

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – TUESDAY 17  
MARCH 2020**



<b>Title of Report</b>	<b>INTERNAL AUDIT PROGRESS REPORT</b>	
<b>Presented by</b>	Lisa Marron Audit Manager	
<b>Background Papers</b>	<a href="#">Public Sector Internal Audit Standards</a>  <a href="#">Internal Audit Annual Plan 2019/20</a>	<b>Public Report:</b> Yes
<b>Purpose of Report</b>	To inform the Committee of progress against the Internal Audit plan for 2019/20 and to highlight any incidences of significant control failings or weaknesses that have been identified.	
<b>Recommendations</b>	<b>THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.</b>	

**1.0 BACKGROUND**

- 1.1 The Public Sector Internal Audit Standards require the Authority's Audit Committee to approve the audit plan and monitor progress against it. The Standards state that the Committee should receive periodic reports on the work of internal audit.
- 1.2 The Audit and Governance Committee approved the 2019/20 Audit Plan on 20 March 2019. The Committee receives quarterly progress reports.

**2.0 PROGRESS REPORT**

- 2.1 The Internal Audit Progress Report for the period 01 October 2019 to 31 December 2019 (Q3) is attached at Appendix 1. An interim report for quarter 3 (up to 17 November 2019) was reported to the 04 December 2019 Committee meeting.

<b>Policies and other considerations</b>	
Council Priorities:	An effective internal audit service supports all council priorities.
Policy Considerations:	None identified.
Safeguarding:	None identified.
Equalities/Diversity:	None identified.
Customer Impact:	None identified.

Economic and Social Impact:	None identified.
Environment and Climate Change:	None identified.
Consultation/Community Engagement:	None identified.
Risks:	There are no specific risks associated with this report.
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# **INTERNAL AUDIT SHARED SERVICE**

**North West Leicestershire District Council**

**Internal Audit Progress Report**

**2019/20 Q3**

## **1. Introduction**

- 1.1 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 highlight the progress against the 2019/20 Internal Audit Plan up to 31<sup>st</sup> December 2019.

## **2. Purpose of Internal Audit**

- 2.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening of the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 Internal Audit provide a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

## **3. Authority of Internal Audit**

- 3.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, the Internal Audit Charter and the Council's Constitution. The Financial Regulations, which are part of the Constitution, set out that 'Internal Audit has authority to:
- a) enter any Council owned or occupied premises or land at all times (subject to any legal restrictions outside the Council's control);
  - b) have access at all times to the Council's records, documents and correspondence;
  - c) 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
  - d) require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
  - e) The Senior Auditor shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

## **4 Responsibility of Internal Audit**

- 4.1 Internal Audit will have the responsibility to review, appraise and report as necessary on:
- a) the adequacy and effectiveness and application of internal controls and processes and systems;
  - b) 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
  - c) 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.

## **5 Independence of Internal Audit**

- 5.1 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.
- 5.2 If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to senior management and the Audit and Governance Committee.

## **6 Internal Audit Team Update**

- 6.1 Following a second recruitment exercise for the post of Senior Auditor, we now expect the successful candidate to join us in March 2020 with a view to delivering services to Charnwood BC from 1<sup>st</sup> April 2020. The Audit Manager has carried out some work for Charnwood BC in advance of this to prepare their 2020/21 annual audit plan.

## **7 Internal Audit Plan Update**

- 7.1 Six final audit reports were issued during the quarter with four audits in progress at the end of the quarter. Appendix A shows the position of the 2019/20 Audit Plan and the executive summaries for the final reports issued are detailed in Appendix B. This work did not identify any instances of significant control weaknesses or failings which would require highlighting to the Committee.

## **8 Internal Audit Recommendations**

- 8.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. All outstanding recommendations are included at Appendix C for information.
- 8.3 Internal Audit continues to follow up the recommendations from the 2018/19 Health and Safety Arrangements audit (Grade 3 opinion). Seventeen of the twenty recommendations have been fully implemented to date with progress against the remaining recommendations. More information on the outstanding recommendations is included at Appendix D.

## **9 Internal Audit Performance Indicators**

- 9.1 Performance information for Internal Audit in relation to its team plan actions and performance indicators is documented in Appendix E. There are no areas of concern at this point in time.

