

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 22
JULY 2020**



Title of Report	INTERNAL AUDIT PROGRESS REPORT	
Presented by	Lisa Marron Audit Manager	
Background Papers	Public Sector Internal Audit Standards Internal Audit Plan 2020/21	Public Report: Yes
Purpose of Report	To inform the Committee of progress against the Internal Audit plan for 2020/21 and to highlight any incidences of significant control failings or weaknesses that have been identified.	
Recommendations	THE AUDIT AND GOVERNANCE COMMITTEE NOTE THE REPORT.	

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 2020/21 Audit Plan on 17 March 2020. The Committee receives quarterly progress reports.

2.0 PROGRESS REPORT

- 2.1 The Internal Audit Progress Report for the period 01 April 2020 to 30 June 2020 (Q1) is attached at Appendix 1.

Policies and other considerations	
Council Priorities:	An effective internal audit service supports all council priorities.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment and Climate Change:	None.
Consultation/Community Engagement:	None.
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 2020/21 Q1

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 highlight progress against the 2020/21 Internal Audit Plan up to 30th June 2020.

2 Internal Audit Team Update

- 2.1 Due to the Covid-19 it was agreed to not start working on the 2020/21 plan and instead Internal Audit team work has focussed on:
- Completing the 19/20 audit plan.
 - Providing advisory support.
 - Redeployment to support Covid-19 Business Grants work.
 - Aligning shared internal audit service approach and documents.

3 Internal Audit Plan Update

- 3.1 Work has not yet commenced on the 2020/21 Plan, details of which can be found at Appendix A. The Audit Manager is liaising with CLT to review the original plan in light of the significant changes to services in response to the pandemic, to establish:
- Audits that are no longer considered to be high risk or service suspension/staff redeployment means that the audit would not add value as planned.
 - New areas for the 2020/21 plan following significant changes to ways of working.
 - Audits that can proceed as planned.
- 3.3 Since the last update report three final audit reports for 2019/20 have been issued and the executive summaries for these are included in Appendix B.

4 Internal Audit Recommendations

- 4.1 Internal Audit monitor and follow up all critical, high and medium priority recommendations. All ongoing Internal Audit recommendations are included in Appendix C for information, as well as recommendations that have been made and implemented during Q1 to show progress.
- 4.2 It is noted that a number of recommendations due to be implemented have been delayed due to the impact of Covid-19 on the individual services. The Audit Manager does not have any concerns to highlight at this time.

5 Internal Audit Performance Indicators

- 5.1 Progress against the agreed Internal Audit performance targets are documented in Appendix D. There are no areas of concern at this stage however it is recognised that the 2020/21 plan will need to be reviewed to ensure it remains risk based following the significant changes to services in response to the pandemic.

Appendix A

2020/21 AUDIT PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL PRIORITY AREA	PLANNED AUDIT DAYS
HR & ORGANISATIONAL DEVELOPMENT				
Health & Safety	Audit	Q3	2	3*
Project Management	Advisory	As required	All	3
			Subtotal	6
HOUSING AND PROPERTY				
Key Housing Systems	Audit	Q3/4	3	20
New Housing System Data Validation	Assurance	Q1	3	3
Gas Repairs and Maintenance Contract	Audit	Q3	3	6
Fire Safety and Management	Audit	Q2	3	8
			Subtotal	37
COMMUNITY SERVICES				
Grounds Maintenance	Audit	Q3	5	6
Waste Services	Audit	Q2/3	5	8
CCTV	Audit	Q2	2	5
Fleet Management	Audit	Q2/3	5	8
Safeguarding	Audit	Q1	2	6
			Subtotal	33
FINANCE				
CIPFA Financial Management Code	Audit	Q2	All	6
Key financial systems	Risk Based	Q3/4	All	30
Insurance	Advisory	As required	All	1

			Subtotal	37
CUSTOMER SERVICES				
Central Control	Audit	Q2/3	2	6
Customer Services	Audit	Q2/3	2	6
*as will be buying in			Subtotal	12
			Total	125

Appendix B

EXECUTIVE SUMMARY OF FINAL AUDIT REPORTS ISSUED SINCE LAST UPDATE REPORT

Report	Portfolio Holder(s)	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations				
					C*	H	M	L	A
2019/20 Audit									
Affordable Housing – S106/Commuted Sums (11)	Housing, Property and Customer Services	Head of Housing Housing Strategy and Systems Team Manager Head of Planning and Infrastructure Planning Policy Team Manager	Grade 2	Formal agreement to the basis for calculation of commuted sums. Processes and authorisations for agreement of the value of commuted sums in lieu of affordable housing and funding of developments using these monies.	-	2	4	-	-
Planning Enforcement (13)	Community Services	Head of Community Services Environmental Protection Team Manager	Grade 1	Consistency in recording and uploading information to case records.	-	-	1	-	-
Commercial Lettings (14)	Housing, Property and Customer Services	Head of Customer Services, Corporate Property and Assets Property Services Manager	Grade 1	Carrying out rent reviews. Requesting of evidence (where applicable) from tenants to confirm they are complying with their responsibilities in accordance with the lease agreement.	-	1	1	-	1

KEY

Audit Opinion 2019/20

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
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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.

