Report of the Head of Strategic Support

Part A

ITEM 7   <u>INTERNAL AUDIT PROGRESS REPORT Q4 2021-22</u>

<u>Purpose of Report</u>

The report summarises the progress against the 2021/22 Audit Plan, outlining key findings from final reports and any outstanding recommendations.

<u>Recommendation</u>

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

<u>Reason</u>

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

<u>Policy Justification and Previous Decisions</u>

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.

<u>Implementation Timetable including Future Decisions</u>

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

<u>Report Implications</u>

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

Appendices: Appendix 1 – Internal Audit report

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INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

Internal Audit Progress Report 2021/22 Q4

1.   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 4 final audit reports being issued (see Appendix A). Work has also continued on the post payment assurance verification of COVID19 Business Grants. There are 1 audits from the 2021/22 plan currently in draft report stage (creditors) and one in progress (choice based lettings), both are expected to be finalised prior to the annual audit opinion being written.

2.2   The following audits were issued in final during Q4. The executive summaries and recommendations are included at Appendix B:

- 2021/22 Building Control - Reasonable
- 2021/22 Electrical Safety (HRA) - Limited
- 2021/22 IT Project Management - Substantial
- 2021/22 IT & Cloud Strategy - Substantial

3.0   Outstanding Recommendations

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

3.2   A review of the process for the follow-up of recommendations has been carried out and it has been agreed with SLT that –

- Audit will carry out 2 follow-up reviews, the responsibility to advise audit of the implementation of the recommendation will then be passed to the officer responsible and the relevant head of service. In addition to this a report will be submitted to SLT on a monthly basis and CLT on a quarterly basis, detailing all overdue recommendations.
- Audit will continue to report overdue recommendations to Audit Committee.

4.0   Internal Audit Performance Indicators

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

AUDIT PLAN AS AT 31st DECEMBER 2021

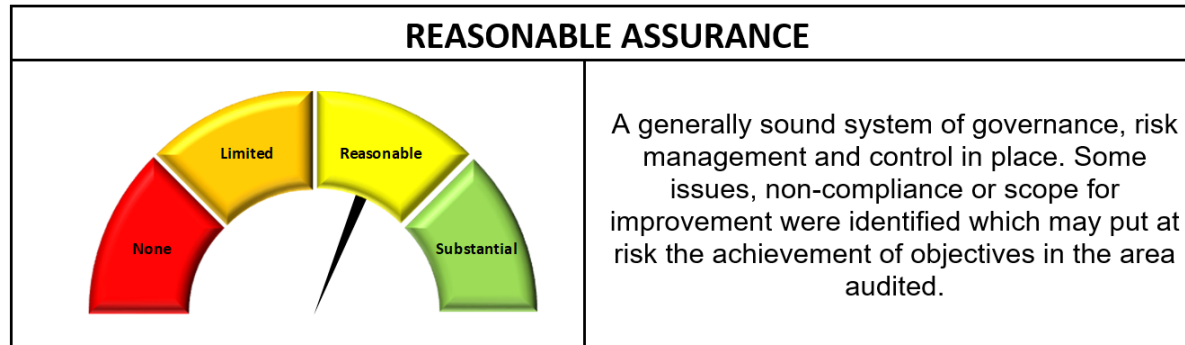| Audit Area (Report No.)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Asset Management	Audit	10	12	Completed	Limited	-	7	3	1	
Disabled Facilities Grants	Certification	5	2.5	Completed						
Commercial Property Project	Audit	10	12.5	Completed	Reasonable	-	2	2	-	
Commercial Lettings	Audit	10	16.5	Completed	Reasonable	-	2	5	-	
Acquisitions Policy	Audit	8	9	Completed	Reasonable	-	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	2	In progress						
Building Control	Audit	8	6.5	Completed	Reasonable	-	3	4	-	Joint audit with NWLDC
Electrical Safety	Audit	8	9	Completed	Limited	-	4	3	-	
Main Accounting	Audit	5	3.5	Completed	Substantial	-	-	-	-	
Creditors	Audit	8	8.5	Draft report						
Stray Dog Contract	Audit	10	9	Completed	Reasonable	-	-	3	-	Addition to the plan

Benefits Subsidy	Assurance		74	Completed						Addition to the plan
Covid-19 related assurance	Assurance	40	83	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	10	As required						
IT Project Management	Audit	BDO		Completed	Substantial	-	-	-	1	Audit delivered by BDO ICT audit specialist.
IT and Cloud Strategy	Audit	BDO		Completed	Substantial	-	-	-	-	Audit delivered by BDO ICT audit specialist.
Data Governance and Operational Cloud Security	Audit	BDO		In progress						Audit to be delivered by BDO ICT audit specialist.