2019/20 AUDIT PLAN PROGRESS TO 31<sup>st</sup> DECEMBER 2019

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
<b>HR AND ORGANISATIONAL DEVELOPMENT</b>											
Project Management	Audit	8	-	Scheduled Q4.							
Performance Management	Audit	6	-	Defer to 2020/21.							Defer to 2020/21 to allow full year of new system and final report to be included in audit.
4 –Expenses and Reimbursements	Audit	3	7	Final report issued.	Grade 2	-	1	2	2	1	Actual days higher than planned due to increased testing.
Health and Safety	Follow up review	5	2.9	In progress.							Follow up work being undertaken throughout the year as recommendations fall due.
<b>HOUSING AND PROPERTY</b>											
Stock Condition Database	Audit	6	0.9	Removed from plan.							Housing Quality Network carrying out a piece of work on this area.
Affordable Housing Section 106/Commuted Sums	Audit	6	10	In progress							Planned days may be exceeded as scope now includes end to end process rather than just Commuted Sums.
1 - New Housing System (Aareon) Implementation Project	Assurance	4	3.8	Final report issued.	Grade 1	-	-	-	-	-	
Housing Procurement Card	Spot checks	2	1.6	Ongoing.							Will be undertaken throughout the

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Expenditure											year. No issues identified so far.
Commercial Rents (Property Services)	Audit	6	-	Engagement Planning							
7 - Homelessness	Additional Audit	6	8.3	Final report issued.	Grade 2	-	3	2	-	-	Added to 2019/20 plan.
<b>COMMUNITY SERVICES</b>											
Planning Enforcement	Audit	6	3.6	In progress							
3 - Licensing	Audit	6	9.3	Final report issued.	Grade 1	-	-	3	1	-	Wider scope for audit than originally intended when planning audit days.
CCTV	Audit	5	-	Scheduled Q3/4.							
5 - Leisure Contract Procurement	Audit	8	10.8	Final Report Issued	Grade 1	-	-	-	-	-	
<b>ECONOMIC DEVELOPMENT</b>											
2 - Enterprising NWL Grants (Monitoring)	Audit	5	4	Final report issued.	Grade 1	-	-	1	-	1	
<b>LEGAL AND COMMERCIAL SERVICES</b>											
Information Governance	Audit	6	5.6	Draft report issued							
<b>FINANCE</b>											
Procurement	Audit	8	-	Removed from plan.							Interim arrangements in place while Head of Finance undertakes a review of provision therefore an audit at this time would not add value.
Key Financial Systems	Risk Based Audits	35	19.3	6 - Cash and Bank final report issued.	Grade 1	-	-	1	-	-	Debtors under consideration for Q4.
				9 - General Fund Assets final report	Grade 1	-	-	1	-	-	

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
				issued Housing rents in progress							
<b>CUSTOMER SERVICES</b>											
8 - IT General Controls	3 <sup>rd</sup> Party Auditor	2	1.3	Final report issued	Grade 1	-	-	1	-	-	
Revenues and Benefits – DWP Memorandum of Understanding	Audit	3	-	Removed from plan.							Reliance will be placed on the work of Partnership Auditors and, only if necessary, supplemented to provide assurance for non-Partnership staff who have access to data.

**KEY**  
**Audit Opinion**

Grade	Definition
1	Internal controls are adequate in all important aspects
2	Internal controls require improvement in some areas
3	Internal controls require significant improvement
4	Internal controls are inadequate in all important aspects

**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.
Advisory	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## EXECUTIVE SUMMARY OF INTERNAL AUDIT FINAL REPORTS ISSUED 01 OCTOBER 2019 – 31 DECEMBER 2019

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
4 – Expenses and Reimbursements	Deputy Leader	Head of HR and Organisation Development	Grade 2	Adequacy of information provided for expenses and reimbursements.  Annual reminders of documentation required to drive on business.  Guidance / policy on reimbursement of professional fees.	-	1	2	2	1
5 – Leisure Contract Procurement	Community Services	Head of Community Services	Grade 1	None	-	-	-	-	-
6 – Cash and Bank	Corporate	Head of Finance Finance Team Manager	Grade 1	Issuing of receipts to attendees at sports activity classes.	-	-	1	-	-
7- Homelessness	Housing and Customer Services	Head of Housing and Property Services Housing Strategy and Systems Team Manager	Grade 2	The procedures and guidance in respect of decision making and the use of temporary accommodation.  Supervisory monitoring arrangements and records.	-	3	2	-	-
8 – IT General Controls	Housing and Customer Services	Head of Customer Services IT Team Manager	Grade 1	Obtaining third party assurances from partners.	-	-	1	-	-
9 – General Fund Assets	Corporate	Head of Finance Finance Team Manager	Grade 1	Introduction of single asset register for Finance and Property Services.	-	-	1	-	-

**RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS  
(CRITICAL, HIGH AND MEDIUM ONLY)**

**Appendix C**

Report	Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments		
<b>2017/18 Audits</b>							
10	Capital Accounting	1	It is recommended that a single Asset Disposal Policy is produced which includes disposal of Land and Buildings (Council and HRA), and Plant and Equipment. Responsibility for completion of the Land and Buildings element of the policy being assigned to the Asset Management Team Manager, the Plant and Equipment element being assigned to the Head of Finance (S151 Officer).  The policy, once completed, should be formally approved and made available to relevant staff.	High	At the time of issuing the audit report - Head of Finance (S151 Officer) & Asset Management Team Manager. This was passed on to the Head of Housing and Property Services who has delegated to the Assets and Property Services Team Manager	44 <del>December 2018</del>  January 2020	Draft policy shared with IA on 03.01.20. It is understood that this is to be consider by Scrutiny and Cabinet in March 2020.
<b>2018/19 Audits</b>							
12	Sundry Debtors	1	The Sundry Debt Action Plan should be reviewed and key tasks, milestones and target dates agreed with the Finance Team Manager	High	Exchequer Services Team Leader and Finance Team Manager	September 2019	To be followed up at Debtors Audit in Q4.

			to enable effective monitoring of progress against prior year debts.				
14	Budgetary Control	1	Budget monitoring reports should be produced and issued to budget holders on a monthly basis throughout the year.	High	Finance Team Manager	July 2019 (P12) June 2020 (P1 & P2)	First part of recommendation implemented.  Next follow up in June 2020.
15	New Council Houses	4	The corporate strategy to cover the supply of new affordable housing should be finalised and submitted to the Newbuild Group and CLT and should include all relevant opportunities i.e. new builds, gifted properties and those purchased directly from developers, long-term empty properties and those previously purchased by tenants under the Right to Buy Scheme and then offered back to the Council.	Medium	Head of Housing and Property/ Strategy and Systems Team Manager	<del>31.10.19</del> 31.03.20	Extended target date as Head of Housing and Property Services would like input from new Director.
		5	Formal performance reports in respect of the key areas of the new build project should be provided to CLT at regular intervals.	Medium	Head of Housing and Property	In line with corporate project reporting timetable	The Head of Housing and Property has advised that his is waiting advice from Head of HR and OD as to what is required for CLT.
<b>2019/20 Audits</b>							
4	Expenses and Reimbursements	2	A reminder should be issued detailing the requirements regarding the submission and	Medium	Head of HR and Organisational Development	October 2019	Implemented.

			approval of expenses and reimbursements. The offer of providing training in this area should also be given.				
		3	An annual reminder should be issued informing employees who use their vehicle for business use of the requirement to provide details of their insurance, Tax, MOT and driving licence to their manager.	Medium	HR Analyst	November 2019	Implemented.
		4	Due to the age of the Payment of Professional Fees guidance (November 1991) this should be reviewed by HR / CLT.	High	Head of HR and Organisational Development in conjunction with CLT	February 2020	Internal Audit follow up March 2020
6	Cash and Bank	1	Receipts should be issued to attendees for payment made for activity classes. The receipt number should be recorded on the class register and reconciled to income received. Receipt books can be obtained from the Exchequer Services Department.	Medium	Health & Wellbeing Team Leader	March 2020	Follow up April 2020
7	Homelessness	1	Officers should be reminded of the key points of the decision making and notification process, including the requirement to make	High	Housing Choices Team Leader	November 2019	Implemented.

			and complete inquiries prior to making a formal decision in respect of the duty owed to the applicant. Consideration should be given to using the detailed Homelessness Reduction Act 2017 flowchart (available from the National Practitioner Support Services) to provide officers with additional guidance.				
		2	Instructions in respect of the booking and use of temporary accommodation, including the requirement to notify the relevant local authority if using a B&B outside of the district, should be documented and circulated to all relevant staff.	High	Housing Choices Team Leader	November 2019	Implemented.
		3	Individual supporting documents should be uploaded to the Home Connections system case record on an ongoing basis as the case is progressed, in order to facilitate the monitoring of live cases and provide a clear audit trail.	Medium	Housing Choices Team Leader	November 2019	Implemented.
		4	The system records in respect of all unassigned cases	Medium	Housing Choices Team Leader	November 2019	Implemented.

