

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PROGRESS REPORT

1. 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 OCTOBER 2022

The following table summarises the audit assignments and similar work completed by Internal Audit between the 1 October 2022 and the date of submission of this report. Reports shaded in grey are those previously presented to this Committee (included here for reference) while 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) |
|---|-----------------|--------------------------------------|-------------------------|---------------------------------|
| Rents | 24/10/22 | Substantial | 0 | 1 |
| Business Rates (NNDR) | 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 |
| Financial Appraisal – STCRF Applicants | 17/02/23 | Advisory report only | | |
| Financial Appraisal – Inham Nook Houses | 20/02/23 | Advisory report only | | |
| Financial Appraisal – Prospective Tenant | 20/02/23 | Advisory report only | | |
| Financial Appraisal – Park Attendants | 28/02/23 | Advisory report only | | |
| Financial Appraisal – SCS Maintenance | 03/03/23 | Advisory report only | | |
| Financial Appraisal – STCRF Applicants | 08/03/23 | Advisory report only | | |
| Creditors and Purchasing | 27/03/23 | Reasonable | 0 | 4 |
| Financial Appraisal – Prospective Tenant | 27/03/23 | Advisory report only | | |
| Business Support | 30/03/23 | Substantial | 0 | 2 |
| Financial Appraisal – STCRF Applicants | 30/03/23 | Advisory report only | | |
| Key Financial Reconciliations | 18/04/23 | LIMITED | 1 | 0 |

One additional audit has also been completed since the previous meeting of this Committee. Details of this are reported in the confidential appendix to this agenda.

REMAINING INTERNAL AUDIT PLAN 2023-24

| Audit Title | Progress |
|--------------------------------------|-------------------|
| Compliments and Complaints | In progress |
| Treasury Management | In progress |
| Former Council House Repurchasing | In progress |
| Right-to-Buy | In progress |
| Liberty Leisure Limited – Governance | In progress |
| Operational Risk Management (Depot) | In progress |
| Housing Lettings | In progress |
| Council Tax | In progress |
| Asset Management Strategy | Not yet commenced |
| Benefits | Not yet commenced |
| NNDR (Business Rates) | Not yet commenced |
| Chilwell Olympia | Not yet commenced |
| Corporate Communications | Not yet commenced |
| Damp and Mould | Not yet commenced |
| Emergency Planning | Not yet commenced |
| Financial Resilience | Not yet commenced |
| Housing Delivery Plan | Not yet commenced |
| Housing Repairs – Reactive | Not yet commenced |
| Human Resources | Not yet commenced |
| Kimberley ‘Levelling Up’ | Not yet commenced |
| Legal Services | Not yet commenced |
| Leisure Management System | Not yet commenced |
| Local Elections | Not yet commenced |
| Payroll | Not yet commenced |
| Procurement | Not yet commenced |
| Rents | Not yet commenced |
| Section 106 Agreements | Not yet commenced |
| Shared Prosperity Fund | Not yet commenced |
| Sundry Debtors | Not yet commenced |
| Tenancy Management | Not yet commenced |

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.

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 Appraisals** **Advisory Reports Only**

Internal Audit is frequently requested to provide financial appraisals of companies, non-incorporated businesses and other organisations as part of the Council's 'due diligence' processes prior to the commencement of any commercial or similar relationship with the organisation in question.

For each appraisal, Internal Audit provides a confidential report which summarises the results of a review of information provided by the organisation, information provided by third-party organisations (such as credit-referencing agencies and the National Anti-Fraud Network) and any other publicly available information.

2. **Creditors and Purchasing** **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:

- Payments may be made without authorisation and/or sufficient and appropriate evidence of receipt of goods or service.
- Invoices may not be paid in a timely manner.
- Credit notes received may not be processed in an appropriate and timely manner.
- Erroneous and/or fraudulent payments may not be identified.

- Roles and responsibilities may not be appropriately established or defined.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. Four recommendations relating to the documentation and monitoring of changes to supplier bank details (medium priority), the completeness and accuracy of data entry (medium priority), the review of potential duplicate payments (best practice) and the review of system manuals and process documentation (best practice) were proposed by Internal Audit and agreed with management.

