

AUDIT COMMITTEE – 16th November 2021

Report of the Head of Strategic Support

Part A

ITEM 7 INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 29th OCTOBER 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 29TH OCTOBER
2021



INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

**Internal Audit Progress Report 2021/22 to
29th October 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 10.09.21 to 29.10.21.

2.0 Internal Audit Plan Update

2.1 Since the last update report to Audit Committee on 28th September 2021, 2 final audit reports have been issued. Appendix A shows the current position of the 2021/22 Audit Plan and the executive summaries for the final reports issued are detailed in Appendix B:

- Fleet Management – Reasonable Assurance
- Acquisitions Policy – Reasonable Assurance

3.0 Outstanding Recommendations

3.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. There is 1 overdue recommendation which is detailed in Appendix C for information.

3.2 Appendix D details recommendations previously reported but, as yet, they have not reached their implementation date.

3.3 Audit committee were keen to track the progress of recommendations made following the Asset Management audit, and also recommendations relating to policies and procedures. Appendix E shows the progress to date against these recommendations.

4.0 Internal Audit Performance Indicators

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

APPENDIX A

2021/22 AUDIT PLAN AS AT 10th SEPTEMBER 2021

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Asset Management	Audit	10	13	Completed	Limited	-	7	3	1	
Disabled Facilities Grants	Certification	5	2.5	Completed						
Commercial Property Project	Audit	10	12	Completed	Reasonable	-	2	2	-	
Commercial Lettings	Audit	10	13	Draft Report						
Acquisitions Policy	Audit	8	8	Draft Report	Reasonable	-	2	3	1	
Fleet Management	Audit	10	13	Completed	Reasonable	-	3	2	-	
Risk Management	Audit	10	8	Completed	Limited	-	3	5	-	
Choice Based Lettings	Audit	10	-	Scheduled Q4						
Building Control	Audit	8	1	In progress						Joint audit for NWLDC
Electrical Safety	Audit	8	-	Scheduled Q4						
Stray Dog Contract	Audit	8	2	In progress						
Benefits Subsidy	Assurance	30		Scheduled Q3/4						Additional work as per discussions with S151 and external auditors

Covid-19 related assurance	Assurance	40	70	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	4	As required						Likely to be able to use this time to offset overrun on Covid-19 related assurance.
IT Project Management	Audit	BDO		Engagement Planning						Audit to be delivered by BDO ICT audit specialist.
IT and Cloud Strategy	Audit	BDO		Report drafting						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 10 SEPTEMBER 2021 & 29 OCTOBER 2021**FLEET MANAGEMENT****Key Findings**

Areas of positive assurance identified during the audit:

- Up to date policies and procedures are in place.
- A fleet register exists and is maintained with current information.
- Sufficient insurance and security arrangements are in place for the vehicles.
- There are adequate procedures in place to ensure vehicles are taxed, serviced and MOT'd as required and regular condition checks are carried out.

The main areas identified for improvement are:

- Drivers non-compliance for the completion of daily vehicle checks is not being adequately managed.
- There are employees who have not signed the Vehicle User's Policy and Agreement.
- The data available on vehicle usage and fuel consumption is not monitored.
- The vehicle allocation list held by the Housing section is out of date.

Two medium and three high priority recommendations were made.

Observation	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>Testing has shown that non-compliance with vehicle checks and vehicle defects are reported to the appropriate services but in some instances, services are not taking sufficient action to remedy non-compliance and ensure non-roadworthy vehicles are taken off the road.</p> <p>The policy in place that details the actions to be taken for these types of non-compliance does not give the relevant officers the ability to act to ensure the Council complies with policy, procedure and legal requirements.</p>	<p>1. Management review the policy and procedures for the reporting of non-compliance and defect issues and as part of that review ensure that relevant officers have appropriate decision-making authority. This will ensure that relevant action is taken in a timely manner to protect the authority in relation to legal requirements.</p>	Medium	Agreed as per recommendation.	Head of Cleansing and Open Spaces and Contracts Manager	March 2022
<p>Sample testing highlighted that none of the officers who had joined the council, following the introduction of the vehicle user's policy and agreement in 2015, had not signed this agreement. There appears to be no process in place to capture these drivers following recruitment.</p>	<p>2. An exercise is undertaken to ensure all current drivers have signed the Vehicle User's Policy and Agreement.</p>	High	Agreed as per recommendation.	Contracts Manager and Business Support and Administration Officer	December 2021
	<p>3. Procedures are put in place to ensure that all officers who will be using a council vehicle sign the</p>	High	Management will liaise with Human Resources to ensure that the	Organisational Development Manager	January 2022

