

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 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 Monitoring Officer / 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 Union comments were as follows:

Not applicable.

8. Climate Change Implications

No climate change implications have been identified in relation to 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 / a new policy an equality impact assessment is not required.

11. Background Papers

Nil.

Appendix 1

Internal Audit Reports Issued Since September 2023

The following table summarises the audit assignments and similar work completed by Internal Audit between the 1 September 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)
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
Financial Appraisal – STCRF Applicants	07/11/23	Advisory Report Only		
Financial Appraisal – Glass Recycling	10/11/23	Advisory Report Only		
Financial Appraisal – Asbestos Services	14/11/23	Advisory Report Only		
Financial Appraisal – Kimberley LUF App.	05/12/23	Advisory Report Only		
Sundry Debtors	12/12/23	Substantial	0	0
Financial Appraisal – Prospective Tenant	13/12/23	Advisory Report Only		
Financial Appraisal – Wall Insulation	08/01/24	Advisory Report Only		
Payroll	11/01/24	Substantial	0	2
Financial Appraisal – Kimberley LUF App.	16/01/24	Advisory Report Only		
Financial Appraisal – Prospective Tenant	01/02/24	Advisory Report Only		
Financial Appraisal – Prospective Tenant	01/02/24	Advisory Report Only		
Financial Appraisal – UKSPF Applicants	21/02/24	Advisory Report Only		
Financial Appraisal – Renovations	13/03/24	Advisory Report Only		
Chilwell Olympia				
Housing Delivery Plan				
Housing Repairs (Compliance)				
Kimberley Levelling Up Fund				
Local Elections (Accounts)				
Rents				
Tenancy Management				

As at the date of submission of this report, it is anticipated that these audits will be completed (or substantially completed) by the date of this meeting of the Committee. A verbal update will be provided by the Chief Audit and Control Officer at this meeting.

Remaining Internal Audit Plan 2023/24

Audit Title	Progress
Capital Works	In progress
Damp and Mould	Planning
Emergency Planning	Deferred (see below)
Leisure Management System	Deferred (see below)
Shared Prosperity Fund	Deferred (see below)

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.

As indicated in the table above, three audits have been deferred into the new financial year 2024/25. This has simply been the result of timing and the audit resource released as a result of this deferral has been fully utilised in commencing work on other audits contained within the Internal Audit Plan for 2024/25, presented to this Committee alongside 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. **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. **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. Accordingly, no specific recommendations to address deficiencies in internal control were made.

3. **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 risk:

- The monthly payroll process may not be robust and/or 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 responses to monthly departmental confirmation requests (both '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, taking into account the above-noted deferral of three audits. A final report on the performance of the Internal Audit Service for 2023/24 will be presented to this Committee at the next meeting 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
Business Support	30/03/23	Substantial	2 (0)	1 Outstanding
Compliments and Complaints	30/06/23	Reasonable	1 (0)	Complete
Section 106 Agreements	16/08/23	Reasonable	2 (0)	Complete
Human Resources	27/09/23	Substantial	2 (0)	Complete

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

KPIs will be determined as part of the Service Level Agreement reviews with service areas starting in June. Data is already available for Planning, Human Resources and the payment of invoices which will feed into that process. Before the meetings, a survey will be sent out to help service areas identify any issues of concern to be discussed at the meetings. Work is still being undertaken to ensure that systems enable performance to be monitored.

Revised Target Date: 30 September 2024