

## AUDIT COMMITTEE – 28<sup>th</sup> SEPTEMBER 2021

### Report of the Head of Strategic Support

#### Part A

#### ITEM 5 INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 10<sup>TH</sup> SEPTEMBER 2021

##### Purpose of Report

The report summarises the progress against the 2021/22 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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## **Part B**

The details regarding this report are set out in the Appendix.

### Appendices

Appendix 1 – INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 10<sup>TH</sup>  
SEPTEMBER 2021



## **INTERNAL AUDIT SHARED SERVICE**

**Charnwood Borough Council**

**Internal Audit Progress Report 2021/22 to  
10<sup>th</sup> September 2021**

## **1.0 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 from 01.06.21 to 10.09.21.

## **2.0 Internal Audit Plan Update**

2.1 Since the last update report to Audit Committee on 8<sup>th</sup> June 2021, 6 final audit reports have been issued. Appendix A shows the current position of the 2021/22 Audit Plan and the executive summaries for the six final reports issued are detailed in Appendix B:

- Debtors (2020/21) – Substantial Assurance
- Rent Accounting (2020/21) – Reasonable Assurance
- Fire Safety & Management (Housing) (2020/21) – Reasonable
- Asset Management – Limited Assurance
- Commercial Property Project – Reasonable Assurance
- Corporate Risk Management – Limited Assurance

2.2 The Asset Management audit was issued with a limited assurance opinion. There were 7 high, 3 medium and 1 low priority recommendations made. The main issues associated with the control weaknesses related to the Asset Management Strategy supporting policies, procedures and action plans and the currency and completeness of the data held within the asset management register.

The Corporate Risk Management audit was also issued with a limited assurance opinion, with 3 high and 4 medium priority recommendations being made and agreed. The main issues related to the updating and review of policies and procedures, training and awareness of staff and consistency across all risk registers with links to be developed to corporate strategies.

## **3.0 Outstanding Recommendations**

3.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. There are 14 overdue recommendations which are detailed in Appendix C for information. As progress has been made with these recommendations the Audit Manager does not have any specific concerns at this time.

3.2 Appendix D details recommendations previously reported but, as yet, they have not reached their implementation date and therefore no follow up has been carried out.

## **4.0 Internal Audit Performance Indicators**

4.1 Progress against the agreed Internal Audit performance indicators is included in Appendix E. There are no concerns to report at this time.

## **5.0 Internal Audit Charter Review**

5.1 The Audit Manager has completed the annual review of the Charter, detailed in appendix F. The following minor amendments have been made:

- Reference to Seven Principles of Public Life added.
- Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2).
- Paragraph 9.4 added to confirm approach to work for organisations outside of the shared service.

## **6.0 Team Update**

Lisa Marron, Audit Manager, will be leaving on 7<sup>th</sup> October however, a recruitment process is underway and minimal disruption is expected.

APPENDIX A

2021/22 AUDIT PLAN AS AT 10<sup>th</sup> SEPTEMBER 2021

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Asset Management	Audit	10	12	Completed	Limited	-	7	3	1	
Disabled Facilities Grants	Certification	5	-	Scheduled for Q2						
Commercial Property Project	Audit	10	11.5	Completed	Reasonable	-	2	2	-	
Commercial Lettings	Audit	10	7	In progress						
Acquisitions Policy	Audit	8	0.5	In progress						
Fleet Management	Audit	10	5	Report drafting						
Risk Management	Audit	10	7	Completed	Limited		3	5	-	
Choice Based Lettings	Audit	10	-	Scheduled Q4						
Building Control	Audit	8	-	Scheduled Q4						Joint audit for NWLDC
Electrical Safety	Audit	8	-	Scheduled Q4						
Covid-19 related assurance	Assurance	40	63	As required						This has been higher than planned in Q1 due to new grants and level of checking required by central

										government. Will be able to use some of the NFI time as do not expect to use all of that.
Procurement Advisory	Advisory	3	-	As required						
SWAP Advisory	Advisory	15	-	As required						
DVLA Database Access	Advisory	3	2.6	Completed						
Markets – New Booking System	Advisory	2	-							
NFI	Assurance	30	0.5	As required						Likely to be able to use this time to offset overrun on Covid-19 related assurance.
IT Project Management	Audit	BDO		Scheduled Q3						Audit to be delivered by BDO ICT audit specialist.
IT and Cloud Strategy	Audit	BDO		Engagement Planning						Audit to be delivered by BDO ICT audit specialist.
Data Governance and Operational Cloud Security	Audit	BDO		Scheduled Q4						Audit to be delivered by BDO ICT audit specialist.



## Definitions

### Audit Opinion

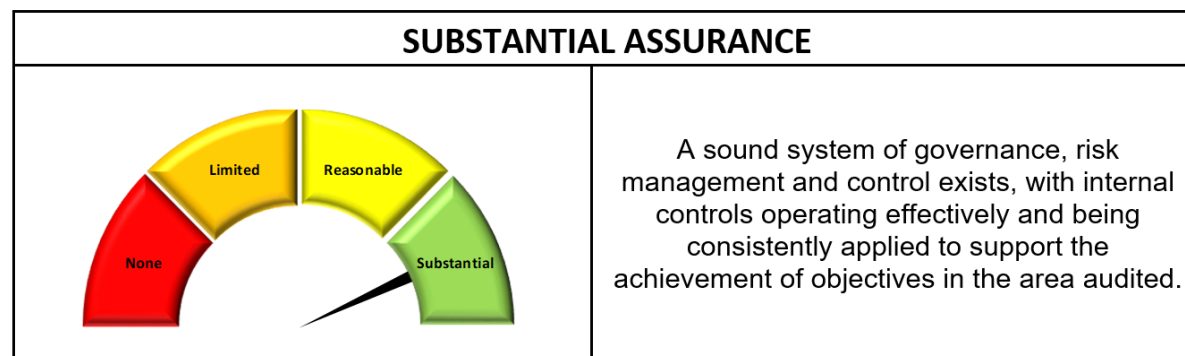
Opinion	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited

### Recommendation Priority

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made,
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.

## SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 01 JUNE 2021 AND 10 SEPTEMBER 2021

## 2020/21 REPORTS

DEBTORS**Key Findings**

Areas of positive assurance identified during the audit:

- There are comprehensive policies and procedures in place that are accessible to staff.
- There are adequate procedures in place to ensure debtors accounts are raised promptly.
- There are adequate segregation of duties.
- Adequate controls exist to ensure that accounts are raised for the correct amounts and are credited to the appropriate cost centre.
- Mechanisms are in place to ensure all income received is recorded and where possible posted to the correct account when it is received.
- There are satisfactory controls in place for the recovery of outstanding payments.
- Write-offs are appropriately recorded and authorised.
- Regular reconciliations are being undertaken between the debtor's system, the cash receipting system and the general ledger.
- Collection rates are monitored against targets by means of an aged debt analysis and regularly reported to management.
- User access is regularly reviewed and relevantly controlled.

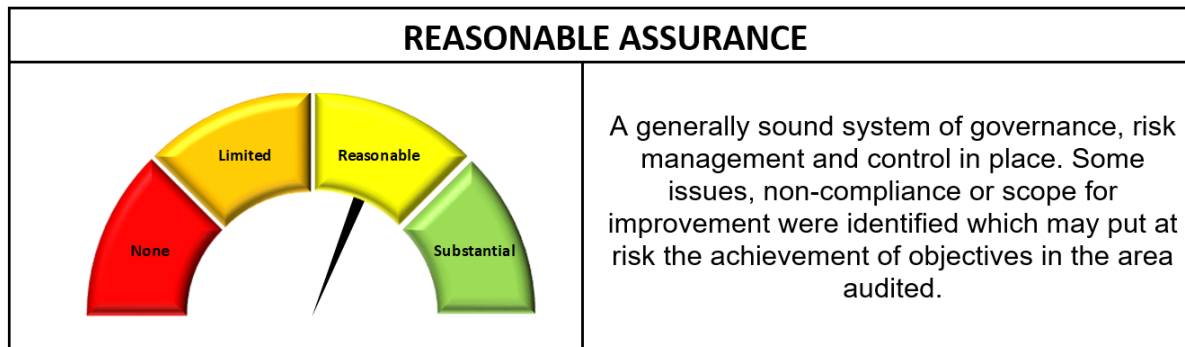
The main areas identified for improvement are:

- Supporting evidence for the raising of credit notes was not available.
- Targets on performance should be set and relevantly reported.

Two medium and one low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1.Procedures should be put in place to ensure credit notes are only raised on receipt of an authorised request.	Medium	A cancellation folder will be created on the shared drive for all cancellation requests to be filed.	Senior Income Officer	July 2021  Audit follow up – implemented.
2. For completeness review dates should be added to the procedure guides.	Low	Agreed that procedure guides will be reviewed and review dates added.	Senior Income Officer	September 2021
3. Review the performance indicators and set appropriate targets to report against.  The indicators should be reported for scrutiny to the appropriate committee.	Medium	An agreed target will be set.  Discuss with the Organisational Change Officer to establish if the indicator can be added to the corporate performance management process, which is reported to the Finance and Performance Scrutiny.	Head of Financial Services and Senior Income Officer	September 2021

## RENT ACCOUNTING



### Key Findings

Areas of positive assurance identified during the audit:

- There is adequate separation of duties within the housing rents system and between debit control and collection.
- There is an adequate process in place for ensuring that rents for new or acquired properties are set in line with the Rents Policy.
- Collection rates are regularly monitored by the Landlord Services Management Team.
- Adequate procedures are in place for the processing of refunds.
- Suspense accounts are regularly reviewed, and items are promptly investigated.
- All types of arrears are pursued appropriately.
- There is a current Housing Income and Financial Inclusion Policy 2019-2024 in place.

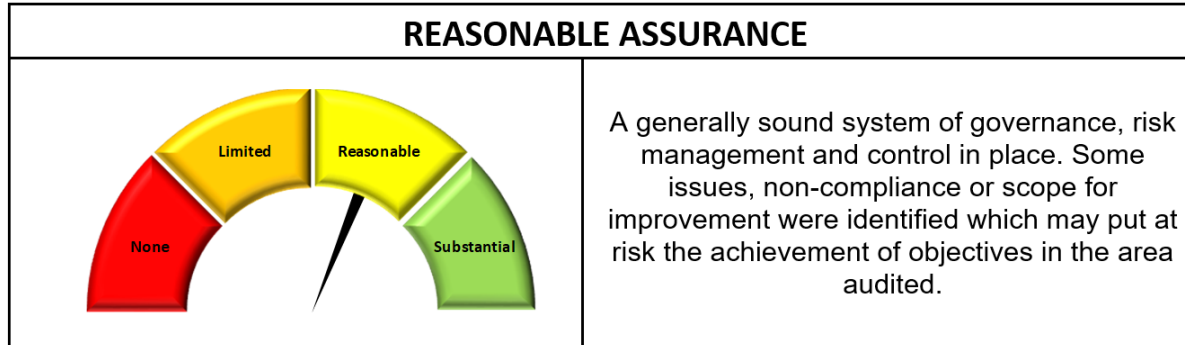
The main areas identified for improvement are:

- The Tenancy Policy and procedural guides have not been reviewed for a number of years.
- The recovery reports that are generated by the software, Rent Sense, may not have all accounts in arrears listed.
- The procedures in place are not enough to ensure user access is revoked.