Appendix C

RECOMMENDATIONS TRACKER – ONGOING RECOMMENDATIONS (CRITICAL, HIGH AND MEDIUM ONLY)

Report		Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments
2018/19 Audits						
7	Health and Safety	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 & OD	<p>Jul 19</p> <p>March 2020 further extended to August due to Covid-19.</p> <p>Partly implemented.</p> <p>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. This has been delayed due to Covid-19.</p>
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	Medium	Head of Housing/ Strategy and Systems Team Manager	<p>31.10.19</p> <p>31.03.20</p> <p>Update provided by Head of Housing: Draft New Supply Strategy produced by the Strategy and Systems Team Manager in 2019 has been reviewed and is currently being amended. It will become an interim Housing Strategy as the existing one expires in 2020 and the current situation prevents a full new strategy from being developed and delivered. Post Covid-19 a new timetable will be determined to update the full Housing Strategy to complement the Local Plan review</p>

			empty properties and those previously purchased by tenants under the Right to Buy Scheme and then offered back to the Council.				<p>timetable. The timetable for approval of the New Supply Strategy is -</p> <ul style="list-style-type: none"> • Final draft strategy completed – 30 June 2020 • Stakeholder consultation July/August 2020 • Corporate Scrutiny – 2 September 2020 • Cabinet – 22 September 2020
		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	In line with corporate project reporting timetable	<p>Update provided by Head of Housing:</p> <p>Formal performance monitoring of new build/new supply project delivery will be incorporated into the refocused post Covid-19 project governance structure of the Council. In the interim performance will continue to be monitored through the bi-monthly New Supply Project Team meetings and the strategic New Supply Group, chaired by the Strategic Director with the Head of Housing and Housing Finance Manager. Reporting is then by exception to CLT, and regular progress reporting to Members via the quarterly performance monitoring reports to Scrutiny and Cabinet. Portfolio and shadow portfolio holder briefings are held monthly and cover new build and new supply progress updates.</p>
2019/20 Audits							
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	Medium	Finance Team Manager in conjunction with Property Services Manager	<p>31st May 2020</p> <p>30th Sept 2020</p>	Audit follow up in June 2020 established that recommendation has not be implemented due to Covid-19. Target date extended and new audit follow up date October 2020.

			register should be clearly assigned.				
10	Information Governance Arrangements	1	The Data Protection Officer (DPO) should work to develop a user friendly web page which contains information the Council is required to publish as part of the Local Transparency Code. Once developed the DPO should monitor the page to ensure that the information contained is up to date and prompt services to update information where required.	Medium	Data Protection Officer	31st Mar 2020 31 st August 2020	In progress however had to pause due to Covid-19.
11	Affordable Housing – S106/Commuted Sums	1	The guidance available on the Council website relating to Affordable Housing should be reviewed. Those documents which are out of date or no longer relevant should be removed.	Medium	Planning Policy Team Manager	31 st August 2020	Audit follow up September 2020.
		2	The completion of an Affordable Housing – Supplementary Planning Document (SPD) should be progressed. In the meantime it should be formally agreed that where a calculation is required to agree a commuted sum in lieu of affordable housing that	High	Planning Policy Team Manager	31 st August 2020	Audit follow up September 2020.

			the guidance in the 2011 SPD is referred to.				
		3	There should be a formal approval process in place to confirm agreement to the amount of commuted sum that is required in lieu of affordable housing. Details of how the sum has been arrived at and evidence to confirm this should be retained. Evidence that the approval process has been followed should accompany the request to Legal Services when preparing the S106 agreement.	High	Head of Planning & Infrastructure	31 st August 2020	Audit follow up September 2020.
		4	The forms required to be completed when requesting release of S106 affordable housing commuted sums should be reviewed to ensure they are relevant and up to date. Consideration should be given to including a section for finance to complete prior to the authorisation section to complete any appropriate checks for example confirmation that the amounts have not be committed elsewhere. Once	Medium	Affordable Housing Enabling Officer	31 st August 2020	Audit follow up Sep-20

			updated and agreed the forms should be made available on SharePoint.				
		5	Those officers responsible for authorising release of commuted sums should be reviewed and confirmed.	Medium	Head of Planning & Infrastructure and Head of Housing	31 st August 2020	Audit follow up Sep-20
		6	The priorities for the use of commuted sums should be reviewed and agreed formally, if necessary, to ensure clarity and transparency.	Medium	Housing Strategy and Systems Team Manager	31 st August 2020	Audit follow up Sep-20
12	Planning Enforcement	1	Guidance should be issued to Enforcement Officers regarding cases where HARM scores are required to be completed. This guidance should also include details of documentation which would be expected to be uploaded to and the fields required to be completed in Uniform.	Medium	Senior Enforcement Officer	31 st May 2020	Implemented
13	Commercial Lettings	1	The service should review the procedures in place relating to Commercial Lettings. Where areas are identified that would benefit from there being written procedures in place these should be produced. As a priority	High	Property Officer	30 th Sep 2020	Audit follow up October 2020.

			this should include procedures for carrying out rent reviews to ensure these are reviewed on a timely basis.				
		2	Property Services should put in place a process whereby evidence is requested from tenants to confirm that they are complying with the terms of their lease agreement. Examples of this would be gas servicing / boiler maintenance, any relevant insurance etc.	Medium	Property Services Team Manager	30 th Sep 2020	Audit follow up October 2020.

Appendix D

2020/21 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 30.06.20	Comments
Achievement of the Internal Audit Plan	0%	Work not started on 2020/21 plan due to Covid-19 impact. Audit Manager currently liaising with Heads of Service.
Quarterly Progress Reports to Management Team and Audit and Standards Committee	On track	
Follow up testing completed in month agreed in final report	On track	Follow up testing up to date however some delays to implementation of recommendations due to Covid-19.
Annual Opinion Report - July 2020 Audit and Standards Committee Meeting	On track	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on returns for 19/20.