			should be periodically reviewed and either updated or closed as appropriate.				
		5	A formal, structured supervisory checking process should be put in place in order to monitor and record individual performance in key areas such as decision making and data quality so that any issues can be identified and addressed.	High	Housing Choices Team Leader	November 2019	Implemented
8	IT General Controls	1	Obtain and keep up to date the same third-party assurances or other equivalent supporting documentation from Hinckley and Bosworth Borough Council over the provision of the Revenues and Benefits system, as are obtained from other third-party suppliers.	Medium	IT Manager	Implemented immediately	Implemented.
9	General Fund Assets	1	A single asset register should be maintained which contains all council assets. Each asset should have a unique reference number in order that it can be easily identified and responsibility for maintaining the asset register should be clearly assigned.	Medium	Finance Team Manager in conjunction with Property Services Manager	31 <sup>st</sup> May 2020	Audit follow up June 2020

## 2018/19 Health and Safety Arrangements Audit Report (7) Recommendations Outstanding

## Appendix D

Recommendations		Priority	Officer Responsible	Target Date	Audit Follow Up Date	Follow Up Findings
6	The role of the Safety Officer should be reviewed and a benchmarking exercise undertaken to determine the level of resource and responsibilities in this area at other Councils. Where the current resource is found to be insufficient to meet requirements the need for additional resource should be explored.	High	Head of HR and Organisational Development	<del>July 2019</del> March 2020	April 2020	Partly implemented.  The Safety Officer has obtained details of staff with H & S roles similar to his at neighbouring authorities and passed this information to the Head of HR and Organisational Development. He will then review the resource commitment when the exact requirements of the role are known following the changes to systems and processes and the work of the task and finish group has been further progressed.
7	The use of the Health and Safety Management System Audit spreadsheet should be reviewed to confirm that it is fit for purpose. Any evidence to support items recorded on the spreadsheet, in particular those where there is a legal responsibility, should be proactively verified by the Safety Officer.	High	Safety Officer	July 2019	August 2019	The original spreadsheet is no longer being used as a central record. The Safety Officer is currently using the new spreadsheet prepared and maintained by Property Services to review this for Council premises. He also states that departments should be maintaining their own records e.g. Waste, Parks, Housing.  Internal Audit continue to review the arrangements, including inspections, to ensure they are adequate to give assurance that the Council is meeting its legal duties.
20	A formal action plan for the IOSH and Internal Audit recommendations should be produced. Progress should be closely monitored against target dates with regular updates on progress provided to CLT.	High	Head of HR and Organisational Development	<del>July 2019</del> November 2019	December 2019	The Head of HR and Organisational Development has requested an extension advising that an action plan will be produced but this is not likely to be completed until after the SHE ASSURE and task and finish groups have been completed in October 2019.



## Appendix E

### Internal Audit Performance

#### Performance Measures:

Performance Measure	2019/20 Q3 Target	Position as at 31.12.19	Comments
Delivery of 2019/20 Audit Plan	65%	53%	In addition four audits in progress at the end of the quarter.
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	Eight client satisfaction questionnaires returned for 2019/20 so far.
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	100%	Follow up testing for a number of recommendations is currently in progress.

#### Service Plan Actions:

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 31.12.19
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Self-action plan and timescales to deliver improvements where highlighted in reviews.	Review completed June 2019. No improvement actions identified. Risk assessment will be carried out again once shared service expands.
Complete audits as per risk based audit plan.	Complete 65% of audit plan.	Current position is 53% complete with four audits are in progress.
Quarterly progress reports to Audit and Governance Committee.	Progress report to December A&GC.	Progress reported to A&GC on 4th December.
Deliver a shared service that Blaby District Council want to continue to share.	Manage a shared service which meets SLA requirements.	Continuing to achieve with Blaby DC. Provisional service delivery date of 1 <sup>st</sup> April 2020 for Charnwood BC.
Comply with Public Sector Internal Audit Standards.	Have an external inspection before April 2020.	The date of the inspection may need to be put back until Charnwood BC are fully part of the shared service (2020/21 Q3) as it would be preferable to have the inspection once all three authorities are working together. The Audit Manager is keeping this under review. When we go past inspection date we will need to disclose this.