Two medium and one low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The policies and procedures guides should be reviewed on a regular basis to ensure they reflect current practices.	Low	Agreed that policies and procedure guides will be reviewed and version control maintained.	Landlord Services Manager	September 2021
2. Management liaises with the software provider to resolve this issue to ensure all accounts in arrears are being captured and pursued.	Medium	Agreed as per recommendation.	Income Management Team Leader	August 2021
3. A cleansing exercise be undertaken on the system to revoke access to those who have left Charnwood employment or no longer need access.  A regular review of system access is carried out to ensure that access is appropriate, and leavers are revoked appropriately.	Medium	The cleansing exercise will be completed by the end of August.  The Service will continue to review system users on a quarterly basis when reports are received from ICS.	Housing System Team Leader.	August 2021

## FIRE SAFETY AND MANAGEMENT (HOUSING)



### Key Findings

Areas of positive assurance identified during the audit:

- The need for full procedures has been identified and is currently being address.
- Training is carried out appropriately and new courses are currently being developed at different levels across the authority.
- The service is currently introducing a new process to ensure that all actions identified through both Fire Risk Assessments and from local checks have a full audit trail in place to evidence that actions have been implemented and the date of implementation.
- Inspections are carried out and fully documented by both wardens and the contractor.
- The Fire Management Plan details the responsibilities of officers in regard to fire safety.
- Work has been started to ensure that the authority is meeting the requirements of the new Fire Safety Act 2021 with the intention to carry out fire risk assessments on all relevant properties during the 2021/22 year.

The main areas identified for improvement are:

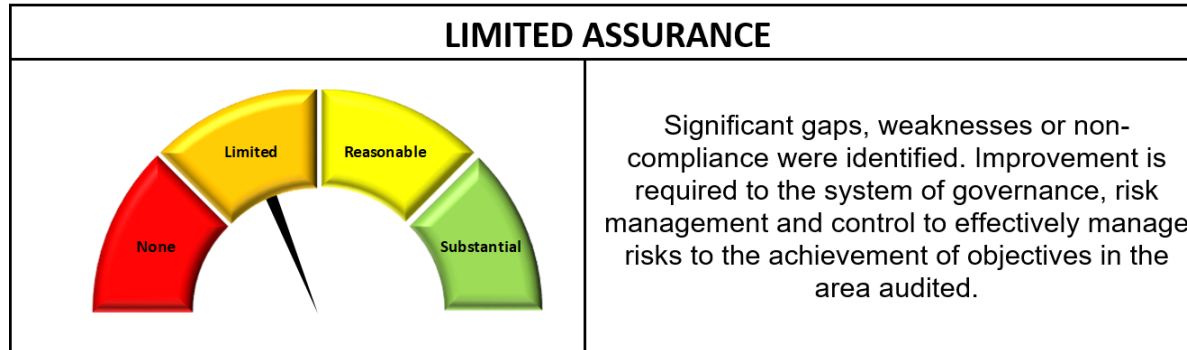
- Contract Management and timeliness of procurement.
- Reporting of accurate performance indicators.

Three medium and three low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1 Officers ensure that contracts are procured in a timelier manner than has been previously the case.	Medium	Agreed, in progress.	Repairs & Investment Manager	September 21
2 Contract monitoring is carried out on a regular basis and appropriately documented.	Medium	Agreed – to be established as part of mobilisation of new contracts	Compliance Manager	October 21
3. A review of the figures reported for KPI's are reviewed for accuracy.	Low	Agreed. New set of FRA's being conducted and accurate figures will be reported upon.	Compliance Manager	September 21
4. Relevant KPI's are in place for contracts.	Low	Agreed. New contracts to have relevant and reportable KPI's	Repairs & Investment Manager	September 21
5. Officers ensure that the record of fire doors is accurately recorded, giving consideration to record these within the QL system.	Low	Agreed.	Repairs & Investment Manager	October 21
6. Further work is carried out to ensure that the inspections carried out by the Housing Assistant are relevantly reported and issues are actioned.	Medium	Agreed.	Landlord Services Manager	October 21

## 2021/22 REPORTS

### ASSET MANAGEMENT



### Key Findings

Areas of positive assurance identified during the audit:

- Sufficient documents are retained to support compliance testing.
- Assets are regularly valued, in accordance with guidance and have been insured.

The main areas identified for improvement are:

- The Asset Management Strategy is due for review this year and supporting policies/action plans need creating.
- Key processes for managing asset information need documenting.
- A comprehensive single data source needs developing to record adequate information on assets necessary to enable evidence-based decision making.
- Officers are not advising the Council's Insurance Officer of changes to insurance provision during the year.

Seven high, 3 medium and one low priority recommendation were made.

