

AUDIT COMMITTEE – 15th February 2022

Report of the Head of Strategic Support

Part A

ITEM 8 INTERNAL AUDIT PROGRESS REPORT Q3 2021-22

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 Q3



INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

Internal Audit Progress Report 2021/22 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 2021/22 Q3.

2 Internal Audit Plan Update

- 2.1 Since the last update report, Internal Audit work has continued on the 21/22 audit plan with 3 final audit reports being issued (see Appendix A). Work has also continued on the post payment assurance verification of COVID19 Business Grants. Additionally, audit have carried out the benefits subsidy testing.

- 2.2 The following audits were issued in final during Q3, all 3 being given reasonable assurance. The executive summaries and recommendations are included at Appendix B:

- 2021/22 Stray Dog Contract – Reasonable Assurance
- 2021/22 Commercial Lettings – Reasonable Assurance
- 2021/22 Acquisitions Policy – Reasonable Assurance

3.0 Outstanding Recommendations

- 3.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. There are 13 overdue recommendations which are detailed in Appendix C for information.
- 3.2 Appendix D details recommendations previously reported but, as yet, have not reached their implementation date.

4.0 Internal Audit Performance Indicators

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

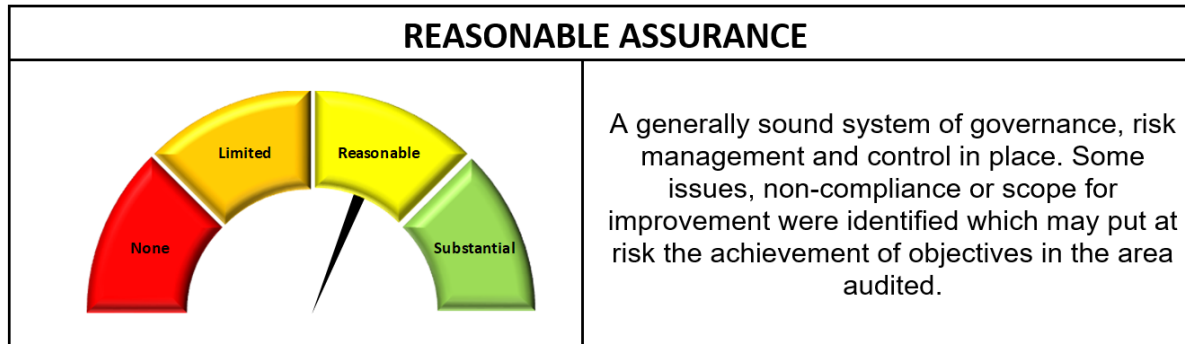
APPENDIX A

AUDIT PLAN AS AT 31st DECEMBER 2021

Audit Area (Report No.)	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	2.5	Completed						
Commercial Property Project	Audit	10	12.5	Completed	Reasonable	-	2	2	-	
Commercial Lettings	Audit	10	16.5	Completed	Reasonable	-	2	5	-	
Acquisitions Policy	Audit	8	9	Completed		-	2	3	1	
Fleet Management	Audit	10	12	Completed	Reasonable	-	3	2	-	
Risk Management	Audit	10	8	Completed	Limited		3	5	-	
Choice Based Lettings	Audit	10	-	Scheduled Q4						
Building Control	Audit	8	2	In progress						Joint audit with NWLDC
Electrical Safety	Audit	8	0.5	Planning						
Stray Dog Contract	Audit	10	9	Completed	Reasonable	-	-	3	-	Addition to the plan
Benefits Subsidy	Assurance		60	In progress						Addition to the plan
Covid-19 related assurance	Assurance	40	77	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	3	Completed						
Markets – New Booking System	Advisory	2	-							
NFI	Assurance	30	0.5	As required						
IT Project Management	Audit	BDO		Draft report due						Audit to be delivered by BDO ICT audit specialist.
IT and Cloud Strategy	Audit	BDO		Draft report due						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.

