance Statement for 2021/22, approved by this Committee on 16 May 2022.

The Chief Audit and Control Officer found that the significant governance issues raised in the statement were considered to be appropriate. It was also found that the issues carried forward from the previous year had been addressed or were ongoing items that are in the process of being addressed. With regard to the audits completed during the year, no actions were classed as being critical where action was considered imperative to ensure that the Council was not exposed to high risks. Where a limited assurance opinion was issued, the outstanding actions from these audits are not thought to be significant to the preparation of the Annual Governance Statement.

Accordingly, the Chief Audit and Control Officer has confirmed that he considers that the current internal control environment is satisfactory such as to maintain the adequacy of the governance framework.

2. Financial Appraisals – Town Centre Recovery Fund Grant Applications

Internal Audit provided several financial appraisals of businesses 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 applicants. The findings were reported to senior management and the officer requesting the reports.

3. Cash Receipting

An audit of Cash Receipting was included within the Internal Audit Plan for 2020/21. The focus of this review was intended to be the operations of the cash 'kiosk' located within the Council's reception area.

During the Covid-19 pandemic and associated periods of 'lockdown', the kiosk was decommissioned. Consequently, the audit of Cash Receipting was deferred, initially from 2020/21 to 2021/22 and then further into the current financial year.

As the kiosk has now been permanently decommissioned as residents and other customers of the Council have migrated to electronic methods of payment, Internal Audit has taken the opportunity to review the arrangements across the Council for the receipt of cash.

It was confirmed that the amount of cash the Council is now required or requested to receive is now minimal and very much processed by exception. Only two departments – Bramcote Crematorium and Markets – continue to receive a material amount of cash on a regular basis.

Accordingly, the planned audit of Cash Receipting has been re-scoped in order to focus on the arrangements within these two specific service areas. Supplementary reports of any recommendations arising from a review of cash handling at Bramcote Crematorium and Markets will be presented to Management and reported to this Committee in due course.

4. **'Protect and Vaccinate' 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 purposes of the 'protect and vaccinate' scheme 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.

5. **Grounds Maintenance Services**

Assurance Opinion – **LIMITED**

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

- The work of the Grounds Maintenance section is governed by an appropriately approved strategy and policy document(s).
- An appropriate management structure is in place to ensure operational compliance with Council strategy.
- Appropriate procurement procedures are in place for all work undertaken by external contractors (including agency staff) on behalf of the Council.
- Arrangements to deliver services to external organisations are appropriately documented and accompanied by robust financial management.

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 Grounds Maintenance.

The review indicated further areas for improvement and recommendations were proposed in order to ensure that processes and controls in place are effective. Internal Audit included one 'significant' action relating to non-compliance with the Council's Financial Regulations and Procurement and Commissioning Strategy, as follows:

Procurement of Grounds Maintenance Services

A number of functions such as hedge-cutting, garden maintenance and specialist tree work are performed by contractors on behalf of the Council.

A review of the of the supplier payments for the year 2021/22 identified that the Council uses a small number of suppliers to provide these services and this has also been the case historically.

It was identified that the services procured from these companies was done on the basis of pricing schedules and quotes for individual works. No tendering process or similar formal procurement activity has been undertaken, such as is required by the Council's Constitution and Procurement and Commissioning Strategy.

Agreed Action (Significant)

An action plan will be produced and implemented to undertake a comprehensive review of the procurement of externally-sourced Grounds Maintenance services to ensure compliance with the Council's Constitution, Procurement and Commissioning Strategy and other legislative requirements.

Managers Responsible

Head of Environmental Services
Parks and Green Spaces Manager
2022

Target Date: 31 July

Two further 'Merits Attention – Necessary Control' actions were agreed, both of which related to the improvement of financial controls (one regarding invoicing and income recording, the other the recharging of costs to other Council departments).

6. **Health and Safety**

Assurance Opinion – **Reasonable**

The specific audit objectives sought to confirm whether the following key risks are adequately mitigated or otherwise managed:

- Health and Safety Policies and Procedures fail to comply with current legislation.
- Roles and responsibilities in relation to Health and Safety are inappropriately managed.

- Comprehensive and documented risk assessments have not been adequately prepared and reviewed.
- The process for recording, reporting and reviewing accidents and near misses is ineffective.
- First aid and fire safety provision is inadequate.

The review indicated further areas for improvement and three recommendations were agreed relating to the recording of risk assessments, internal 'publicity' of designated first-aiders and a refresh of the first aid kits provided in Council premises.

Current Audit Performance

A full review of the performance of Internal Audit for 2021/22 may be found in the Annual Review Report presented to this Committee alongside this Progress Report.

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
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	Completed
Procurement	10/11/21	LIMITED	4 (1)	1 Outstanding
Creditors and Purchasing	18/11/21	Reasonable	7	2 Outstanding
Homelessness	02/12/21	Substantial	1	Completed
Transport and Fleet Management	09/12/21	Substantial	1	Completed
Bank Reconciliation	11/01/22	Substantial	1	Completed

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 report were presented to this Committee on 29 November 2021 for Procurement.

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 during July 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 August 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 September 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 June 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. Procurement

Nov 2021, Limited Assurance, Actions – 4

4.1 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

Procurement and Contracts Officer

Target Date: 30 June 2020
(carried forward from previous

audit)

Progress Report of the Interim Procurement and Contracts Officer

Work has commenced in collaboration with the Training Section to source a module within the 'Broxtowe Learning Zone' suitable for adaptation to the Council's specific requirements. Finalisation of the module and roll-out to relevant managers and employees will be completed shortly after the planned review of the Council's Financial Regulations.

Revised Target Date: 30 November 2022

5. Creditors and Purchasing

5.1 Implementation of Kofax

Agreed Action (Merits Attention 'Necessary Control')

Significant progress has been made with the implementation of the Kofax intelligent scanning project and an update report will shortly be presented to GMT. A recent offer of external consultancy support has been made, but this may not be required with the project already moving towards completion.

The project management of the Kofax system implementation was assigned to the Principal Accountant (currently vacant and being filled on an interim basis), with operational support from the Projects and Performance Officer. In the meantime, the Head of Finance Services will assume responsibility for monitoring and providing feedback on progress and any issues identified. Going forward, the benefits of establishing an Officer Working Group to raise, discuss and resolve issues will be considered.

Managers Responsible

Head of Finance Services

Chief Accountant

Principal Accountant

Target Date: 31 March 2022

Progress Report of the Head of Finance Services

Progress continues to be made with processing more transactions through the Kofax intelligent scanning system. The new Principal Accountant has been assigned to help lead the project implementation team and tasks allocated to extend usage and provide training and solutions. This work will be completed over the summer months once other priorities with final accounts have been completed.

Revised Target Date: 31 October 2022

5.2 Supplier Bank Details

Agreed Action (Merits Attention 'Necessary Control')

The process for adding and updating supplier bank account details will be reviewed, in conjunction with the software supplier and benchmarked against other local authority users of this system. The system functionality and reporting will determine the approach but essential measures will be taken to ensure that adequate segregation of duties are maintained and enhanced management information can be produced by the system in relation to bank account changes.

Managers Responsible

Chief Accountant

Principal Accountant

Target Date: 31 March 2022

Progress Report of the Head of Finance Services

The process for adding and updating supplier bank account details is well-established and effective. However, the whole process will be reviewed and stress tested to ensure that it remains fit for purpose in combatting potential fraudsters. This work will be completed over the summer months once other priorities with final accounts have been completed.

Revised Target Date: 31 August 2022