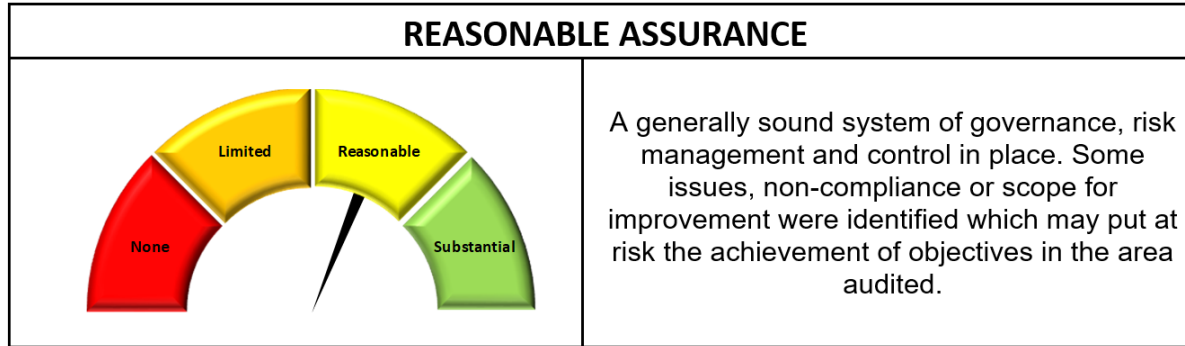


Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>1. Officers ensure that a new Asset Management Strategy is produced and approved in time to replace the current strategy and that it becomes a working document that is updated as the priorities of the council develop over the time.</p> <p>Management should consider existing resources, such as the Royal Institution of Chartered Surveyors Asset Management Guidelines and Department of Communities and Local Government framework for Local Authorities on Asset Management when developing the Strategy and any related documents.</p>	High	A revised Strategy, with guiding principles rather than a list of objectives, will be put in place to lead the council forward	Strategic Director of Commercial Development, Asset and Leisure	April 2022
<p>2. Officers ensure that all policies and documents are in place, up to date and available to support the progression of the strategy.</p>	High	As per recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	April 2022
<p>3. The processes in place for managing the asset information are formalised. These processes should at least describe how council's collect, analyse and evaluate the information to ensure decision making is evidence based and identifies the roles and responsibilities of the officers involved in those processes.</p>	High	Relevant processes will be put in place as per response to recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	April 2022
<p>4. Management should consider the National Asset Management Assessment Framework self-assessment which assesses the maturity of asset management practices and processes.</p>	Low	Agreed as per recommendation.	Strategic Director of Commercial Development, Asset and Leisure	April 2022
<p>5. The current asset insurance list is circulated annually, prior to the renewal of insurance, requesting that officers update the areas relevant to their service.</p>	Medium	Agreed as per recommendation to issue to CLT annually.	Insurance Officer	January 2022

<p>6. In accordance with Financial Procedure Rule 17.2.2, Heads of Service are reminded of their responsibility to advise the insurance officer of any in year acquisitions, disposals or changes in responsibility related to insurance (e.g. lease changes) within their service areas, to ensure that all assets owned by the authority are relevantly insured and the authority is not over insuring assets that they no longer own.</p>	<p>Medium</p>	<p>This is will be added to the Risk Management Group Agenda.</p>	<p>Organisational Development Manager</p>	<p>September 2021</p>
<p>7. Management develops a comprehensive single source of data to track and record assets which allows them to see a complete picture for each asset in real time, which can be used to support the Asset Management Action Plan and give assurance that the authority is meeting their legal responsibilities.</p>	<p>High</p>	<p>Agreed.</p>	<p>Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager</p>	<p>September 2022</p>
<p>8. An Asset Management Group is introduced, and a repairs and maintenance programme developed to ensure that a full overview of works required is available to assist in the prioritisation of expenditure on assets, as is detailed in the Asset Management Strategy.</p>	<p>High</p>	<p>This recommendation is not agreed as this will be managed by SLT as part of the capital programme.</p> <p>A previous programme was approved and included in the capital programme but was subsequently removed due financial pressures due to Covid-19.</p>	<p>N/A</p>	<p>N/A</p>
<p>9. Consideration is given to asset maintenance budgets being centralised to ensure that the authority can maintain their asset stock to the condition required.</p>	<p>Medium</p>	<p>Agreed in principle though the governance programme will be changed this will be undertaken in line with recommendation one.</p>	<p>Strategic Director of Commercial Development, Asset and Leisure</p>	<p>April 2022</p>
<p>10. The review and validation of the register should ensure that all information held is complete and accurate. Consideration should be given to including fields such as acquisition and disposal dates, current</p>	<p>High</p>	<p>Agreed that the review will be completed and key data considered.</p>	<p>Strategic Asset Manager</p>	<p>September 2022</p>

condition/defects and running cost, inspection and compliance requirements and planned works.				
11. The reporting framework is followed to ensure that both Councillors and Senior Management receive reports that contain asset performance, condition, and costs to enable challenge and assist in the strategic long-term planning.	High	Will be set out as part of recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	April 2022

## COMMERCIAL PROPERTY PROJECT



### Key Findings

Areas of positive assurance identified during the audit:

- Adequate due diligence had been completed and appropriate authorisation obtained before investment properties were acquired.
- Appropriate reporting is in place to ensure there is adequate challenge to decision making.
- Collectively officers managing and scrutinising decisions on commercial properties have the appropriate skill set.
- Portfolio management arrangements are in place and appropriately monitored.