STRAY DOG CONTRACT



Key Findings

Areas of positive assurance identified during the audit:

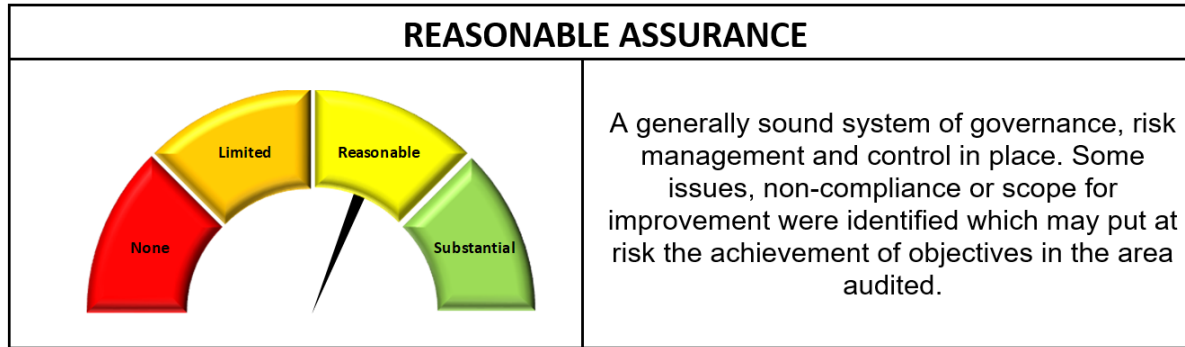
- Key Council procedures and processes are documented, and procedures have been updated to reflect changes made during the pandemic.
- Contract monitoring arrangements are satisfactory, and the service is being delivered to the expected level and quality as set out in the contract.
- Invoices are reviewed for accuracy and payments have been made correctly.
- Receipts are issued to owners upon collection.

The main areas identified for improvement are:

- The publicised fees and charges had not been updated in a timely manner.
- Income/expenditure is not being recorded correctly in the accounts.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The council's website is updated to reflect the current fees and charges and processes are put in place to ensure these are reviewed on an annual basis.	Medium	Agreed and amended with immediate effect.	Enviro-crime and Dog Control Manager	Implemented during the course of the audit.
2. Officers undertaking the task of apportioning invoiced costs are given appropriate training.	Medium	Appropriate training will be given to the relevant officers and Manager to supervise process over the next few months. Invoice layout to be reviewed by contractor.	Enviro-crime and Dog Control Manager	March 2022
3. A review of income and expenditure within the account codes is carried out to identify and correct any miscoding	Medium	Agreed as per recommendation.	Enviro-crime and Dog Control Manager	March 2022

COMMERCIAL LETTINGS



Key Findings

Areas of positive assurance identified during the audit:

- An up to date database of Commercial units is maintained which contains key information.
- Lease agreements are signed, securely stored and easily located.
- Invoices for rental payments are monitored and processes are in place to follow up non-payment.
- Adequate insurance cover is in place.

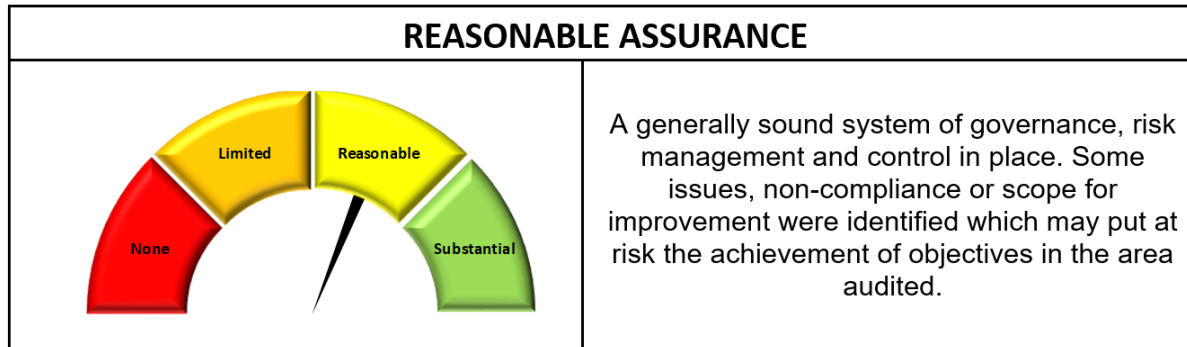
The main areas identified for improvement are:

