

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 21 APRIL
2021



Title of Report	INTERNAL AUDIT PROGRESS REPORT 2020/21 Q4	
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 and revisions necessary due to the Covid-19 response on 21st October 2020. The Committee receives quarterly progress reports.

2.0 PROGRESS REPORT

- 2.1 The Internal Audit Progress Report for the period 01 January 2021 to 31 March 2021 (Q4) is attached at Appendix 1.

Policies and other considerations, as appropriate	
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.
Officer Contact	Lisa Marron Audit Manager Lisa.marron@nwleicestershire.gov.uk



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2020/21 Q4

1. Introduction

1.1. Internal Audit is provided through a shared service arrangement led by North West Leicestershire District Council and delivered to Blaby DC and Charnwood BC. 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 31st March 2021.

2. Internal Audit Plan Update

2.1. During Q4 good progress has been made against the 20/21 audit plan. Since the last update report six final audit reports have been issued, one audit is at the draft reporting stage and three are in progress. Three audits have been deferred to 2021/22 following consultation with the relevant heads of service during the 2021/22 audit planning process. More details can be found in Appendix A.

2.2. The following audit opinions were issued and the executive summaries are included in Appendix B:

- Health and Safety – Covid-19 – Reasonable Assurance
- Safeguarding – Reasonable Assurance
- Creditors – Substantial Assurance
- HR and Payroll – Substantial Assurance
- Treasury Management - Reasonable Assurance
- Income Collection – Substantial Assurance

3. Internal Audit Recommendations

3.1. Internal Audit monitor and follow up all critical, high and medium priority recommendations. All overdue Internal Audit recommendations are included in Appendix C for information.

3.2. It is noted that a small 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 and where appropriate extensions to target dates have been agreed.

4. Internal Audit Performance Indicators

4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix D. Up until the end of Q2 the audit team were mostly redeployed to support the COVID-19 response. In agreement with CLT the audit plan was reviewed and revised, with work starting on the plan as soon as possible in Q3. Good progress has been made in the last two quarters and all audits on the revised plan are either completed or well underway. It is expected that all audits will be completed before the Audit Manager prepares the overall annual opinion.

Appendix A

2020/21 AUDIT PLAN AS AT 31ST MARCH 2021

Audit Area (Report No.)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Health and Safety – COVID-19(4)	Audit	8	11	Final Report Issued	Reasonable	-	1	-	-	-	
Rent Accounting (1)	Audit	8	8	Final Report Issued	Substantial	-	-	-	1	-	
Domestic Heating Services Contract (8)	Audit	6	11	Draft report issued							
Grounds Maintenance	Audit	6	-	Deferred to 21/22							Deferred to 21/22 as not considered high risk for 20/21 and limited auditor resources due to overrun on higher priority audits. Reviewed key risk areas as part of Health and Safety-Covid-19 audit and previous audit follow up work.
CCTV	Audit	5	-	Deferred to 21/22							Deferred to 21/22 as not considered high risk for 20/21 and limited auditor resources due to overrun on higher priority audits.
Safeguarding (3)	Audit	6	13	Final Report Issued	Reasonable	-	5	3	1	-	Days exceeded as broader audit scope than originally envisaged with a greater focus on staff awareness, recruitment processes and training.

Appendix 1

Income Collection (7)	Audit	8	6	Final Report Issued	Substantial	-	1	1	-	-	
Creditors (2)	Audit	8	10	Final report issued	Substantial	-	-	-	2	-	
Debtors	Audit	8	2	In progress							
Main accounting system and budgetary control	Audit	8	2	In progress							
HR and Payroll (6)	Audit	8	6	Final report issued	Substantial	-	-	1	2	-	
Treasury Management (5)	Audit	8	6	Final report issued	Reasonable	-	1	1	1	-	
Central Control	Audit	6	4	In progress							
Fire safety and management (all properties)	Audit	8	0.5	Deferred to 21/22							Deferred to 21/22 due to current improvement activities for both corporate and housing properties; audit would not add value at this time.

Audit Opinion Key

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.

Appendix 1

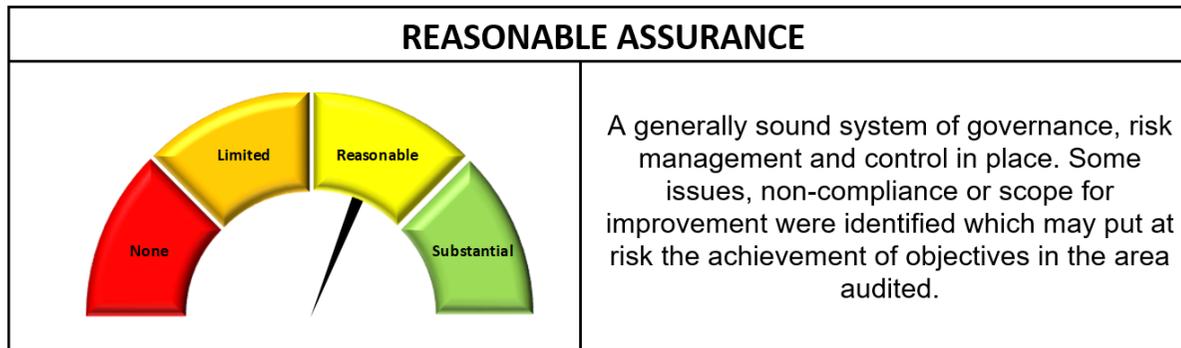
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited
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Audit Recommendations Key

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.

SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 01 JANUARY 2021 AND 31 MARCH 2021

Health and Safety – Covid-19



Key Findings

Areas of positive assurance identified during the audit:

- Action has been taken in line with government guidance to protect the Health and Safety of staff and members of the public relating to the safe use of Council buildings as a result of COVID-19.
- COVID-19 risk assessments have been produced where required and action taken where necessary.
- Staff have been consulted with regarding their individual needs in relation to health and safe working practices.
- There has been effective communication to staff as a result of the COVID-19 response.
- Contractors have been required to provide assurance they have COVID-19 compliant safe working practices in place.

The main area identified for improvement are:

- Identification and management of statutory Health and Safety requirements for all council services.

Appendix 1

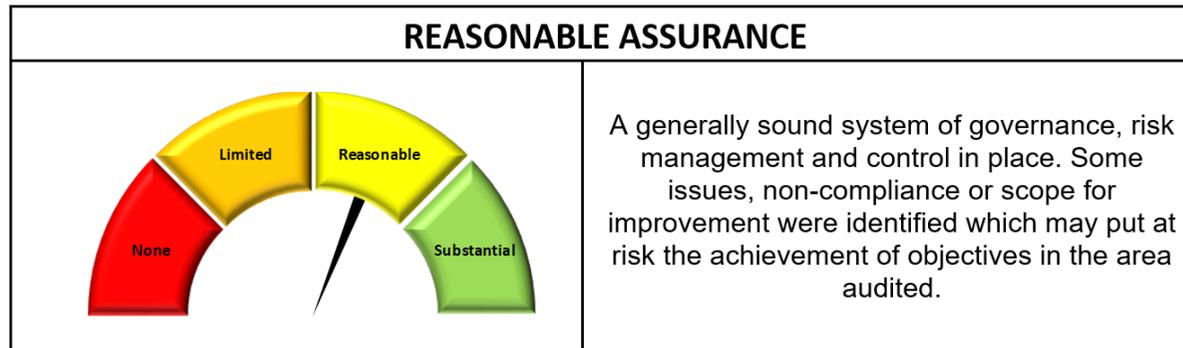
It was also noted that work is ongoing in the following areas therefore no recommendations have been made:

- Health and Safety induction for new starters to ensure it fully addresses all COVID-19 related changes such as individual risk assessments and home-based display screen equipment assessments.
- First Aid cover during reduced office usage.
- Fire risk assessment and action plan.

One high priority recommendation was made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
There should be a comprehensive record of all statutory Health and Safety inspections / checks that are required by the Council. This record should cover all services and be monitored and reported against on a regular basis to ensure checks have taken place as required.	High	Agreed	Head of Human Resources and Organisational Development in conjunction with the Head of Customer Services, Corporate Property and Assets in his role as Chair of the Statutory Duty Group.	June 2021

Safeguarding



Key Findings

Areas of positive assurance identified during the audit:

- Policies, procedures and guidance in relation to Safeguarding are up to date and available to staff on the Intranet.
- Staff have received Safeguarding training and would know what action to take should they need to raise a Safeguarding concern.
- Safeguarding referrals and case records are effectively managed using the Sentinel case management system.

The main areas identified for improvement are:

- Recruitment Policy, Safer Recruitment training and processes for appointing to posts requiring a DBS check.
- Recording of posts which require a DBS check.
- Annual update and approval of the Councils Modern Slavery Statement.
- The mandatory training required for specific posts where a DBS is required is not detailed, additionally a record of safeguarding training completed is not held by the authority. No recommendation has been made for this as Human Resources are currently undertaking work in this area to produce individual development plans which should identify this, with records being held on ITrent. However, progress will be reviewed by Internal Audit during the audit follow up work.
- Availability of Designated Safeguarding Officers to dedicate time to dealing with referrals.

Five high, three medium and one low priority recommendations were made.