3. **Business Support** **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:

- Requests for service may not be processed in an adequate or timely manner.
- Adherence to relevant policy and procedure may not be routinely observed.
- Performance monitoring and reporting may be inadequate.
- Robust arrangements for the prevention of fraud may not be in place.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. Two recommendations relating to the monitoring and reporting of performance (medium priority) and the enhancement of fraud prevention measures (best practice) were proposed by Internal Audit and agreed with management.

4. **Key Financial Reconciliations** **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:

- The bank reconciliation process may be inadequately designed and implemented.
- The process for the production, review and storage of other key financial reconciliations may be inadequately designed and implemented.
- Performance monitoring and reporting may not be adequate.

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

Review and Re-Implementation of Reconciliation Processes

Primarily due to the impact of a period of change and employee turnover within the Accountancy team, the previously established processes in place for the production and/or review and monitoring of several reconciliations had fallen behind.

It is acknowledged that the bank reconciliation, as perhaps the single most important reconciliation, has recently been brought up-to-date by the Interim Project Accountant. Accordingly, there are no immediate concerns with regard to the current adequacy of the Council's banking and cash management arrangements.

It is further acknowledged that responsibility for the completion of some key financial reconciliations (such as Housing Rents and Sundry Debtors) rests with the relevant department and the involvement of the Accountancy team is limited to review and monitoring rather than production and resolution.

It is, however, considered that the re-instatement of the key financial reconciliation processes, including the bank reconciliation, within the established Accountancy team, should be undertaken as a matter of priority. The opportunity to review and refresh the processes involved should also, it is suggested, be taken advantage of. This would include consideration of aspects such as which reconciliations are required, the frequency of such reconciliations and the allocation of responsibilities.

Agreed Action (High Priority)

The processes in place for the production, review and/or monitoring of key financial reconciliations (including the bank reconciliation) will be reviewed and re-implemented at the earliest opportunity.

Managers Responsible

Head of Finance Services

Chief Accountant

Principal Accountants

Target Date: 30 June 2023

Current Audit Performance

Progress on the Internal Audit Plan for 2023-24 is considered to be satisfactory with full completion anticipated by the end of the financial year.

A final report on the performance of the Internal Audit Service for 2022-23 will be presented to this Committee at the next meeting in July.

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) | Superseded |
| Council Tax | 13/05/22 | Substantial | 1 | 1 Outstanding |
| Grounds Maintenance Services | 27/06/22 | LIMITED | 3 (1) | 2 Outstanding |
| Benefits | 14/09/22 | Substantial | 1 | 1 Outstanding |
| NNDR (Business Rates) | 24/10/22 | Substantial | 1 | Completed |
| Rents | 24/10/22 | Substantial | 1 | Completed |
| Human Resources | 01/12/22 | Reasonable | 2 | Completed |

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. Council Tax**

May 2022, Substantial, Actions – 1

1.1 Single Person Discount – Data MatchesAgreed 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 project continues and is anticipated to be completed by the revised target date. The company conducting the review has completed the stages of initial contact to review the cases, issuing reminders where reviews are not completed, and then removing the discount. The final stage is managing the contact with customers following the cancellation. This will be completed by 4 May 2023.

Revised Target Date: 4 May 2023**2. Grounds Maintenance Services**

June 2022, Limited, Actions – 3

2.1 Procurement of Grounds Maintenance ServicesAgreed 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 ResponsibleHead of Environmental Services
Parks and Green Spaces Manager

Target Date: 31 July 2022

Progress Report of the Head of Environmental Services

The contract specification has now been prepared and the tendering process has now commenced in conjunction with the Procurement and Contracts Officer. Completion is anticipated within the revised target date.

Revised Target Date: 30 June 2023**2.2 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 ResponsibleHead 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 been reviewed and the calculation for 2022-23 can now be completed and reconciled now all relevant information (such as employee timesheets) is available following the end of the financial year.

Revised Target Date: 31 May 2023

3. Benefits

September 2022, Substantial, Actions – 1

3.1 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

The Benefits Team have experienced an issue with resources recently that has required them to focus on processing claims rather than quality checks. The Team is now back to the level of resources required and is working to rectify this and aims to have it back to the required levels by 30 June 2023.

Revised Target Date: 30 June 2023