

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 appendices 1 and 3 of the report and to RESOLVE that the revision to the Internal Audit Plan for 2022/23 as proposed in appendix 2 be approved.

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.

Members of this Committee will recall that between October 2021 and July 2022 a vacancy existed within the Internal Audit team. This was a result of the secondment and subsequent promotion of a Senior Internal Auditor to the post of Chief Audit and Control Officer. Members will further recall that following a successful recruitment exercise in early summer 2022, the Internal Audit team has now returned to full capacity. However, as a result of this significant vacancy period, work on the Internal Audit Plan for 2022-23 (as approved by this Committee in March 2022) has fallen behind.

Accordingly, in order to ensure that the work of the Internal Audit team remains focussed on the higher-risk areas within the Council, the Chief Audit and Control Officer has performed a review of the Internal Audit Plan with a view to producing a robust yet realistic programme for the remainder of the financial year. The revised plan is presented in appendix 2 for this Committee's consideration and approval.

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 3. 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 2022/23 will be presented to this Committee in July 2023.

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. Human Resources Implications

Not Applicable.

7. Union Comments

Not Applicable.

8. Data Protection Compliance Implications

There are no Data Protection issues in relation to this report.

9. Equality Impact Assessment

As there is no change to policy an Equality Impact Assessment is not required.

10. Background Papers

Nil.

APPENDIX 1

INTERNAL AUDIT REPORTS ISSUED SINCE APRIL 2022

The following table summarises the audit assignments and similar work completed by Internal Audit since 1 April 2022. Work completed since the last report to this Committee is presented in bold at the end of the table.

Audit Title	Report Issued	Assurance Opinion	Actions (High Priority)	Actions (Medium / Low Priority)
Homelessness Prevention Grant Return	12/04/22	Submitted with no issues noted		
Financial Appraisal – High Hazels Court	26/04/22	No cause for financial concern noted		
Council Tax	11/05/22	Substantial	0	1
DH Lawrence Birthplace Museum	12/05/22	Reasonable	0	2
Corporate Governance	16/05/22	Annual Governance Statement 'Approved'		
Financial Appraisal – TCRF Applicant	26/05/22	No cause for financial concern noted		
Financial Appraisal – TCRF Applicant	30/05/22	No cause for financial concern noted		
Cash Receipting	20/06/22	Audit re-scoped		
Financial Appraisal – TCRF Applicants	21/06/22	No cause for financial concern noted		
'Protect and Vaccinate' Grant Return	24/06/22	No issues noted – return submitted		
Grounds Maintenance Services	27/06/22	LIMITED	1	2
Health and Safety	11/07/22	Reasonable	0	3
'Contain Outbreak' Grant Return	28/07/22	No issues noted – return submitted		
'Test and Trace' Grant Return	01/08/22	No issues noted – return submitted		
Licensing	10/08/22	Substantial	0	1
Financial Appraisal – TCRF Applicants	10/08/22	No cause for financial concern noted		
Financial Appraisal – TCRF Applicants	25/08/22	No cause for financial concern noted		
Kimberley Leisure Centre	13/09/22	Reasonable	0	0
Benefits	14/09/22	Substantial	0	1
Markets – Cash Review	22/09/22	No issues	0	4
Bereavement Services – Cash Review	26/09/22	No issues	0	2
Major Projects – Governance Dashboard	26/09/22	No cause for concern noted		
Rents	24/10/22	Substantial	0	1
Business Rates (NDR)	24/10/22	Substantial	0	1
Financial Appraisals – TCRF Applicants	26/10/22	No cause for financial concern noted		
Financial Appraisal – CCTV Upgrade	26/10/22	No cause for financial concern noted		
'Green Homes' Grant Return	18/11/22	No issues noted – return submitted		
Stapleford Town Fund	(Draft)*	Substantial	0	0
Payroll	(Draft)*	Substantial	0	0
Human Resources	(Draft)*	Reasonable	0	1

* As at the date of publication of this report the audits of Stapleford Town Fund, Payroll and Human Resources were substantially complete with the draft reports under discussion with management. The outcomes reported here and below are those expected to feature in the final report. Any variations will be reported by way of a verbal update by the Chief Audit and Control Officer upon the meeting of this Committee.

REMAINING INTERNAL AUDIT PLAN 2022-23

Audits currently in progress include Gas Servicing and Maintenance, Electrical Testing, Financial Resilience and ongoing Financial Appraisals of grant awardees for the Stapleford Town Centre Recovery Fund. As noted in the frontpage to this report, the remaining Internal Audit Plan has been reviewed by the Chief Audit and Control Officer with the proposed revised plan for 2022-23 presented to this Committee for consideration and approval in appendix 2 of this report.

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 effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the specific identified key risks relating to the area under audit. This opinion is categorised as either 'Substantial', 'Reasonable', 'Limited' or 'Little' assurance;
- identify inadequately addressed risks and ineffective 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 prioritised, with the agreed actions being categorised accordingly as follows:

- High Priority – Action considered necessary to avoid unmitigated exposure to significant risks
- Medium Priority – Action considered necessary to avoid unmitigated exposure to other key risks
- Low Priority (Best Practice) – Action recommended in order to improve existing procedures and other systems of internal control

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

1. Rents Assurance Opinion – **Substantial**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- Rents may not be correctly calculated and billed.
- Billed amounts may not be efficiently collected and accounted for correctly.

