

AUDIT COMMITTEE – 31 January 2023

Report of the Head of Strategic Support

Part A

ITEM 7 INTERNAL AUDIT PROGRESS REPORT Q3 2022-23

Purpose of Report

The report summarises the progress against the 2022/23 Audit Plan, outlining key findings from final reports and any outstanding recommendations.

Recommendation

The Committee notes the progress report set out in Appendix 1.

Reason

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5(1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a regular basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no specific risks associated with this report.

Background Papers: Public Sector Internal Audit Standards

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INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

Internal Audit Progress Report 2022/23 Q3

Introduction

- 1.1 Internal Audit is provided through a shared service arrangement by North West Leicestershire District Council. The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to update on Internal Audit activity during 2022/23 Q3.

2. Internal Audit Plan Update

- 2.1 The 2022/23 audit plan is included in Appendix A for information and shows the audits in progress. Since the last update report two final and two draft audit reports have been issued from the 2022/23 plan.

- Planned & Cyclical Maintenance Q1 – Reasonable Assurance
- Housing Repairs Q2 (Routine Repairs) – Limited assurance

The Housing Repairs Q2 audit was issued with a limited assurance opinion, with three high, four medium and one low recommendation being made covering:

- Procedure guides
- Systems management.
- Charges for key safe installation.
- Management of backlogs of routine repairs.
- Performance monitoring.

The executive summaries for these reports are included at Appendix B

Two audits at draft stage – S106 agreements and Debtors.

- 2.2 The audits due to take place in Q4 are:

- Planned & Cyclical Maintenance Q4
- Responsive Repairs Q4
- Town Hall

3.0 Outstanding Recommendations

- 3.1 Internal Audit monitor and follow up critical, high and medium priority recommendations. There are 9 overdue recommendations which are detailed in Appendix C for information.

4.0 Internal Audit Performance Indicators

- 4.1 Progress against the agreed Internal Audit performance indicators is included in Appendix D. There are no areas of concern to highlight.

5.0 Audit Team Structure & Reporting Lines

- 5.1 A request was made at the audit committee on 8 November 2022 to circulate s reporting and structure chart for the internal audit service. This can be found at Appendix E.

APPENDIX A

AUDIT PLAN AS AT 31st DECEMBER 2022

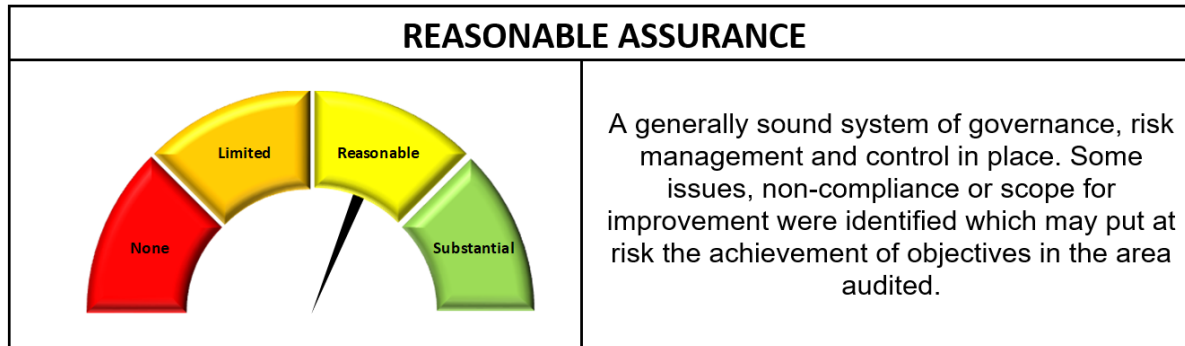
Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Disabled Facilities Grants	Certification	6	3	Completed	N/A	-	-	-	-	
S106 Agreements	Audit	6	17	Draft						
Open Spaces Contract Management	Audit	7	10	Completed	Substantial	-	-	1	-	
Town Hall	Audit	10		Q4						
Key Financial Systems										
• Benefits	Audit	3	0.5	In progress						
• Council Tax	Audit	3	1	In progress						
• NNDR	Audit	8	6	In progress						
• Income Collection	Audit	3	0.5	In progress						
• Creditors	Audit	8	11.5	In progress						
• Debtors	Audit	3	5.5	Draft						
• Main Accounting/ Budgetary Control	Audit	8		Q4						
• Payroll	Audit	3	0.5	In progress						
• Rent Accounting	Audit	3		Q4						
• Treasury Management	Audit	3		Q4						
Capital Programmes	Audit	10	1.5	In progress						
Covid-19 related assurance work	Assurance	20	18	As required						
Benefits Subsidy	Assurance	60	45	Completed	N/A	-	-	-	-	
Planned & Cyclical Maintenance Q1	Audit	8	8	Completed	Reasonable	-	-	2	-	
Planned & Cyclical Maintenance Q2	Audit	8	8	In progress						