BUILDING CONTROL

REASONABLE ASSURANCE	
	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.

Key Findings

Areas of positive assurance identified during the audit:

- Procedures have been reviewed or are in the process of being reviewed.
- Information is shared between authorities as outlined in the contract.
- Regular monitoring meetings are taking place, for both the Management Board and Sub-Group.

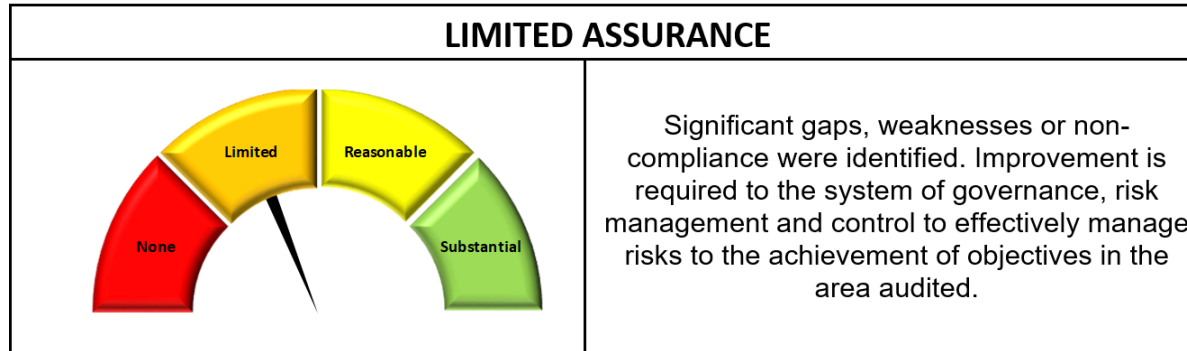The main areas identified for improvement are:

- Contract monitoring information, including financial data and key performance indicators, requires review to ensure suitability.
- A process needs to be established that effectively monitors and records issues raised by the Joint Management Board.
- Invoicing needs to be completed in accordance with the contract.
- A common scheme of fees and charges needs approving by the Management Board.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The quarterly finance report format is reviewed and data is presented in a clear and concise manner, with supporting information appended where necessary, to ensure that the financial position is fully visible and understandable to both authorities.	Medium	The format of the financial report presented to the Board, in February 2022, was approved and is to be adopted going forward.	Head of Planning and Regeneration, Head of Financial Services and Team Leader Building Control.	Implemented February 2022
2. A full review of the KPI's is carried out to ensure that the board are fully aware of the current position of the service and to assist in any future decisions.	High	A full review will be completed as part of the next service plan, as instructed by the Joint Management Board. Once completed this will be approved by the Board.	Head of Planning and Regeneration in partnership with Head of Planning and Regeneration (NWLDC).	May 2022
3. KPI reports should include both specific period and year to date figures.	Medium	A KPI scorecard has been created in response to a request from the Joint Management Board and was presented and adopted in the February 2022 Board meeting.	Head of Planning and Regeneration and Team Leader Building Control.	Implemented February 2022
4. Each Board/ Group should develop an action plan to regulate direction and record progress.	Medium	Agree to review the format of the action plan.	Head of Planning and Regeneration and Team Leader Building Control.	May 2022
5. In accordance with the contract, a proposed common scheme of charges, with supporting documentation, is presented to Joint Management Board for approval.	Medium	Agreed as per recommendation.	Head of Planning and Regeneration and Team Leader Building Control.	May 2022.