	Vehicle User's Policy and Agreement.		policy is issued as part of the induction process for those posts where the employee is likely to use a council vehicle. Similar to where there is a requirement for a DBS check against particularly posts.		
Although there is data available that could be used for monitoring vehicle and fuel usage there are no monitoring procedures in place and monitoring is not carried out.	4. Procedures are put in place to monitor vehicle and fuel usage to ensure the authority is making best use of the vehicles in terms of routes and schedules and to gain assurance that there is no misappropriation of the council's assets.	High	Agreed as per recommendation.	Contracts Manager	December 2021
The housing vehicles allocation list, detailing which vehicle is allocated to which operative, was out of date.	5. The housing vehicles allocation list is updated and a copy sent to Fleet Management so that the fuel card distribution list can be updated accordingly.	Medium	Agreed as per recommendation.	Repairs and Investment Manager and Principal Officer – Repairs and Maintenance.	October 2021

ACQUISITIONS POLICY



Key Findings

The main areas identified for improvement are:

- The constitution does not document the delegated authority for the Head of Strategic and Private Sector Housing to amend the policy.
- Written procedures do not document the full process.
- Procedures need amending to ensure that the policy is being adhered to and appropriate due diligence is completed.

Overall six recommendations were made, two high, three medium and one low priority.

Observation	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>The council's website currently shows the 2019 version of the Housing Acquisitions Policy.</p> <p>The policy states it will be reviewed on an annual basis or more frequently if considered appropriate however it is understood due to Covid-19 a 2020 review was not carried out.</p> <p>A 2021 policy was provided at the beginning of August 2021. This policy was approved by the Leader Member on 23rd August 2021 but as at 6th October 2021 it has still not been published on the website.</p>	<p>1. The website is updated to include the current Housing Acquisitions Policy 2021 and further reviews are carried out in a timely manner.</p>	Low	<p>The 2021 policy has been uploaded on the website.</p>	<p>Head of Strategic and Private Sector Housing.</p>	Implemented.
<p>Delegation to make minor amendments was approved at the time the policy was first approved however the constitution has not been updated to reflect this.</p>	<p>2. The constitution is updated to reflect the Head of Strategic and Private Sector Housing to include delegated authority to make minor amendments to the Housing Acquisitions Policy</p>	Medium	<p>The constitution will be checked and any necessary amendments will be made.</p>	<p>Head of Strategic Support/Democratic Services Manager</p>	December 2021
<p>The written procedures on acquisitions start at the point when the decision to make an offer on a property is made and therefore does not document the complete process, from how a property is identified.</p>	<p>3. The acquisitions procedure is updated to include the beginning of the process, starting with how a property is identified.</p>	Medium	<p>Agreed as per recommendation.</p>	<p>Head of Strategic and Private Sector Housing.</p>	January 2022
<p>Testing on one acquisition highlighted the following areas where the Housing Acquisition Policy was not adhered to:</p>	<p>4. Management ensure that purchases are made in line with the policy.</p>	High	<p>The Policy to be reviewed again and any amends to be approved in line with the</p>	<p>Head of Strategic and</p>	January 2022

<ul style="list-style-type: none"> The contract was not signed by two authorised signatories (Financial Appraisal, page 7). The decision to offer evaluation form was not fully completed as no budgetary information had been included (stage 3, property evaluation). Not all costs (based on RICS recommendations) to bring the property up to the Charnwood Standard were considered in the decision to make an offer (stage 2 of policy, criteria 2). This has led to the purchase price being higher than the policy gives authority for (stage 3, property evaluation - The initial investment (the buying price plus cost of repairs) does not exceed the property value once brought up to the Charnwood Standard). 			Constitution, and a revised copy of the Policy to be uploaded to the website.	Private Sector Housing.	
Procedures, in respect of contract sign off, do not reflect the requirements of the policy.	5. The procedures are updated to ensure that they fully reflect the requirements of the policy.	Medium	Update the procedures to reflect the requirements of the Policy.	Head of Strategic and Private Sector Housing.	January 2022
The acquisition process lacks governance in that all delegated authority is with the Head of Strategic and Private Sector Housing, who also manages the process on daily basis, which removes any segregation of duty and independence in the process. The decision making, accountability, control and changes to policy are all the responsibility of the Head of Strategic and Private Sector Housing.	6. A full review is carried out in relation to the delegated authority in this process to ensure that there is independence within the process.	High	Agreed. Will discuss the process and decision-making changes required with Democratic Services. Head of Strategic and Private Sector Housing management comment: The day to day	Strategic Director of Community, Planning and Housing.	December 2021

			management of the process is normally the responsibility of the Housing Strategy and Support Manager, however this post is currently vacant.		
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APPENDIX C

RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 29 OCTOBER 2021 (CRITICAL, HIGH AND MEDIUM PRIORITY)

Report	Recommendation	Priority	Officer Responsible	Target Date	Internal Audit Comments
NNDR	The discretionary business rates policy is reviewed and updated on a regular basis.	Medium	Head of Customer Experience	September 21	Awaiting update.