Planned & Cyclical Maintenance Q3	Audit	8		Q3						Moved to 23/24 – due to the timing of the mobilisation of the contractors.
Planned & Cyclical Maintenance Q4	Audit	6		Q4						Moved to 23/24 – due to the timing of the mobilisation of the contractors.
Responsive Repairs Q1	Audit	8	12	Completed	Limited	-	8	2	-	
Responsive Repairs Q2	Audit	8	13	Completed	Limited	-	3	4	1	
Responsive Repairs Q3	Audit	8		Q3						
Responsive Repairs Q4	Audit	6		Q4						Moved to 23/24 – due to the timing of the mobilisation of the contractors.
Workforce Planning	Audit	10	1	In progress						
National Fraud Initiative	Non audit	20	1	As required						
IT Key Controls Audit	Audit	10		IT Audit Contractor						In progress
IT Cyber Security	Audit	10		IT Audit Contactor						In progress

Key to Status Column

Status	Detail
Q1 (e.g.)	The expected quarter that the audit will start.
Planning	The audit is being planned and the engagement plan is currently being developed and agreed.
In progress	The audit has started, and field work has commenced.
Drafting	Field work has been completed and the report is being written.
Draft	The draft audit report has been issued to relevant officers.
Completed	The draft report has been agreed and final reports have been issued.
IT Audit Contactor	The audit is being carried out by an IT audit contractor, due to the specialist nature of these audits.

Planned & Cyclical Maintenance Q2



Key Findings

The contract with CLC Group Ltd commenced on the 1st April 2022, however the contract was not mobilised until September 2022. This was due to a delay in the contractor providing a tailored and detailed construction phase health and safety plan, which could not be provided until the work programme and site information was in place. Due to the delay in contract mobilisation Audit have unable to complete some elements of testing, therefore the opinion given is based on the testing that has been carried out and cover all risks associated with the control objectives and risks identified for this area.

Areas of positive assurance identified during the audit:

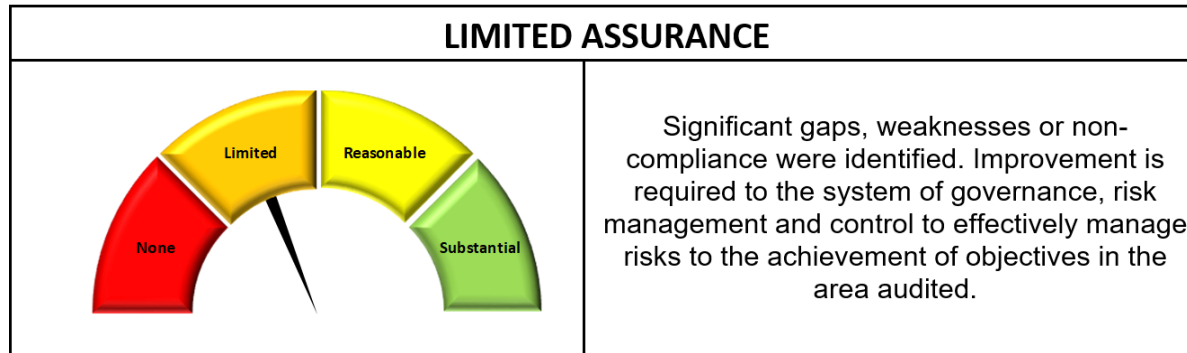
- The work programme and property files are accessible to both parties.
- Pre-inspections and work in progress inspections had been completed and recorded.
- The appropriate certificates and documentation are received from the contractor, filed and are easily accessible, to the point in the process that was tested.