6. The hourly rates for the reconciliation between agency costs and employment costs of a PO1 officer are verified and if appropriate any financial adjustments rectified.	High	Agreed to complete a reconciliation to present to the Board for approval.	Head of Planning and Regeneration and Head of Financial Services.	May 2022.
7. Following the agreement of the year to date financial report at the Joint Management Board in February 2022, an invoice should be raised for the remaining costs due to CBC, less any reimbursements due to NWLDC, thus ensuring the terms of the contract are adhered to.	High	Agreed as per recommendation.	Team Leader Building Control.	May 2022.

ELECTRICAL SAFETY (HRA)

LIMITED ASSURANCE	
	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.

Key Findings

Areas of positive assurance identified during the audit:

- There is an up to date Electrotechnical Care Safety Plan in place.
- Key documents such as certificates are filed promptly, consistently and securely and are easily retrievable when required.
- Officers and contractors are relevantly trained to ensure awareness and responsibilities.
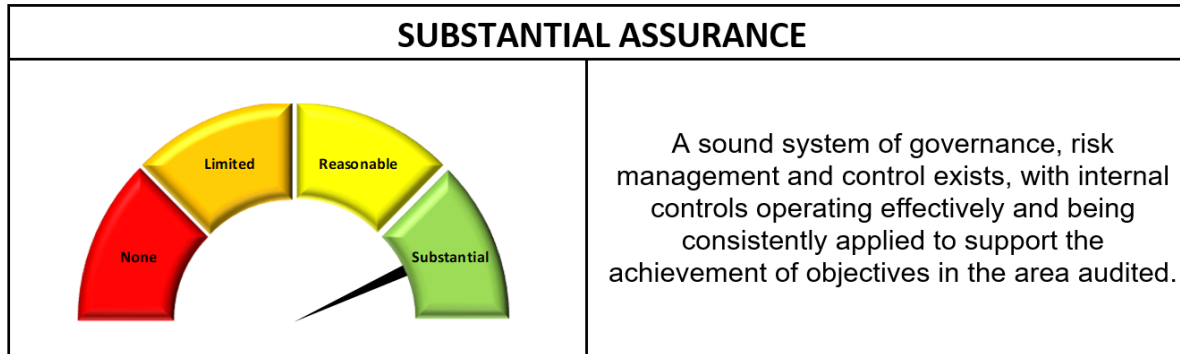
The main areas identified for improvement are:

- Procedure guides are not in place to assist with the processes and for business continuity purposes.
- There is no documented procedure or evidence in place to ensure all issues are regularly monitored, reviewed, rectified and appropriate certification is received and recorded.
- There is no forward planned programme in place to ensure that all properties are inspected in line with legislation.
- A reconciliation of property numbers between systems is not carried out.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Procedures are written for inhouse practices and made available to all relevant officers.	High	Agreed as recommendation.	Compliance Manager and Electrical Compliance Officer	December 2022
2. A reconciliation between the QL system and the CDMS system is carried out and appropriately documented on a regular basis to ensure that all properties are relevantly inspected.	Medium	A stock data extract is downloaded from QL and this report is used to update the CDMS system however this process will be formalised as a reconciliation.	Electrical Compliance Officer	September 2022
3. A full and accurate 5 year rolling programme should be established to enable forward planning and legislative compliance.	High	Agreed as per recommendation.	Compliance Manager and Electrical Compliance Officer	July 2022
4. A 'no access' process should be documented and implemented to ensure testing or remedial works can be undertaken promptly. This should be reiterated in the Tenancy agreement.	Medium	Agree with recommendation and it is reiterated in the new tenancy agreements.	Compliance Manager and Electrical Compliance Officer	December 2022
5. Officers need to review the accuracy of the system to ensure that full compliance is being met and relevantly reported.	High	Enquiries are being made with the software provider to flag or highlight certificates outside of the 5 years.

