

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 2 of 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 of Internal Audit for 2022/23 will be presented to this Committee in July 2023.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

The work of the Internal Audit section continues to provide crucial and independent assurance to management and Members over the key aspects of the Council's governance, risk management and internal control arrangements. The cost of Internal Audit is included within the established Finance Services budgets.

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 JULY 2022

The following table summarises the audit assignments and similar work completed by Internal Audit since 1 July 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)
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		
Payroll	01/12/22	Substantial	0	0
Human Resources	01/12/22	Reasonable	0	2
Financial Appraisals – TCRF Applicants	01/12/22	No cause for financial concern noted		
Stapleford Town Fund	15/12/22	Substantial	0	0
Financial Appraisal – Stapleford Cycling	20/12/22	No cause for financial concern noted		
Sundry Debtors	11/01/23	Substantial	0	0
Financial Appraisal – Chilwell Housing	13/01/23	No cause for financial concern noted		
Financial Appraisals – TCRF Applicants	26/01/23	No cause for financial concern noted		
Electrical Testing (Housing)	31/01/23	LIMITED	1	1
Financial Appraisal – Bramcote Housing	07/02/23	No cause for financial concern noted		
Gas Servicing & Maintenance (Housing)	09/02/23	Reasonable	0	1
Waste Management (Trade Waste)	09/02/23	Substantial	0	2

REMAINING INTERNAL AUDIT PLAN 2022-23

Audits currently in progress at the time of submission of this report include Operational Risk Management (Kimberley Depot), Treasury Management, Creditors and Purchasing, Bank Reconciliation, Business Support, Commercial Property, Former Council House Repurchasing, Right-to-Buy and ongoing Financial Appraisals of grant awardees for the Stapleford Town Centre Recovery Fund.

Any significant issues identified in audits completed between the date of submission of this report and the date of this meeting of the Committee will be reported by way of a verbal update from the Chief Audit and Control Officer at this meeting.

Other audits, not yet commenced, which constitute the remainder of the Audit Plan for 2022-23 are Corporate Governance, Council Tax, Financial Resilience, Housing Repairs and Key Reconciliations.

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. Financial Appraisal – Stapleford Cycle Path

Internal Audit was requested to perform a financial appraisal of a company which had presented a tender to contract for the delivery of the new cycling path (and associated works) in Stapleford, part of the Stapleford Towns Fund project. 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.

The findings were reported to senior management and the officer requesting the report.

2. **Sundry Debtors** 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:

- Invoicing may not be performed in an accurate and timely manner.
- Debt recovery processes may not be managed appropriately.
- Performance reporting may not be adequate or appropriate.
- Credit notes and write-offs may not be appropriately authorised.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. In particular, Internal Audit was pleased to note that the sample of invoices checked had been processed in an accurate and timely manner. In addition, the full sample of write-offs and credit notes had been appropriately authorised.

As no issues relating to the specific key risk areas identified above were noted in the course of this audit, no specific recommendations to address deficiencies in internal control were made.

3. **Financial Appraisal – Chilwell Housing Delivery**

Internal Audit was requested to perform a financial appraisal of a number of companies which had presented a tender to contract for the delivery of new-build housing in Chilwell. The review was produced on the basis of information received from the companies, financial data retrieved from Companies House, other publicly available information and reports obtained from an external credit referencing agency.

The findings of the review were reported to senior management and the officer requesting the report.

4. **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. The findings were reported to senior management and the officer requesting the reports.

5. **Electrical Testing (Housing)**

Assurance Opinion – **LIMITED**

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:

- Electrical testing may not be carried out in accordance with an appropriate schedule to ensure completeness of coverage.
- Adequate records of testing and results may not be retained.
- Appropriate action plans may not be implemented following recommendations from external specialist inspectors.
- Employees performing testing may not be appropriately qualified.
- Testing of work carried out by external contractors (including those sourced by Capital Works) may not be appropriately controlled.

One high-priority recommendation was made, the details of which are as follows:

Completion of Inspections and Record Maintenance

The Council's policy is to ensure the safety of all electrical installations within the housing property portfolio. A part of the Council's policy is a target for the completion of inspections every five years.

At present, the Council's five-year target is not being met, with management estimating that approximately 80% of the housing stock has an electrical certificate issued in the last five years. It is also noted that there remains a backlog of paper-based certificates which are to be scanned and stored digitally within the Council's Housing Management System, Capita.

It is acknowledged that a significant contributory factor to this is the low availability of staffing resource coupled with management turnover and difficulties with recruitment (see also 3.2, below). However, it is understood that a new Repairs and Compliance Manager (in addition to other key roles) is currently being sought.

It is further acknowledged that not all barriers to full compliance with this aspect of the Council's policy (such as difficulties with obtaining access to tenanted properties) are within the Council's control.

Agreed Action (High Priority)

A clear strategy and action plan will be developed in order to achieve full compliance with the Council's target of each Council property having an electrical inspection carried out and (electronically) recorded at least every five years.

One further recommendation (medium priority), relating to the need to ensure that a robust structure and set of processes for electrical testing and monitoring will be formalised and implemented, was presented to and agreed with management.