- Reviews of rent and service charges.
- Budget monitoring responsibility and management.
- Void performance reporting.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>1. A full set of procedure documents should be in place which cover all key aspects of the Commercial Lettings area.</p>	Medium	<p>Agreed to implement local procedures to cover areas.</p>	<p>Business Centre / Ind Managers and Senior Property and Asset Officer.</p>	<p>Dec 2021</p>
<p>2. Increases in rent charges should be calculated in line with Section 7 of the lease agreement.</p> <p>Details of how the increase has been calculated should be retained.</p> <p>The decision as to whether or not to increase rents should be formally documented and appropriately agreed.</p>	High	<p>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.</p>	<p>Strategic Asset Manager, Business Centre / Ind Managers and Senior Property and Asset Officer.</p>	<p>April 2022</p>
<p>3. A valuation of the Commercial Units should be undertaken in order to compare the rents currently charged for units to market rents.</p> <p>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.</p>	Medium	<p>Agreed – will instruct external company for a comparable to be carried out.</p>	<p>Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.</p>	<p>April 2022</p>
<p>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.</p>	High	<p>Agreed, a process will be implemented across all teams. As leases expire these will be reviewed and brought into line with the process.</p>	<p>Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager.</p>	<p>April 2022</p>

5. Responsibility for managing budgets for Commercial Lettings should be formally assigned and budget monitoring carried out appropriately.	High	Agreed and partially implemented, will be fully reviewed as the service area is restructured.	Strategic Asset Manager	Implemented
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	December 2022
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.	High	Agreed, for the proportion that are controlled by the authority and where it is the tenant's responsibility evidence will be requested from the tenant.	Strategic Asset Manager and Senior Property and Asset Officer.	April 2022

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.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The website is updated to include the current Housing Acquisitions Policy 2021 and further reviews are carried out in a timely manner.	Low	The 2021 policy has been uploaded on the website.	Head of Strategic and Private Sector Housing.	Implemented.

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	Medium	The constitution will be checked and any necessary amendments will be made.	Head of Strategic Support/Democratic Services Manager	December 2021
3. The acquisitions procedure is updated to include the beginning of the process, starting with how a property is identified.	Medium	Agreed as per recommendation.	Head of Strategic and Private Sector Housing.	January 2022
4. Management ensure that purchases are made in line with the policy.	High	The Policy to be reviewed again and any amends to be approved in line with the Constitution, and a revised copy of the Policy to be uploaded to the website.	Head of Strategic and Private Sector Housing.	January 2022
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
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	<p>Agreed. Will discuss the process and decision-making changes required with Democratic Services.</p> <p>Head of Strategic and Private Sector Housing management comment: The day to day management of the process is normally the responsibility of the Housing Strategy and Support Manager, however this post is currently vacant.</p>	Strategic Director of Community, Planning and Housing.	December 2021

**RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 31ST DECEMBER 2021
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

APPENDIX C

Audit	Recommendation	Priority	Response/Agreed Action	Responsible Officer	Current Target Date	Previous Target Dates	Internal Audit Comments
2020/21 Audits							
Absence Management	<p>3.1 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	Consider utilising the iTrent System to identify and manage triggers.	System Analyst	Dec-21	Dec-20	The workflows are very complex therefore taking longer to configure. Request Defer to Dec-21.
Absence Management	<p>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.</p> <p>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.</p>	Medium	HR to include absence management in their next briefing sessions	LCC Human Resources	Dec-21	Apr-21	HR are currently undertaking other briefing sessions so have not scheduled Absence Management Briefing Sessions as yet. However, it is anticipated that these be completed by 31 December 2021

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	Review the annual Communications report to more closely reflect the Communications Strategy	Communications Manager	Dec-21	Mar-21	The review is underway, and surveys have been carried out with internal and external audiences about the effectiveness of the Council's communications.
NNDR	1. The discretionary business rates policy is reviewed and updated on a regular basis.	Medium	Agreed – this will be discussed with the Director of Environment & Corporate Services as to the responsibility for the updating of the policy.	Head of Customer Service	Jan-22	Sept-21 Dec-21	Advised that this is still progress and has not been completed at this stage, it is anticipated that it will be completed by the end of Jan-22.
NNDR	2. Consideration is given to awarding reliefs and exemptions for a set period only. This should be detailed within the policy	Medium	As there is no legal basis to time-limit the award we will not set a time limit for an award however within the review of the DBR Policy the introduction of reviews of reliefs to ensure validity will be considered	Head of Customer Experience	Jan-22	Jun-21 Dec-21	Advised that this is still progress and has not been completed at this stage, it is anticipated that it will be completed by the end of Jan-22.
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	Agreed, current system to be reviewed, developed, or replaced as appropriate.	Compliance Manager	Dec-21	Aug-21 Nov-21	In progress
Fire Safety and Management	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	Dec-21	Oct-21	In progress following new contracts being awarded.