**RECOMMENDATIONS TRACKER – RECOMMENDATIONS PREVIOUSLY REPORTED BUT NOT YET DUE AS AT 29 OCTOBER 2021
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

Report	Audit Year	Recommendation	Priority	Officer Responsible	Target Date
Right to Buy	20/21	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	Feb 22
Absence Management	20/21	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	Dec 21
Strategic Communications	19/20	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	Dec 21
NNDR	20/21	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	Dec 21
NNDR	20/21	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	Dec 21

NNDR	20/21	All meetings are relevantly minuted.	Medium	Head of Customer Experience	Dec 21
Gas Servicing Contract Monitoring	20/21	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	Dec 21
Gas Servicing Contract Monitoring	20/21	Officers entering the figures into the performance report ensure that these are correctly entered and correspond to the figures provided.	Medium	Compliance Manager	Dec 21
Asbestos Management	20/21	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	Dec 21
Asset Management	21/22	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. 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.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
Asset Management	21/22	Officers ensure that all policies and documents are in place, up to date and available to support the progression of the strategy.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
Asset Management	21/22	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.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
Asset Management	21/22	The current asset insurance list is circulated annually, prior to the renewal of insurance, requesting that officers update the areas relevant to their service.	Medium	Insurance Officer	Jan-22
Asset Management	21/22	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	High	Strategic Director of Commercial Development, Asset and Leisure	Sep-22

		the Asset Management Action Plan and give assurance that the authority is meeting their legal responsibilities.		and Strategic Ass Manager	
Asset Management	21/22	Consideration is given to asset maintenance budgets being centralised to ensure that the authority can maintain their asset stock to the condition required.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
Asset Management	21/22	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 condition/defects and running cost, inspection and compliance requirements and planned works.	High	Strategic Asset Manager	Sep-22
Corporate Risk Management	21/22	The strategy and framework are reviewed and updated, and relevantly approved to reflect the current position of the authority.	High	Organisational Development Manager	Dec-21
Corporate Risk Management	21/22	The strategy and framework are made available for staff to ensure the promotion of risk management across the authority.	Medium	Organisational Development Manager	Dec-21
Corporate Risk Management	21/22	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	Organisational Development Manager	Mar-22
Corporate Risk Management	21/22	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	Organisational Development Manager	Dec-21
Corporate Risk Management	21/22	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	Organisational Development Manager	Dec-21
Corporate Risk Management	21/22	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	Organisational Development Manager	Mar-22

Corporate Risk Management	21/22	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	Organisational Development Manager	May-22
Commercial Property Project	21/22	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	Strategic Director of Commercial Development, Asset and Leisure	Dec-21

APPENDIX E

RECOMMENDATIONS TRACKER – ASSET MANAGEMENT RECOMMENDATIONS

Report	Audit Year	Recommendation	Priority	Officer Responsible	Target Date	IA Comments
Asset Management	2021/22	<p>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	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	
Asset Management	2021/22	Officers ensure that all policies and documents are in place, up to date and available to support the progression of the strategy.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	
Asset Management	2021/22	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.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	
Asset Management	2021/22	The current asset insurance list is circulated annually, prior to the renewal of insurance, requesting that officers update the areas relevant to their service.	Medium	Insurance Officer	Jan-22	
Asset Management	2021/22	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.	Medium	Organisational Development Manager	Sep-21	Implemented

Asset Management	2021/22	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.	High	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager	Sep-22	
Asset Management	2021/22	Consideration is given to asset maintenance budgets being centralised to ensure that the authority can maintain their asset stock to the condition required.	High	Strategic Director of Commercial Development, Asset and Leisure	Apr-22	
Asset Management	2021/22	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 condition/defects and running cost, inspection and compliance requirements and planned works.	High	Strategic Asset Manager	Sep-22	

RECOMMENDATIONS TRACKER – POLICIES AND PROCEDURES

Report	Audit Year	Recommendation	Priority	Officer Responsible	Target Date	IA Comments
NNDR	20/21	The discretionary business rates policy is reviewed and updated on a regular basis.	Medium	Head of Customer Experience	Sep-21	Awaiting update
Fleet Management	21/22	Management review the policy and procedures for the reporting of non-compliance and defect issues and as part of that review ensure that relevant officers have appropriate decision-making authority. This will ensure that relevant action is taken in a timely manner to protect the authority in relation to legal requirements.	Medium	Head of Cleansing and Open Spaces and Contracts Manager	Mar-22	
Fleet Management	21/22	Procedures are put in place to monitor vehicle and fuel usage to ensure the authority is making best use of the vehicles in terms of routes and schedules and to gain assurance that there is no misappropriation of the council's assets.	Medium	Contracts Manager	Dec-21	

INTERNAL AUDIT PERFORMANCE INDICATORS

PERFORMANCE MEASURE	POSITION AS AT 29th October 2021	COMMENTS
Delivery of 2021/22 Audit Plan	50%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	Based on 3 returns for 21/22.
Compliance with the Internal Audit Standards	Conforms	Inspection took place w/c 30 th November 2020. Internal Audit Service conforms to the Public Sector Internal Audit Standards.
Compliance testing of completed recommendations	100%	