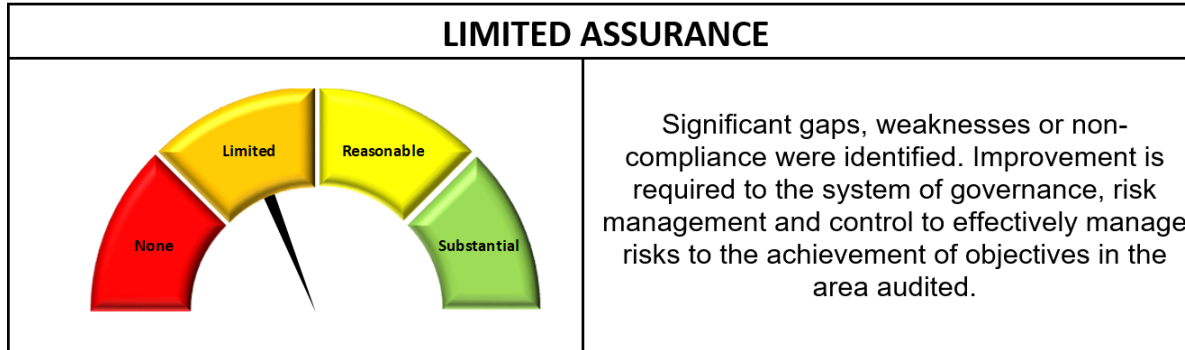
The main areas identified for improvement are:

- The implementation of a risk assessment which reflects the current risks associated with the project.
- Some councillors who would have benefited from the training due to their membership to the Cabinet or Audit Committee, who will provide scrutiny on commercial properties did not attend the members training session.
- Timing in respect of insuring properties should have been considered and more notification should have been given to the Council's Insurance Officer.

Two high and two medium priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. A risk assessment is completed which considers the current risks associated with investment properties which is regularly reviewed, and where necessary updated, and is included in the report to Audit Committee.	High	Officers will investigate the addition of risks to the corporate risk management process and relevant risks will be included in the report for Audit Committee.	Strategic Director of Commercial Development, Asset and Leisure.	December 2021
2. Management ensure all members of the Audit Committee receive appropriate training, within the annual Audit Committee training programme, to enable them to challenge decision making should it be necessary to do so.	Medium	Officers will liaise with Democratic Services to ensure that this is added to the Audit Committee training programme.	Strategic Director of Commercial Development, Asset and Leisure.	September 2021
3. Management ensure that the Insurance Officer is consulted at an early stage for potential new investments, changes to reinstatement costs and changes in leases, to allow for adequate cover to be included in the procurement stage and arranged timely.	High	<p>Management acknowledge the issues raised, however, there are no future plans to purchase investment properties.</p> <p>There are standard processes in place that encompass this with a completion memo.</p> <p>If this situation should occur again then management will reconsider this recommendation.</p>	Not Applicable	No further action.
4. Evidence of insurance for all properties is held by the Council.	Medium	Agreed, this is included on the landlord checklist.	Strategic Asset Manager	September 2021

## CORPORATE RISK MANAGEMENT



### 1.1 Key Findings

Areas of positive assurance identified during the audit:

- The strategic risk register is regularly reported to both councillors (Audit Committee) and senior officers.
- A report on risk management is presented annually to Cabinet.
- It was seen fit to implement a specific COVID risk register at the start of the pandemic, this has been regularly reviewed, updated and reported to committee.

The main areas identified for improvement are:

- Policies and procedures need updating.
- Training for staff and members is required on a regular basis.
- Consistency across all risk registers and links to the relevant corporate strategies need to be developed.

Three high and four medium priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The strategy and framework are reviewed and updated, and relevantly approved to reflect the current position of the authority.	High	Agreed	Organisational Development Manager	December 2021
2. The strategy and framework are made available for staff to ensure the promotion of risk management across the authority.	Medium	Agreed	Organisational Development Manager	December 2021
3. Standard risk management templates are used across the authority for consistency and to ensure the same level of risk management is embedded in all services, projects and partnerships.	Medium	Agreed	Organisational Development Manager	March 2022
4. Officers should ensure that the strategic risk register is accurately recorded and updated and is being managed in line with the risk management framework.	High	Agreed	Organisational Development Manager	December 2021
5. Terms of Reference for the Risk Management Group are developed, agreed and relevantly distributed to ensure that the group is fully aware of its responsibilities and focussing on the relevant areas.	Medium	Agreed	Organisational Development Manager	December 2021
6. Consideration should be given to promoting the use of specific risk registers when working in partnerships to encourage ownership of particular risks across the partnership.	Medium	Agree, will be included in the new framework but to fully implement will be looking at March 2022	Organisational Development Manager in conjunction with relevant Heads of Service	March 2022
7. A review of training is carried out to ensure that all officers and members receive the correct level of training to reflect their responsibilities within the risk management process.	High	Agreed	Organisational Development Manager	May 2022

## APPENDIX C

### RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 10 SEPTEMBER 2021 (CRITICAL, HIGH AND MEDIUM PRIORITY)

Report	Recommendation	Priority	Officer Responsible	Target Date	Internal Audit Comments
<b>2020/21 Audit Reports</b>					
Right to Buy	5 Officers should ensure that where information detailed within the application does not fully match that held by the authority further investigation is carried out and documented to ensure that only bone fide applications can proceed. Additionally, checks against the housing benefits system should be introduced to ensure any fraudulent claims are identified.	High	Strategic Asset Manager & Right to Buy Officer	<del>Feb 21</del> <del>June 21</del> Feb 22	01.04.21 - NFI app now procured and ready for use. Further follow up in June 2021 to allow for process to be fully implemented.  27.08.21 – Further issues, greater than just the implementation of the recommendation, have arisen.
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	Organisational Development Manger	<del>Feb 21</del> Dec 21	04.01.21 - All of the changes relating to Absence Management are to be agreed at Personnel Committee on the 12 January 2021. We will implement after agreement at that meeting.  29.04.21 - HR are currently undertaking other briefing sessions so have not scheduled Absence Management Briefing Sessions as yet.