Orders were raised for 2016 certificates before the audit, as certificates were identified through a | Compliance Manager and Electrical Compliance Officer | July 2022 |

		manual process in place, and testing is scheduled for completion. The implementation of the 5 year rolling programme will also identify this.		
6. A process should be introduced to ensure all issues are regularly reviewed, rectified and appropriate certification is received and recorded.	High	The focus has been on prioritising C1 remedial works identified following tests and undertaking testing where certificates are due. It is accepted that some C2 and C3 works are outstanding as a consequence of this prioritisation, and that evidence of regular monitoring needs to be enhanced. Agreed action as per recommendation. (C1- immediate action required, C2 - minor repair, C3 – recommendation)	Compliance Manager and Electrical Compliance Officer	September 2022
7. Management ensures that as part of the annual contract review assurance is gained from the contractor in relation to the use of relevantly qualified contractors.	Medium	Qualifications are checked by the Council already. Our preference is to retain that approach, as previous issues have been experienced with staff that are not suitably qualified on site. It is recognised this is more burdensome, but arguably the level of assurance is greater.	N/A	N/A

IT PROJECT MANAGEMENT

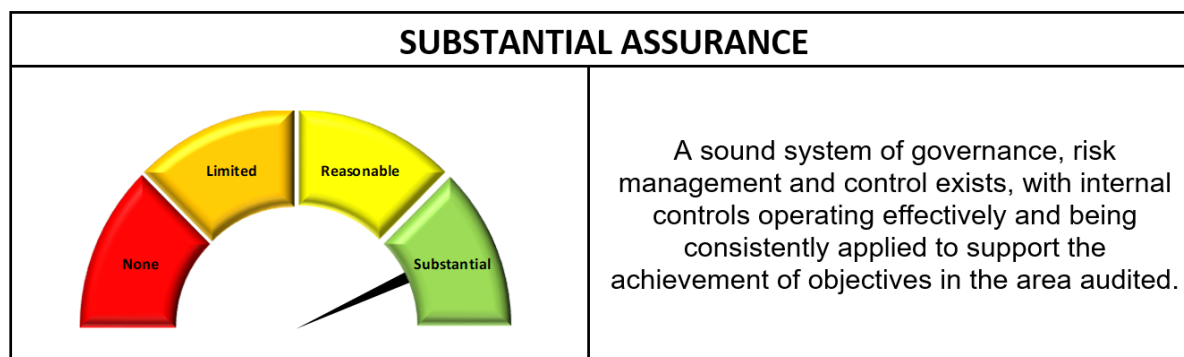| SUBSTANTIAL ASSURANCE	
	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Key Findings

Areas of positive assurance identified during the audit:

- The Council has a Project Management guidance document and framework in place, which outlines the Council's project management procedures in line with the principles of PRINCE2
- The framework defines the procedures to be followed during the lifecycle of each project and includes a requirement for a project initiation document, a project plan and risk register to be put in place for each Council project
- The Council's Azure Migration Programme and the project for the implementation of the Northgate Assure system are supported by an approved business case and have a documented plan in place that defines the scope and objectives of each project
- The business cases include an identification of the costs and budgeting requirements for each project and there are arrangements in place for monitoring budgets on an ongoing basis in line with the Council's Capital Programme
- The Council has established a requirement for highlight reports to be presented to Senior Management on a regular basis and it was observed that monthly highlight reports for each of the IT projects are prepared on a monthly basis
- A Project Board has been established for the Azure Migration Programme and the project for the implementation of the Assure system, which meets on a monthly basis to review the progress of the projects against the project plan and objectives
- Risks and issues relating to the completion of the IT projects have been identified, assessed and documented and are regularly reviewed by each project's owner and relevant Project Board
- The Azure Migration Programme is on target to meet its planned completion date and it is recommended that once a period of stability has been reached, an overall assessment against initial planned objectives is undertaken.
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No areas for improvement have been identified, however a low priority recommendation has been raised with regards to the identification and assessment of the risks relating to the completion of the Council's future IT projects.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
R1 Management should review and, where necessary, update the Council's IT project Risk and Issues Log template, so that for future projects it includes for all identified risks, but is not limited to: • A target risk score (in terms of risk likelihood and impact) • Clearly assigned action owners (names or job titles of individuals responsible for each action) • A target implementation date.	Low	Agreed – the IT Risk and issue log will be update with the recommended items	ICT Service Delivery Manager	September 2022

IT AND CLOUD STRATEGY

SUBSTANTIAL ASSURANCE	
	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.