Fire Safety and Management	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	Feb-22	Oct-21 Nov-21	A new risk condition survey is being developed.
2021/22 Audits							
Corporate Risk Management	1. The strategy and framework are reviewed and updated, and relevantly approved to reflect the current position of the authority.	High	Agreed as per recommendation	Organisational Development Manager	Mar-22	Dec-21	The Risk Management has been reviewed and discussed at SLT and CLT. The final version will be presented to Audit Committee on the 15th February and to Cabinet on the 10th March 2022.
Corporate Risk Management	2. The strategy and framework are made available for staff to ensure the promotion of risk management across the authority.	Medium	Agreed as per recommendation	Organisational Development Manager	Mar-22	Dec-21	Once approved the new framework and SRR will be added to the intranet and website.
Corporate Risk Management	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 as per recommendation	Organisational Development Manager	Mar-22	Dec-21	The SRR will be managed through the Risk Management Group - which has newly developed Terms of Reference
Commercial Property Project	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	Dec-21		No update received

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.	Business Centre / Ind Managers and Senior Property and Asset Officer.	Dec-21		No update received
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APPENDIX D

**RECOMMENDATIONS TRACKER – RECOMMENDATIONS PREVIOUSLY REPORTED BUT NOT YET DUE AS AT 31st DECEMBER 2021
(CRITICAL, HIGH AND MEDIUM PRIORITY)**

AUDIT YEAR	AUDIT	RECOMMENDATION	PRIORITY	RESPONSE/AGREED ACTION	RESPONSIBLE OFFICER	CURRENT IMPLEMENTATION DATE
2021/22	Asset Management	<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	Apr-22
2021/22	Asset Management	2. Officers ensure that all policies and documents are in place, up to date and available to support the progression of the strategy.	High	As per recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22

2021/22	Asset Management	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	High	Relevant processes will be put in place as per response to recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
2021/22	Asset Management	4. Management should consider the National Asset Management Assessment Framework self-assessment which assesses the maturity of asset management practices and processes.	Low	Agreed as per recommendation.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22
2021/22	Asset Management	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.	Medium	Agreed as per recommendation to issue to CLT annually.	Insurance Officer	Jan-22
2021/22	Asset Management	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	High	Agreed	Strategic Director of Commercial Development, Asset and Leisure and Strategic Asset Manager	Sep-22
2021/22	Asset Management	9. Consideration is given to asset maintenance budgets being centralised to ensure that the authority can maintain their asset stock to the condition required.	High	Agreed in principle though the governance programme will be changed this will be undertaken in line with recommendation one.	Strategic Director of Commercial Development, Asset and Leisure	Apr-22

2021/22	Asset Management	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 condition/defects and running cost, inspection and compliance requirements and planned works.	High	Agreed that the review will be completed and key data considered.	Strategic Asset Manager	Sep-22
2021/22	Corporate Risk Management	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 as per recommendation	Organisational Development Manager	Mar-22
2021/22	Corporate Risk Management	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	Mar-22
2021/22	Corporate Risk Management	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 as per recommendation	Organisational Development Manager	May-22
2021/22	Fleet Management	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.	Medium	Agreed as per recommendation	Head of Cleansing and Open Spaces and Contracts Manager	Mar-22

2021/22	Fleet Management	3. Management will liaise with Human Resources to ensure that the 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.	High	Management will liaise with Human Resources to ensure that the 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.	Organisational Development Manager	Jan-22
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INTERNAL AUDIT PERFORMANCE INDICATORS

PERFORMANCE MEASURE	POSITION AS AT 31st DECEMBER 2021	COMMENTS
Delivery of 2021/22 Audit Plan	60%	2 audits are in progress, with a further 3 audits in the planning stage.
Percentage of Client Satisfaction with the Internal Audit Service	100%	Based on five 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%	