Strategic Communications	1	The Annual Communications Report should refer to the strategy, for example detailing the original objectives and under each stating what has been done that year to achieve the objective, supporting figures and performance statistics and a reflection on the performance.	Medium	Communications Manager	<del>March 21</del> Sept 21	29.04.21 - The review is underway, and surveys with internal and external audiences about the effectiveness of the Council's communications have been carried out.  04.08.21 - This is now being included in the development of a new communications strategy which will include an annual communications plan which will relate more closely to the Corporate Strategy. Therefore, the annual report will more closely reflect the corporate strategy. Expected completion: September 2021. It has not been completed so far due to other pressures on the comms team.
NNDR	2	Consideration is given to awarding reliefs and exemptions for a set period only. This should be detailed within the policy	Medium	Head of Customer Experience	<del>June 21</del> Sept 21	This will be reviewed as part of the Discretionary Business Rates policy due to be implemented Sept 21.
NNDR	8	A full review of the contract is carried out by the authorised officer and where shortfalls are identified these are relevantly rectified, including the resurrection of the Partnership Board meetings.	High	Head of Customer Experience	<del>March 21</del> <del>June 21</del> Sept 21	Due to other priorities and unavailability of from both organisations the first meeting was deferred.
NNDR	9	All meetings are relevantly minuted.	Medium	Head of Customer Experience	<del>March 21</del> <del>June 21</del> Sept 21	As above, NNDR recommendation 8
Gas Servicing Contract Monitoring	1	A reconciliation between the QL system and the details held by Sure of the properties requiring a CP12 is carried out on a quarterly basis to ensure that all properties are recorded.	Medium	Compliance Manager	<del>June 21</del> <del>July 21</del> Dec 21	The recently appointed Compliance Gas Inspection Surveyor has resigned, which along with two serious heating related issues at sheltered accommodation has impacted on the

						level of available resource to complete this action.
Gas Servicing Contract Monitoring	2	Officers entering the figures into the performance report ensure that these are correctly entered and correspond to the figures provided.	Medium	Compliance Manager	<del>July 21</del> Dec 21	This links into the above action. Until the data is correct, the process and training cannot be delivered.
Asbestos Management	6	Officers ensure that KPI's are being reported and reviewed, with enough information being provided to confirm the accuracy of the KPI's.	Medium	Compliance Manager	<del>July 21</del> Oct 21	The new contract has been executed, and KPIs are contained in the contract.  Extension needed provide sufficient time to build the reports and the output the data.
Asbestos Management	8	Officers ensure all documentation is received following asbestos removal works, and where decisions have been made these should be relevantly documented in a central location.	Medium	Compliance Manager	<del>Jul 21</del> <del>Aug 21</del> Oct 21	Decisions will be relevantly documented and stored on the relevant property folder on sharepoint.
Asbestos Management	9	A review of the information held on the asbestos register is carried out and updated to ensure that the authority is meeting its legislative requirement in relation to keeping an up-to-date record of the location and condition of the asbestos- containing materials - or materials which are presumed to contain asbestos.	High	Compliance Manager	<del>Aug 21</del> <del>Sept 21</del> Oct 21	The Alpha tracker is currently being implemented following the execution of the contract with MCP. Will look in to uploading the ASB visuals report to show work carried out.
Asbestos Management	12	To ensure that officers attend relevant training a full training record should be developed that details the level of training required, when officers have attended training and the frequency that training should be attended.	Medium	Health, Safety & Environmental Manager	<del>Aug 21</del> Oct 21	

Income Collection	4	Management explore fraud training options, particularly around card fraud and Payment Card Industry awareness.	Medium	Head of Customer Experience & Customer Service Delivery Manager	<del>June 21</del> Oct 21	Learning & Development have made the training available but to date no-one has completed the training.
Absence Management	3.1	<p>The HR Management System (iTrent) has a workflow facility which automatically sends an email to HR and to the relevant Manager once an employee reaches a trigger point in the absence management policy. e.g. has a third absence in six months. It is recommended that this facility is utilised so that HR and Managers receive real-time notifications of triggered absences.</p> <p>The workflow should be set up by the Systems Administrator based on a staffing establishment / organisational structure to ensure that notifications are sent to the right people</p>	Medium	Systems Analyst	<del>Dec 20</del> <del>July 21</del> Sept 21	Work has started on this and the Systems Administrator for iTrent is currently finalising the process. Now that the cloud project has been completed the administrator can focus on this. The workflow has been written and needs to be tested.

**APPENDIX D**

**RECOMMENDATIONS TRACKER – RECOMMENDATIONS PREVIOUSLY REPORTED BUT NOT YET DUE AS AT 10 SEPTEMBER 2021  
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

<b>Report</b>	<b>Audit Year</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Officer Responsible</b>	<b>Target Date</b>
Income Collection	20/21	A Money Laundering Officer is appointed; this should be an officer of an appropriate position within the authority	Medium	Director of Corporate Services	Sep-21

## INTERNAL AUDIT PERFORMANCE INDICATORS

PERFORMANCE MEASURE	POSITION AS AT 10 <sup>th</sup> SEPTEMBER 2021	COMMENTS
Delivery of 2021/22 Audit Plan	36%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	Based on four returns for 20/21. Discussed low response rate with SLT and no requirement for IA to chase services for returns.
Compliance with the Internal Audit Standards	Conforms	Inspection took place w/c 30 <sup>th</sup> November 2020. Internal Audit Service conforms to the Public Sector Internal Audit Standards.
Compliance testing of completed recommendations	100%	



# INTERNAL AUDIT CHARTER

**Charnwood Borough Council**

## Version Control

<b>Author</b>	<b>Date</b>	<b>Action</b>
Lisa Marron Audit Manager	May 2020	Aligned Charter for all authorities.
Lisa Marron Audit Manager	September 2021	Reference to Seven Principles of Public Life added. Section 13 changed from Consulting and Advisory work to Nature of Services, assurance definition added (13.1) and the purpose of our work explained (13.2). 9.4 added to confirm approach to work for organisations outside of the shared service.