6. **Financial Appraisal – Bramcote Housing Delivery**

Internal Audit was requested to perform a financial appraisal of a company which had presented a tender to contract for the delivery of new-build housing in Bramcote. 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.

The findings of the review were reported to senior management and the officer requesting the report.

7. **Gas Servicing and Maintenance** 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:

- All properties that require an annual Gas Servicing and Maintenance visit may not be identified and visited.
- Adequate records of annual Gas Servicing and Maintenance visits may not be retained.
- The process followed prior to the 'capping' of the gas supply to a property may not be reasonable and robust.
- There may not be adequate Quality Control on the work carried out by Gas Maintenance Operatives.
- Performance Monitoring processes may not be robust or contribute to a culture of continuous improvement.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. In particular, Internal Audit was pleased to note that properties that require an annual Gas Service and Maintenance visit are identified and visited with adequate records being retained.

One recommendation (medium priority), relating to the need to ensure that purchase orders are raised in a consistent and timely manner, was presented to and agreed with management.

8. **Waste Management (Trade Waste)** 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:

- Income collection may not be managed appropriately.
- The design and implementation of collection rounds may not be efficient.
- Contractual requirements regarding the collection and transfer of waste may not be met.
- Risk assessments for collection and transfer of waste may not be up-to-date.

Internal Audit was pleased to report that no significant issues were identified as part of this audit review. In particular, Internal Audit was pleased to note that collection round efficiency has been recently reviewed by management.

Two 'best practice' recommendations, relating to the collection of Waste Transfer Notes from customers and the review of risk assessments, were presented to and agreed with management.

Current Audit Performance

As previously reported 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.

As also previously reported to this Committee, a new Senior Internal Auditor joined the Council on 1 August 2022, allowing work to commence on higher-risk planned audits that were previously deferred as a result of the vacancy period.

The Committee will further recall that it is considered that further audit work is needed in order to fulfil the requirements of the Annual Governance Statement. The Chief Audit and Control Officer is now pleased to report that additional temporary resource has been secured 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 contained within the limits of the salary savings made as a result of the above-noted vacancy period.

A final report on the work of Internal Audit during the financial year 2022-23 will be presented at the July 2023 meeting of this Committee.

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 high and medium priority agreed actions for such internal audit reports issued. 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
Housing Delivery Plan	08/06/21	Substantial	3 (1)	1 Outstanding
Customer Services	07/03/22	Reasonable	2	Completed
Council Tax	13/05/22	Substantial	1	1 Outstanding
Grounds Maintenance Services	27/06/22	LIMITED	3 (1)	2 Outstanding
Health and Safety	26/07/22	Reasonable	3	Completed
Benefits	14/09/22	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

1.1 Revision and Update of the Housing Delivery Plan

Agreed Action (Medium Priority)

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.

Managers Responsible

Head of Asset Management and Development
Housing Delivery Manager

Target Date: 31 December 2021

Progress Report of the Housing Delivery Manager

At the December meeting of Cabinet, it was resolved that an updated Housing Delivery Plan will be produced and brought forward for approval during 2023.

Revised Target Date: 30 September 2023

2. Council Tax

2.1 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. The Council has now commenced this project. The initial review letters have been issued with the project plan anticipated to conclude on 4 May 2023.

Revised Target Date: 4 May 2023

3. Grounds Maintenance Services

3.1 Procurement of Grounds Maintenance Services

Agreed Action (High Priority)

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

Target Date: 31 July 2022

Progress Report of the Head of Environmental Services

An action plan was produced in response to this action in early summer 2022. Since then, management has worked in conjunction with the Council's Procurement and Contracts Officer with a view to tendering the relevant services. The contact specification is now reaching completion and it is anticipated that the exercise will be completed by 30 June 2023.

Revised Target Date: 30 June 2023

3.2 Housing Service Recharge

Agreed Action (Medium Priority)

A review shall be completed to ensure that the recharges for works completed on behalf of the Housing Department are accurate.

Managers Responsible

Head of Environmental Services
Parks and Green Spaces Manager

Target Date: 30 November 2022

Progress Report of the Head of Environmental Services

The recharge process has now been reviewed and the calculation will be completed and reconciled for the end of the financial year when all relevant information (such as employee timesheets) is available.

Revised Target Date: 31 March 2023

4. Benefits

4.1 Checking of Processed Applications

Agreed Action (Medium Priority)

It is considered good practice for 4% of all applications received to be checked on a month-by-month basis to ensure inaccuracies in the processing of applications are detected at the earliest opportunity. It was noted during the course of the audit that this process has slipped.

Accordingly, it was agreed with management that efforts will be made to ensure that the 4% prescribed checks will be completed in a timely manner.

Managers Responsible

Head of Revenues, Benefits and Customer Services

Target Date: 30 September 2022

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

Due to several technical issues, the accuracy checks are approximately one month behind the intended target. Over the coming months, the Benefits Team will work to rectify this position and it is anticipated to be in line with the target by the end of the financial year.

Revised Target Date: 31 March 2023