Key Findings

Areas of positive assurance identified during the audit:

- The Council has made significant progress in the completion of planned cloud project milestones to date, with a cautious and diligent approach to the migration of applications and services, focused on reduction of risk and system availability
- The migration schedule has been planned by the ICT Service in defined "waves", enabling assessment of system stability post-migration, whilst ensuring progress remained on course to meet overall target milestones
- A process is in place to assess future feasibility of migrating remaining systems in due course, with associated dependencies documented
- Regular progress reports are communicated to the Services Workspaces and People transformation board, which was set up to improve services, working environments and the development of Council employees
- There is an ICT Risk and Issues Log in place, which contains an entry for the measurement and monitoring of the migration project throughout its duration and this is reviewed on a monthly basis
- The Azure Migration Program agreement has permitted the ICT Service Delivery Manager to take advantage of education opportunities and there is a requirement to bolster the technical skills within the local ICT team prior to the end of the current contract with third party service provider Phoenix Software
- The cloud migration project is on target to meet its planned completion date and it is recommended that once a period of stability has been reached, an overall assessment against initial planned objectives is undertaken.

No areas for improvement have been identified, however a low priority recommendation has been raised with regards to an assessment of the cloud migration project following completion.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
R1 At a suitable point following the completion of the cloud migration project, it is recommended that a post-migration assessment is performed based upon the original requirements, dependencies and objectives of the business case and strategy.	Low	The Hybrid Cloud option and Capital funding was approved by SLT based on key areas covered in the 'Cloud Assessment – Options and Recommendation document'. Benefit assessment will be undertaken on completion of the cloud migration project.	ICT Service Delivery Manager	TBC

Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	Imp Date	1st Follow up comments	Extension Date	2nd Follow up comments	Extension Date
2019/20									
Absence Management	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. 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	Medium	Consider utilising the iTrent System to identify and manage triggers.	System Analyst	Dec-20	Original Implementation date was December 2020, deferred on five occasions. Audit were advised in September 2021 that the system analyst was working on the workflows for the system.	Feb-21 Mar-21 Jul-21 Sept-21 Dec-21	Further request to extend.	Dec-22
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	Medium	HR to include absence management in their next briefing sessions	LCC Human Resources	Apr-21	Original Implementation date was April 2021. No progress reported since April 2021	Dec-21	Further request to extend.	Apr-22

	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.						when advised that HR had not scheduled an Absence Management Briefing Session.		
2020/21									
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	Aug-21	Due to IT systems this had to be further extended.	Dec-21	Due to IT systems this had to be further extended.	May-22
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	Oct-21	There has been no movement on the implementation of this recommendation.	Nov 21 Jan 22	There has been no further movement on the implementation of this recommendation.	Apr-22
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	High	Agreed – an internal fraud checklist will be developed, and issues will be where this will be documented.	Strategic Asset Manager & Right to Buy Officer	Feb-21	Not implemented, further time requested	Feb-22	Testing carried out highlighted that documentation was still missing on the files to evidence that appropriate fraud related checks are being completed.	Mar-22

	should be introduced to ensure any fraudulent claims are identified.								
2021/22									
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	Deferred	Mar-22	Deferred	Apr-22
Commercial Lettings	1. A full set of procedure documents should be in place which cover all key aspects of the Commercial Lettings area.	Medium	Agreed to implement local procedures to cover areas.	Business Centre / Ind Managers and Senior Property and Asset Officer.	Dec-21	No response received	Mar-22	No response received	Apr-22
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	Dec-21	Deferred to allow documentation to be approved.	Feb-22 April-22	Approved at Cabinet, yet to be publicised.	May-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	Medium	Agreed as per recommendation	Head of Cleansing and Open Spaces and Contracts Manager	Mar-22	No response received	Apr-22		

	action is taken in a timely manner to protect the authority in relation to legal requirements.							

INTERNAL AUDIT PERFORMANCE INDICATORS

PERFORMANCE MEASURE	POSITION AS AT 31st MARCH 2022	COMMENTS
Delivery of 2021/22 Audit Plan	93%	1 audit is in progress, and one audit is at draft audit stage.
Percentage of Client Satisfaction with the Internal Audit Service	100%	Based on six returns for 21/22.
Compliance with the Internal Audit Standards	Conforms	Inspection took place w/c 30th November 2020. Internal Audit Service conforms to the Public Sector Internal Audit Standards.
Compliance testing of completed recommendations	100%	