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## 1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 place a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance.
- 1.2 The Public Sector Internal Audit Standards (PSIAS), Attribute Standard 1000, require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter (hereafter referred to as the Charter), consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The chief audit executive is required to periodically review the Charter and present it to senior management and the 'board' for approval. Final approval of the Charter resides with the 'board'.
- 1.3 The Charter establishes the Internal Audit activity's position within the Council, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

## 2 Definitions

- 2.1 In line with the PSIAS:

Internal auditing is "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 For the purpose of this charter the following definitions shall apply:

*The Board* – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

At this Council this shall mean the Audit Committee.

*Senior Management* – those responsible for leadership and direction of the Council.

At this Council this shall mean the Senior Leadership Team (SLT).

*Chief Audit Executive* –the person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the PSIAS. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications.

At this Council the Chief Audit Executive is the (Shared Service) Audit Manager.

### **3 Mission and Purpose of Internal Audit**

3.1 In line with the PSIAS the mission of Internal Audit is:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

3.2 The purpose of Internal Audit is to review, appraise and report on the adequacy of risk management, control and governance processes across the Council.

### **4 Professionalism**

4.1 The Internal Audit activity will govern itself by adherence to the PSIAS. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

4.2 The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member in addition to the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics from the International Professional Practices Framework. The Core Principles are:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

- 4.3 Internal Auditors who work in the public sector must also have regard to the Committee on Standards in Public Life's Seven Principles of Public Life, information on which can be found at [www.public-standards.gov.uk](http://www.public-standards.gov.uk).

## **5 Scope of Internal Audit**

- 5.1 There are no restrictions placed upon the scope of Internal Audit's work. Internal Audit work will usually include, but is not restricted to:
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
  - evaluating and appraising the risk associated with areas under review and making proposals for improving the management of risks;
  - appraising the effectiveness and reliability of the risk management framework and recommending improvements where necessary;
  - assisting management and members to identify risks and controls with regard to the objectives of the Council and its services;
  - reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Council is in compliance;
  - reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
  - appraising the economy, efficiency and effectiveness with which resources are employed;
  - reviewing operations and programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned; and
  - reviewing the operations of the Council in support of the Council's Anti-Fraud and Corruption policy.

## **6 Authority of Internal Audit**

- 6.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, this Charter and the Council's Constitution. Internal Audit staff have the authority to:
- enter any Council owned or occupied premises or land at all reasonable times (subject to any legal restrictions outside the Council's control);
  - have access at all times to the Council's records, documents and correspondence;
  - require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
  - require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
- 6.2 The Audit Manager shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

- 6.3 All employees and members are requested to assist the Internal Audit activity in fulfilling its roles and responsibilities.

## **7 Responsibility of Internal Audit**

- 7.1 The Chief Audit Executive will be responsible for maintaining an adequate and effective internal audit function. The Internal Audit function will operate in accordance with the Public Sector Internal Audit Standards.
- 7.2 Internal Audit will have the responsibility to review, appraise and report as necessary on:
- the adequacy and effectiveness and application of internal controls, governance and risk management processes and systems;
  - the extent of compliance with financial regulations and standing orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
  - the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

## **8 Reporting Lines**

- 8.1 Day to day management of the Internal Audit team will be performed by the Chief Audit Executive. The Chief Audit Executive reports to the Board for organisational purposes but will report significant audit findings and audit progress directly to the Section 151 Officer. The Chief Audit Executive will keep the Section 151 Officer and the Board informed of progress and developments on a regular basis.
- 8.2 The Internal Audit team is employed by North West Leicestershire District Council and sits within the Legal and Commercial Services Team reporting to the Head of Legal and Commercial Services. The performance of Internal Audit is also monitored by the Head of Strategic Support who is the contract manager.
- 8.3 The Chief Audit Executive has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and Chair of the Audit Committee. The Chief Audit Executive will communicate and interact directly with the Board, including in and between Board meetings as appropriate.

## **9 Independence and Objectivity**

- 9.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice. Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made.

Objectivity requires that Internal Auditors do not subordinate their judgement on audit matters to others.

9.2 To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the Internal Audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to senior management and the Board;
- reports in their own name;
- rotates responsibilities for audit assignments (where possible) within the Internal Audit team;
- completes individual declarations confirming compliance with rules on independence and conflicts of interest; and
- has a planning process which recognises and addresses potential conflicts of interest through Internal Audit staff not undertaking an audit for at least two years in areas where they have had previous operational roles.

9.3 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to senior management and the Board. The nature of the disclosure will depend upon the impairment.

9.4 There may be times when Internal Audit are asked to provide audit services for other organisations outside of the shared service. The nature of this work will be formally set out and agreed in advance and, in line with the shared service inter-authority agreement, all partners will be consulted to ensure there are no conflicts of interest or objections to the work.