- Refunds and write-offs may not be valid and/or authorised.
- Rent recovery procedures may not be appropriate.
- Regular performance reporting may not be occurring.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. In particular, it was noted that appropriate controls are in place to ensure that Rents are correctly calculated and billed.

One recommendation (low priority) relating to a review of the financial reconciliations performed by the Income Collection Accountants was presented to and agreed with management.

2. **Business Rates (NNDR)**

Assurance Opinion – **Substantial**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- NNDR may not be correctly calculated and billed.
- Billed amounts may not be efficiently collected and accounted for correctly.
- Refunds and write-offs may not be valid and/or may not be authorised.
- Arrangements for detecting and managing fraud may not be robust.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. In particular, it was noted that appropriate controls are in place to ensure that billed amounts are efficiently collected with refunds and write-off being properly authorised.

One recommendation (medium priority) relating to the review of system input parameters for each new financial year was presented to and agreed with management.

3. **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 Economic Development and Regeneration 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, 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.

4. **Financial Appraisal – CCTV Upgrade**

Internal Audit was requested to perform a financial appraisal of a company which had presented a tender to contract for the delivery of the upgrade of the Council's CCTV systems and other associated works. The review was produced on the basis of information received from the company, financial data retrieved from Companies House, other publicly available information and a report obtained from an external credit referencing agency.

No specific cause for financial concern was noted in reference to the company. The findings were reported to senior management and the officer requesting the report.

5. **'Green Homes' Grant Return**

Internal Audit was requested by the Modernisations Manager to review and submit a return to the Midlands Net Zero Hub. The purpose of the return was to confirm that the conditions attached to the 'Green Homes' Grant had, in all significant respects, been complied with.

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

6. **Stapleford Town Fund**

Assurance Opinion – **Substantial**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- Appropriate governance arrangements may not be in place.
- Business cases for each component project may not have been appropriately prepared and authorised.
- Live component projects may not be administered in line with the approved business case or any other project-specific parameters.

Internal Audit was pleased to report that no issues were identified in the course of this audit. In particular, it was noted that appropriate governance arrangements are in place for both the Strategic Management and Operational Delivery of the various strands within the Stapleford Town Fund project.

Accordingly, no specific recommendations to address deficiencies in internal control have been made as a result of this audit.

7. Payroll Assurance Opinion – **Substantial**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- Payments may be made to persons who are not employed by either the Council or Liberty Leisure Limited.
- Payments may be calculated incorrectly.
- The funds required to process payments may not be available in a timely manner.
- The processes in place to protect against fraud, including phishing and similar activity, may not be sufficiently robust.
- The anticipated 'flat figure' pay award for the financial year 2022-23 may not be applied correctly.

Internal Audit was pleased to report that no issues were identified in the course of this audit. In particular, it was noted that the arrangements to protect against fraud were robust and that the pay award for 2022-23 had been applied correctly.

Accordingly, no specific recommendations to address deficiencies in internal control have been made as a result of this audit.

8. Human Resources Assurance Opinion – **Reasonable**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- Recruitment of new employees may not be performed in an appropriate and effective manner.
- Sickness absence may not be managed in an appropriate and effective manner.
- Capability Issues, Disciplinary Proceedings and Grievances may not be managed in an appropriate and effective manner.

Internal Audit was pleased to report that no significant issues were identified in the course of this audit. In particular, it was noted that the processes in place to manage recruitment, sickness absence, capability issues, disciplinary matters and grievances are operating effectively.

One recommendation (medium priority) relating to the need to ensure that documentation relating to employee matters is submitted by line managers and supervisors was presented to and agreed with management.

Current Audit Performance

As reported previously to this Committee, a vacancy existed within the Internal Audit team between October 2021 and July 2022. This resulted in considerable slippage in the completion of both the 2021-22 and 2022-23 Internal Audit Plan.

The Chief Audit and Control Officer is pleased to report that, as of 1 August 2022, a new Senior Internal Auditor has joined the Council. Work has now commenced on higher-risk planned audits that were previously deferred as a result of the vacancy period. As noted in the frontpage to this report, the remaining Internal Audit Plan has been reviewed by the Chief Audit and Control Officer with the proposed revised plan for 2022-23 presented to this Committee for consideration and approval in appendix 2 of this report.

APPENDIX 2

REVISION TO INTERNAL AUDIT PLAN 2022-23

Members of this Committee will recall that between October 2021 and July 2022 a vacancy existed within the Internal Audit team. Members will further recall that following a successful recruitment exercise in early summer 2022, the Internal Audit team has now returned to full capacity. However, as a result of this significant vacancy period, work on the Internal Audit Plan for 2022-23 (as approved by this Committee in March 2022) has fallen behind.