The main areas identified for improvement are:

- Detailed written procedure guides are not in place for key processes.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
The council's website is updated to reflect the current Adaptions Policy.	Medium	The website was updated following receipt of the draft report.	Director of Housing and Wellbeing	With immediate effect.
<p>Workflow processes are reviewed and updated.</p> <p>Key procedures are documented to support the workflow processes, as necessary, and should support relevant policies and the residents' handbook. The procedures and processes are made accessible to staff.</p>	Medium	Agreed as per recommendation.	Principal Officer – Investment and Programme Delivery	April 2023

Housing Repairs Q2 (Routine Repairs)



Key Findings

The main areas identified for improvement are:

- Some routine repair lead times of 28 days have been amended to 90 days, but this target is still not being met on a consistent basis.
- Failure to ensure remedial works were completed and/or accurately recorded has resulted in successful disrepair claims.
- The recharge cost for installing key safes, at private residences, has not been reviewed.
- Historic data held on the housing management system (QL) is resulting in duplication of work.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Target dates detailed in the Tenants Repair Guide should accurately reflect the amended target dates set by the authority, which need be comply with legislative dates set for repairs.	High	<p>A review of the Tenants Repair Guide is currently in progress.</p> <p>Additionally, the electronic system will be checked to ensure that all repair timescales are in line with legislation.</p>	Repairs and Investment Manager	March 2023
2. Management undertake a review of routine repair orders to establish the extent of the backlog, trends and the reasons behind delays in fulfilling our repairs obligations. Based on the findings a course of action should be establish, documented and executed.	High	<p>The service has undertaken multiple failed recruitment processes for operative resources. Additional contracts have been brought on board to support delivery, including T&S Heating Ltd to support general works, and Newey Electrical Installations Ltd to support electrical works.</p> <p>Monitoring and analysis of repairs not completed in target timescales will be undertaken on a monthly basis.</p>	Repairs and Investment Manager	April 2023
3. Procedures are put in place to ensure that the repairs team accelerate matters, particularly following inspections, follow up reports (from contractors and operatives) and where defect notices and complaints are received, these should all be fully investigated, action taken and appropriately documented.	High	<p>A new process for capturing works needed as a follow on from inspections will be put in place.</p> <p>A disrepair works completion tracker has been designed and will be utilised going forward.</p> <p>Operatives now have to complete a works completion survey at the close of each job. This will support an accurate record of completed works.</p>	Principal Officer – Repairs and Maintenance	March 2023

4. Order monitoring processes are put in place to ensure orders (including contractor orders) are appropriately progressed, completed or cancelled.	Medium	In addition to the above a process will be introduced to identify stagnant orders.	Principal Officer – Repairs and Maintenance	January 2023
5. Management review the cost of installing key safes and ensure the full cost (materials and labour) is recouped through the lifeline payments package.	Medium	Agreed.	Principal Officer - Repairs and Maintenance	January 2023
6. A review is undertaken to ensure obsolete supplier ids are disabled from the system and training is given to all those raising orders to reiterate the impact of using incorrect supplier identification numbers.	Medium	Agreed.	Repairs and Investment Manager	February 2023
7. Management consider including financial penalties to future contracts.	Low	Financial penalties will be considered going forward.	Repairs and Investment Manager	March 2023
8. Management consider introducing a KPI to manage and monitor the aged repairs orders.	Medium	Agreed.	Principal Officer - Repairs and Maintenance	March 2023

**RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 31st DECEMBER 2022
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	Due Date	1st Follow up comments	Ext Date	2nd Follow up comments	2nd Ext Date	Further Management update	Further Extension Date
2021/22	Choice Based Lettings	4. A review of all applications within the register where banding has expired is undertaken to identify applicants whose banding needs to be extended or reduced and whether their circumstances have changed, in accordance with housing allocation policy.	High	Agreed	Housing Needs Manager and Housing Allocations Team Leader	Dec-22	No response received.					
2021/22	Choice Based Lettings	7. An exercise is completed to ensure all active applicants have an appropriate band expiry date recorded on the system.	High	Agreed	Housing Needs Manager and Housing Allocations Team Leader	Dec-22	No response received.					

