

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, 2 and 3 (confidential) 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.

The follow-up on agreed actions from a further audit, previously reported to this Committee as a confidential item, is included within the confidential appendix 3 to this report.

Further progress reports will be submitted to each future meeting of this Committee. A final report detailing the overall performance of Internal Audit for 2023/24 will be presented to this Committee in July 2024.

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

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

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

The comments from the Human Resources Manager were as follows:

Not Applicable.

7. Union Comments

The comments from the Unions were as follows:

Not Applicable.

8. Climate Change Implications

The comments from the Interim Head of Environmental Services were as follows:

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 APRIL 2023

The following table summarises the audit assignments and similar work completed by Internal Audit between the 1 April 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)
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		
Compliments and Complaints	30/06/23	Reasonable	0	1
Financial Appraisal – Consultancy	30/06/23	Advisory Report Only		
Benefits	11/07/23	Substantial	0	0
Financial Appraisal – Prospective Tenant	17/07/23	Advisory Report Only		
Financial Appraisal – Housing Adaptation	17/07/23	Advisory Report Only		
Section 106 Agreements	16/08/23	Reasonable	0	2
Financial Appraisal – Energy Efficiency	17/08/23	Advisory Report Only		
Grant Return – Homelessness Prevention	18/08/23	Return Submitted – No issues noted		
Financial Appraisal – Design Services	08/09/23	Advisory Report Only		
Financial Appraisal – Retail Study	08/09/23	Advisory Report Only		
Financial Appraisal – Modernisations	08/09/23	Advisory Report Only		
Human Resources	27/09/23	Substantial	0	2
NNDR (Business Rates)	02/10/23	Substantial	0	0
Legal Services	02/10/23	Substantial	0	2
Financial Appraisal – Printing Services	03/10/23	Advisory Report Only		
Financial Appraisal – Prospective Tenant	12/10/23	Advisory Report Only		
Financial Appraisal – Stapleford Pavilion	13/10/23	Advisory Report Only		
Financial Appraisal – Stapleford Pavilion	18/10/23	Advisory Report Only		
Corporate Communications	18/10/23	Reasonable	0	3

REMAINING INTERNAL AUDIT PLAN 2023/24

Audit Title	Progress
Payroll	In progress
Rents	In progress
Sundry Debtors	In progress
Housing Repairs – Compliance	In progress
Tenancy Management	In progress
Damp and Mould	Planning
Asset Management Strategy	Not yet commenced
Emergency Planning	Not yet commenced
Chilwell Olympia	Not yet commenced
Financial Resilience	Not yet commenced
Housing Delivery Plan	Not yet commenced
Kimberley ‘Levelling Up’	Not yet commenced
Leisure Management System	Not yet commenced
Local Elections	Not yet commenced
Procurement	Not yet commenced
Shared Prosperity Fund	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. **Grant Return – Homelessness Prevention** **Return Submitted**

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 prevention of homelessness and rough sleeping during 2022/23 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.

3. **Human Resources** **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:

- Apprenticeships may not be managed in an appropriate and effective manner.
- Processes for employees leaving the Council 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 review. Two recommendations relating to the improvement of performance reporting (medium priority) and the confirmation process for new apprentices (best practice) were proposed by Internal Audit and agreed with management.

4. NNDR (Business Rates) 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 fraud may not be robust.

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

5. Legal Services 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:

- Actions taken or advice given in relation to matters referred to Legal Services may be inconsistent with established Council Policy.
- Adequate Performance Monitoring and Reporting Mechanisms may not be in place.
- Officers within Legal Services may not hold sufficient expertise, experience and/or qualifications to act or advise on matters within their remit.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. Two recommendations relating to the documentation of urgent referrals and a review of intranet content (both 'best practice') were proposed by Internal Audit and agreed with management.

6. Corporate Communications 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:

- An appropriate policy and/or strategy document may not be in place.

- An appropriate system of submission, review and approval for internal and external communications (with specific reference to data protection, consistency, clarity and 'on brand' content) may not be in place.
- The Council's approach to social media, including how the Council responds to incoming and/or publicly visible messages, comments and potential complaints, may not be appropriate.
- Appropriate crisis management plans may not be in place.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. Three recommendations relating to the review and approval of communications, documentation of 'webeditors' and a policy review (all '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 2023/24 will be presented to this Committee in July 2024.

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
Creditors and Purchasing	27/03/23	Reasonable	4 (0)	Complete
Business Support	30/03/23	Substantial	2 (0)	1 Outstanding
Key Financial Reconciliations	18/04/23	Limited	1 (1)	Complete
Liberty Leisure Limited (Governance)	23/05/23	Reasonable	2 (0)	Complete
Operational Risk Management (Depot)	23/05/23	Reasonable	3 (0)	Complete

The follow-up on agreed actions from a further audit, previously reported to this Committee as a confidential item, is included within the confidential appendix 3 to this report.

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. Business Support**

March 2023, Substantial, Actions – 2

1.1 Performance Monitoring and ReportingAgreed Action (Medium Priority)

A suite of Performance Indicators will be developed, in conjunction with the Projects and Performance Officer, which will form the basis of reporting to Senior Management and, via the quarterly performance reporting mechanism, to Members.

This will also include some reporting on ‘customer satisfaction’ with the service provided by the Business Support team to operational areas within the Council.

Managers Responsible

Head of Administrative Services
Business Support Manager

Target Date: 30 June 2023

Update from the Head of Administrative Services

The Head of Administrative Services and the Business Support Manager will be meeting shortly to set the KPIs for Business Support. These will be monitored monthly by the Head of Administrative Services. This has been delayed due to vacancies in Business Support which the Manager has had to cover.

Revised Target Date: 31 December 2023