Accordingly, in order to ensure that the work of the Internal Audit team remains focussed on the higher-risk areas within the Council, the Chief Audit and Control Officer has performed a review of the Internal Audit Plan with a view to producing a robust yet realistic programme for the remainder of the financial year. As a result of this review, a revision to the Internal Audit Plan is presented for this Committee's approval, as follows:

Completed Audits	Audits to be completed in 2022-23	Audits removed from plan for 2022-23
DH Lawrence Museum	Gas Servicing and Maintenance	Housing Management System
Council Tax (2022)	Electrical Testing	Legal Services
Grounds Maintenance Services	Financial Resilience	Business Continuity
Corporate Governance (2022)	Right-to-Buy	Business Support
Cash Receipting	Council House Repurchasing	Climate Change
Health and Safety	Council Tax (2023)	Commercial Properties
Major Projects Dashboard	Creditors and Purchasing	Information Management
Licensing	Key Reconciliations	Choice Based Lettings
Kimberley Leisure Centre	Sundry Debtors	LA Trading Company
Benefits	Bank Reconciliation	
Rents	Housing Repairs	
Business Rates (NNDR)	Corporate Governance (2023)	
Stapleford Town Fund	Waste Management	
Payroll	Risk Management – Kim. Depot	
Human Resources		

Where an audit has been removed from the plan for 2022-23, this has been done so on the basis that the area due for audit is considered to be of a lower risk to the Council relative to other areas which remain. All such audits will be reconsidered afresh for inclusion at an early stage in the Internal Audit Plan for 2023-24 which will be presented for approval at the next meeting of this Committee in March 2023.

Whilst the revision proposed above does, in the opinion of the Chief Audit and Control Officer, allow Internal Audit to maintain a broadly acceptable level of coverage of the Council's operations, it is considered that further audit work may be needed in order to fulfil the requirements of the Annual Governance Statement. The Chief Audit and Control Officer is currently exploring the options for procuring some temporary resource in order to ensure that the level of audit coverage deemed necessary for the Annual Governance Statement is maintained. The cost of such temporary resource is expected to be contained within the limits of the salary savings made as a result of the above-noted vacancy period.

APPENDIX 3

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 (High Priority in brackets)	Progress
Financial Resilience	03/07/20	Reasonable	4	Complete
Local Authority Trading Company	06/07/20	Reasonable	3 (1)	Superseded
Housing Delivery Plan	08/06/21	Substantial	3 (1)	1 Outstanding
Creditors and Purchasing	18/11/21	Reasonable	7	Complete
Customer Services	07/03/22	Reasonable	2	1 Outstanding
DH Lawrence Birthplace Museum	11/05/22	Reasonable	2	Complete
Council Tax	13/05/22	Substantial	1	1 Outstanding

Further details of progress being made with high and medium priority 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. Housing Delivery Plan	June 2021, Substantial, Actions – 3
<p>1.1 Revision and Update of the Housing Delivery Plan</p> <p><u>Agreed Action</u> (Medium Priority)</p> <p>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 [Cabinet] accordingly.</p> <p><u>Managers Responsible</u> Head of Asset Management and Development Housing Delivery Manager</p> <p style="text-align: right;">Target Date: 31 December 2021</p>	
<p><u>Progress Report of the Housing Delivery Manager</u></p> <p>A report will be presented to Cabinet in December 2022 updating members on progress on the Housing Delivery Plan to date and recommending that a revised Plan be produced to be presented to Cabinet during 2023.</p> <p>Revised Target Date: 31 December 2022</p>	
2. Customer Services	March 2022, Reasonable, Actions – 2
<p>2.1 Review of Customer Services Strategy</p> <p><u>Agreed Action</u> (Medium Priority)</p> <p>The Customer Services Strategy will be reviewed and updated as necessary.</p> <p><u>Managers Responsible</u> Head of Revenues, Benefits and Customer Services</p> <p style="text-align: right;">Target Date: 31 August 2022</p>	
<p><u>Progress Report of the Head of Revenues, Benefits and Customer Services</u></p> <p>The Customer Services Team is currently working with the Overview and Scrutiny Working Group and will look to incorporate appropriate recommendations into the revised Customer Services Strategy. This process is in its final stages with the new Strategy expected to be presented to Cabinet at its next available meeting in December 2022.</p> <p>Revised Target Date: 31 December 2022</p>	

3. Council Tax

May 2022, Substantial, Actions – 1

3.1 Single Person Discount – Data Matches

Agreed Action (Medium Priority)

A countywide programme for the review of data matches relating to Single Person Discount, incorporating those provided through the National Fraud Initiative, will be established.

Managers Responsible

Head of Revenues, Benefits and Customer Services

Target Date: 31 August 2022

Progress Report of the Head of Revenues, Benefits and Customer Services

The Council has entered in to a Countywide contract to perform a full Single Person Discount Review, which will include the NFI returns. We are expecting this exercise to start in the new year, taking in to consideration the number of Councils involved. We would anticipate the exercise to take approximately three months from start to finish.

Revised Target Date: 30 April 2023