## **10 Accountability**

10.1 The Chief Audit Executive shall be accountable to the Board and the S151 Officer for:

- providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- reporting significant issues related to the processes for controlling the activities of the Council and its affiliates, including recommendations and status of implementation of improvements;

- periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit's function's resources; and
- co-ordination with other significant assurance functions.

## **11 Internal Audit Resources**

- 11.1 The Chief Audit Executive will be professionally qualified (CIMA, CCAB or equivalent) and have wide Internal Audit and management experience, reflecting the responsibilities that arise from the need to liaise with Members, senior management and other professionals, both internally and externally.
- 11.2 The Strategic Director of Environmental & Corporate Services (S151 Officer) will provide the Chief Audit Executive with the appropriate resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion.
- 11.3 The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.
- 11.4 The annual plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Audit Executive can propose an increase in audit resource or reduction in the coverage if insufficient resources are available.

## **12 Management Responsibilities**

- 12.1 An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter the Board and Senior Management are mandating management to co-operate with Internal Audit in the delivery of the service by:
- agreeing audit engagement plans no later than the agreed deadline, to include agreements on duration, scope, reporting and response;
  - sponsoring each audit at senior management level;
  - providing Internal Audit with full support and co-operation, including complete access to all records, data, property and personnel relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay;
  - responding to the draft internal report, including provision of management responses to recommendations, within the timescale requested by the audit team;
  - implementing agreed management actions in accordance with the agreed timescales; and
  - updating Internal Audit with progress made on management actions, informing Internal Audit of proposed changes and developments in

processes and systems, newly identified significant risks and cases of a criminal nature.

- 12.2 Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Board at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not replace responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

### **13 Nature of Services**

- 13.1 The Public Sector Internal Audit Standards define assurance as

“An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.”

- 13.2 In general the main purpose our work will be to provide assurance services to report to the shared service Councils and their Audit Committees. There may be times when our assurance is required by others for example it may be relied upon by partners of the shared service Councils or by Central Government for grant certification work. In all cases this will be clearly set out through engagement plans or grant declarations as appropriate.

- 13.3 The Public Sector Internal Audit Standards allow that Internal Audit may sometimes be more usefully focussed towards providing advice rather than assurance of core controls. Where appropriate, Internal Audit will act in a consultancy/advisory capacity by providing guidance and advice for strengthening the control environment, providing:

- the objectives of the consulting/advisory engagement address governance, risk management and control processes to the extent agreed upon with the Council;
- the scope of the consulting/advisory engagement has been clearly defined;
- Internal Audit is considered to have the rights skills, experience and available resource;
- management understand that the work being undertaken is not Internal Audit work; and

- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

13.4 When performing consultancy/advisory services, the auditor must maintain objectivity and not take on a management responsibility. The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular advisory assignment will be agreed with the sponsor, will be documented within the assignment plan, and reported to the Board.

## **14 Role of Internal Audit in Fraud-Related Work**

14.1 The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with senior management. An annual programme of internal audits is designed to assist this process by highlighting areas where controls are inadequate or are not operating.

14.2 All fraud investigations will be conducted in accordance with the Council's Constitution, Anti-Fraud and Corruption Policy and the Confidential Reporting (Whistleblowing) Policy.

14.3 All cases of suspected fraud and/or irregularity should also be reported to the Chief Audit Executive, with the exception of benefit fraud which should be reported to the Department of Work and Pensions. This is to ensure that appropriate action is taken and to enable the Chief Audit Executive to fully answer External Audit queries relating to the International Standard on Auditing (ISA) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

## **15 Relationships**

15.1 The Chief Audit Executive and Internal Audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships with Management**  
The Chief Audit Executive and Internal Audit staff will maintain effective relationships with managers of the Council. Regular meetings will be held with key stakeholders and management will be consulted with during the audit planning process. Timing of audit engagements will be in conjunction with management.
- **Relationships with External Audit**  
Internal Audit have an established working relationship with the current external auditors which includes periodic meetings and plans and reports are shared.
- **Relationships with Regulators and Inspectors**



The Chief Audit Executive and Internal Audit staff will take account of the results and reports from any inspections when planning and undertaking Internal Audit work. Where appropriate the Chief Audit Executive will establish a dialogue with representatives of the appropriate inspection agencies.

- **Relationships with Elected Members**

The Chief Audit Executive will establish a working relationship with members, in particular members of the Audit Committee. The Chief Audit Executive has the opportunity to meet with the Chair of the Audit Committee if required.

## **16 Quality Assurance**

16.1 The Public Sector Internal Audit Standards require that the audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. The results are included in the Internal Audit Annual Report.

### **16.2 Internal Assessments**

All Internal Audit engagements are subjected to a thorough internal peer review of quality, to ensure that its work meets the standards expected from the Internal Audit staff. For example, the internal file quality reviews cover the following:

- the work is planned and undertaken in accordance with risks associated with areas under review;
- sampling is undertaken in accordance with the agreed methodology; and
- the conclusions are fully supported by detailed work.

16.3 Internal Audit performance is also monitored in the following ways:

- quarterly progress reports to the Board and senior management team;
- customer satisfaction surveys following each audit;
- monthly meetings with the S151 Officer; and
- monthly meetings with the Head of Strategic Support.

### **16.4 External Assessments**

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with senior management including the S151 Officer and the Board.

## **17 Records Retention**

17.1 Audit engagement records will be retained for six years. This is in line with Local Government Association guidance.

## **18 Review**

- 18.1 The Internal Audit Charter will be reviewed annually by the Chief Audit Executive and presented to Senior Management and the Board for approval if any significant changes are identified.