2021/22	Choice Based Lettings	9. Officers ensure that there is a process in place to carry out regular reviews of banding, as per the policy.	High	Agreed in conjunction with recommendation 4	Housing Needs Manager and Housing Allocations Team Leader	Dec-22	No response received.					
2021/22	Commercial Lettings	1. A full set of procedure documents should be in place which cover all key aspects of the Commercial Lettings area.	Medium	Agreed to implement local procedures to cover areas.	Strategic Asset Manager, Business Centre / Ind Managers and Senior Property and Asset Officer.	Dec-21	No response received	Mar-22	No response received	Apr-22	Currently drawing up a new set of templates to be used. The procedure documents will then follow.	Nov-22
2021/22	Commercial Lettings	2. Increases in rent charges should be calculated in line with Section 7 of the lease agreement. Details of how the increase has been calculated should be retained. The decision as to whether or not to increase rents should be formally documented and	Medium	Flat 3% increase applied for 3 years to 20/21 due to no previous increases being made. Going forward rent increases will be carried out in line with the lease agreement.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22	As at 11th August 2022 no rent reviews have been completed but work is being carried out to review the rents.	Nov-22

		appropriately agreed.										
2021/22	Commercial Lettings	3. A valuation of the Commercial Units should be undertaken in order to compare the rents currently charged for units to market rents. This exercise should be repeated at regular intervals, e.g. every five years, to provide assurance that the rents charged are in line with achievable income.	Medium	Agreed – will instruct external company for a comparable to be carried out.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22	No progress has been made in relation to this.	Dec-22

2021/22	Commercial Lettings	4. A breakdown of all service costs is calculated to ensure it covers all rechargeable cost, as per the lease agreement. This is then provided to the tenant two months prior to the service charge review date, again, as per the lease agreement.	High	Agreed, a process will be implemented across all teams. As leases expire these will be reviewed and brought into line with the process.	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.	Apr-22	No response received	May-22	No response received	Jun-22	As at 11th August 2022 no rent reviews have been completed but work is being carried out to review the rents.	Nov-22
2021/22	Commercial Lettings	6. The performance measures report showing occupancy rates should be provided to Management on a regular basis e.g. monthly / quarterly as agreed	Medium	Agreed	Strategic Asset Manager	Dec-22	No response received					

2019/20	Absence Management	4.1 All staff with absence management responsibilities (e.g. line managers and Heads of Service) should attend a training session delivered by the HR team to discuss discretion and how and when it can be applied. The session should address the application of manager discretion to the absence management policy and aim to clarify when it is and is not appropriate to apply discretion.	Medium	HR to include absence management in their next briefing sessions	Organisational Development Manager	Apr-21		Dec-21	Original Implementation date was April 2021. No progress reported since April 2021 when advised that HR had not scheduled an Absence Management Briefing Session.	Apr-22	A general HR policy update will be offered to managers, including Absence Management by the end of 2022. It may be noted that absences are at historically low levels and also that HR provide 1-2-1 support to managers where specific cases require further support.	Dec-22
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INTERNAL AUDIT PERFORMANCE INDICATORS

PERFORMANCE MEASURE	POSITION AS AT 31 st DECEMBER 2022	COMMENTS
Delivery of 2022/23 Audit Plan	31%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	2 responses received for 2022/23
Compliance with the Internal Audit Standards	Conforms	Inspection took place w/c 30 November 2020. Internal Audit Service conforms to the Public Sector Internal Audit Standards.
Compliance testing of completed recommendations	100%	

Reporting Lines for Internal Audit Shared Service

