

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 is presented to this Committee as part of the agenda for the present meeting.

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. Climate Change Implications

The Interim Head of Environmental Services has no comments to make regarding this report.

9. Data Protection Compliance Implications

This report does not contain any [OFFICIAL (SENSITIVE)] information and there are no Data Protection issues in relation to this report.

10. Equality Impact Assessment

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

11. Background Papers

Nil.

APPENDIX 1

INTERNAL AUDIT REPORTS ISSUED SINCE JANUARY 2023

The following table summarises the audit assignments and similar work completed by Internal Audit between the 1 January 2023 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) |
|--|-----------------|--------------------------------------|-------------------------|---------------------------------|
| 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 |
| Council Tax | 26/04/23 | Substantial | 0 | 0 |
| Former Council House Repurchasing | 26/04/23 | Substantial | 0 | 2 |
| Right-to-Buy | 26/04/23 | Substantial | 0 | 1 |
| Financial Appraisal – STCRF Applicants | 09/05/23 | Advisory report only | | |
| Housing Lettings | 10/05/23 | Substantial | 0 | 0 |
| Treasury Management | 11/05/23 | Substantial | 0 | 0 |
| Financial Appraisal – Prospective Tenant | 16/05/23 | Advisory report only | | |
| Liberty Leisure Limited – Governance | 23/05/23 | Reasonable | 0 | 2 |
| Operational Risk Management (Depot) | 23/05/23 | Reasonable | 0 | 3 |
| Financial Appraisal – Prospective Tenant | 25/05/23 | Advisory report only | | |

REMAINING INTERNAL AUDIT PLAN 2023-24

| Audit Title | Progress |
|----------------------------|-------------------|
| Benefits | In progress |
| Compliments and Complaints | In progress |
| Corporate Communications | In progress |
| Emergency Planning | In progress |
| Legal Services | In progress |
| Section 106 Agreements | In progress |
| Asset Management Strategy | Not yet commenced |
| NNDR (Business Rates) | Not yet commenced |
| Chilwell Olympia | Not yet commenced |
| Damp and Mould | 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 |
| Leisure Management System | Not yet commenced |
| Local Elections | Not yet commenced |
| Payroll | Not yet commenced |
| Procurement | Not yet commenced |
| Rents | 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. **Council Tax** **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:

- Council Tax may not be correctly calculated and/or bills may not be accurately and efficiently raised and distribute.
- Billed amounts may not be collected in an efficient manner and/or may not be accounted for correctly.
- Outstanding debts may not be managed efficiently and effectively.
- Applied reliefs and discounts to accounts may not be valid and/or managed efficiently.
- Refunds and write-offs may not be valid and may not be appropriately authorised.
- Robust arrangements for detecting and managing fraud risk may not be in place.

Internal Audit was pleased to report that no issues were identified in the course of this review. Accordingly, no specific recommendations to address deficiencies in internal control were made.

3. **Former Council House Repurchasing** **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 policies and procedure documentation may not be in place.
- Purchase offers and subsequent transactions may not be appropriately processed, reviewed and approved.
- Properties may be sold by the current owner on the open market prior to the expiry date of the requirement for the Council to be offered first refusal.
- Properties may be sold by the current owner without the required repayment of the original discount applied.
- 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 improvement of documentation (both 'best practice') were proposed by Internal Audit and agreed with management.

4. **Right-to-Buy** **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 policies and procedure documentation may not be in place.
- Applications may not be processed in an appropriate and timely manner.
- Discounts may not be accurately calculated.
- 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. One recommendation relating to the improvement of

documentation (best practice) was proposed by Internal Audit and agreed with management.

5. **Housing Lettings** **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:

- An appropriate and up to date lettings policy may neither be in place nor be approved by the relevant management and committee.
- Lettings (including direct lettings and transfers) may not be made in accordance with current policy and procedures.
- The performance of lettings operations may not be adequately monitored and reported.
- There may not be adequate controls in place over the lettings systems (with particular regard to user access and permissions).
- Adequate control may not be in place over the risk of personal interests affecting the operation of the lettings policy.

Internal Audit was pleased to report that no issues were identified in the course of this review. Accordingly, no specific recommendations to address deficiencies in internal control were made.

6. **Treasury Management** **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:

- Governance arrangements, including policies, procedures, performance reporting and monitoring for compliance with the CIPFA Code of Practice for Treasury Management in the Public Services, may not be adequate.
- Cash flow, (including overdraft management and the timing of loans and investments) may not be optimised.
- Treasury transactions may not be subject to appropriate review and authorisation prior to execution.
- Accounting arrangements (including reconciliations) may not be adequate.

- System access rights (including relevant authorisation levels) may not be appropriate.

Internal Audit was pleased to report that no issues were identified in the course of this review. Accordingly, no specific recommendations to address deficiencies in internal control were made.

7. **Liberty Leisure Limited – Governance 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:

- Relevant formal documentation (including annual returns and formal financial statements) may not be appropriately prepared and / or filed at Companies House as required.
- Decision making processes may not be adequate or appropriate.
- Performance monitoring and reporting may not be adequate.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. Two recommendations relating to the production of a comprehensive operational risk register (medium priority) and the provision of training to members of the Board (best practice) were proposed by Internal Audit and agreed with management.

8. **Operational Risk Management (Depot) 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:

- Adequate processes may not be in place for the assessment, recording and reporting of key operational risks.
- The processes in place for the mitigation and monitoring of identified risks may not be adequate.
- Appropriate processes may not be in place to manage security at the depot.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. Three recommendations relating to the review of a small number of policy and procedure documents (best practice), the review of management arrangements for Council land near the Hemlock Stone (medium

priority) and the review of security arrangements at the entrance to Kimberley Depot (best practice) were proposed by Internal Audit and agreed with management.

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 is presented to this Committee as a separate agenda item at the present meeting.

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 |
|------------------------------|---------------|----------------------------|---|---------------|
| Council Tax | 13/05/22 | Substantial | 1 | Completed |
| Grounds Maintenance Services | 27/06/22 | LIMITED | 3 (1) | 1 Outstanding |
| Benefits | 14/09/22 | Substantial | 1 | 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. Grounds Maintenance Services

1.1 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

A verbal update will be provided by the Chief Audit and Control Officer on behalf of the new Interim Head of Environmental Services at this meeting.