Appendix 1

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
<p>1 - Where departments have safeguarding responsibilities officers should ensure that these are relevantly recorded within their business risk assessment.</p>	<p>Medium</p>	<p>This will be addressed at the next meeting of the Risk Group (March 21). Comms to Risk Owners will be sent following meeting.</p> <p>The risk is addressed at a corporate level on the corporate wide Risk Register.</p>	<p>Strategic Director of Housing & Customer Services (in his role as Chair of Risk Scrutiny Group)</p>	<p>Agenda item for next Risk Scrutiny Group meeting 21st March 2021</p> <p>Update – discussed at 21st March RSG and team plans to be updated with a template risk but service specific mitigations.</p>
<p>2 – The record of training for DSO’s who have attended the two day external training and the DSO Induction Course should be updated. It would also be advisable to record any future additional training attended by DSO’s as this may be required by Human Resources.</p>	<p>Medium</p>	<p>Agreed – individuals responsible for recording their own training on ITrent as advised by HR. Community Safety will have a record of when DSO induction training has taken place.</p>	<p>Community Safety Officer & DSO</p>	<p>April 2021</p>
<p>3 - With the current COVID situation and the intention for more agile working consideration should be given to introducing new ways of making staff aware of the safeguarding process and the Designated Safeguarding Officers.</p>	<p>Low</p>	<p>Agreed</p>	<p>Community Safety Officer & DSO</p>	<p>March 2021 and quarterly thereafter</p>
<p>4 - The capacity issues raised by the Head of Community Services should be reported formally to the Corporate Leadership Team. This should include the level of resource required for the service, allowing DSO’s within services allocated time to perform this role, and identifying any opportunities for staff who are unable to perform their current roles as a result of the pandemic to be trained as DSO’s.</p>	<p>High</p>	<p>Agreed – report presented to Corporate Leadership Team – 27th January 2021</p>	<p>Head of Community Services in conjunction with the Community Safety Officer and DSO</p>	<p>Already implemented</p>

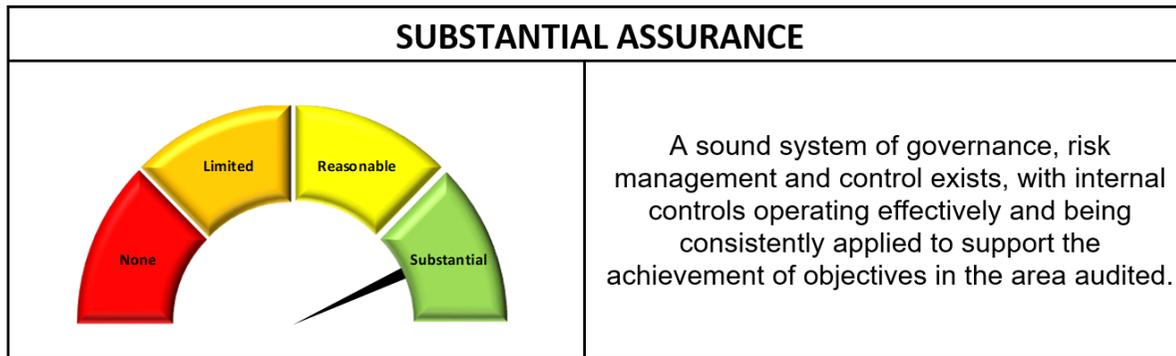
Appendix 1

<p>Additionally consideration should be given to having safeguarding champions within specific services across the authority to be able to promote safeguarding, offer safeguarding advice and support within their areas, highlight any specific issues that the service is having and reduce the pressure on DSO's.</p>				
<p>5 - A Modern Slavery Statement should be produced annually and published on the Council website within six months of the councils year end. Government guidance should be followed when preparing this document. This guidance can be found at: https://www.gov.uk/guidance/publish-an-annual-modern-slavery-statement</p>	High	Agreed	Head of Finance (S151 Officer)	By September 2021
<p>6 - The DBS Policy and procedure document should be updated and approved. The current document should be shown as out of date (if this is possible) and to contact HR for guidance until the new policy is available. The updated policy and procedure should provide clear guidance and advice relating to DBS checks. This should cover the posts which are required to have DBS checks, obtaining of DBS checks, subscribing to the update service and who is responsible for carrying out the annual checking via the update service. The guidance should also refer to requirements when employing agency workers.</p>	High	Agreed	Head of HR and Organisational Development	June 2021
<p>7 - All posts which are required to have a DBS check should be identified and recorded on ITrent. Details relating to the DBS check, date of check, reference number and confirmation that the annual recheck has been done should also be recorded on ITrent. Responsibility for ensuring that DBS checks are carried</p>	High	Agreed that check information to be recorded on ITrent etc. There is no requirement by the DBS for annual checks to be carried out.	Head of HR and Organisational Development	June 2021

Appendix 1

<p>out on an annual basis should be documented and circulated.</p>		<p>If people don't subscribe to the update service a new check would be required. Good practice suggests new checks done every 2-3 years, not annually.</p>		
<p>8 - The Recruitment Policy should be updated and include safer recruitment processes which should be undertaken when recruiting to posts that have contact with vulnerable groups.</p>	<p>Medium</p>	<p>Agreed</p>	<p>Head of HR and Organisational Development</p>	<p>June 2021</p>
<p>9 - The Safer Recruitment e-learning module should be added to Learning Pool. The availability of this training should be communicated to all relevant staff.</p>	<p>High</p>	<p>Agreed</p>	<p>Senior HR Advisor</p>	<p>February 2021 – Already implented</p>

Creditors



Key Findings

Areas of positive assurance identified during the audit:

- Official orders had been raised for goods where appropriate.
- Invoices sampled were found to be bona fide and had been processed satisfactorily.
- Open orders periodically reviewed and cancelled where no longer required.
- Adequate controls are in place for the authorisation of payments.
- Reconciliations have been completed in a timely manner.

The main areas identified for improvement are:

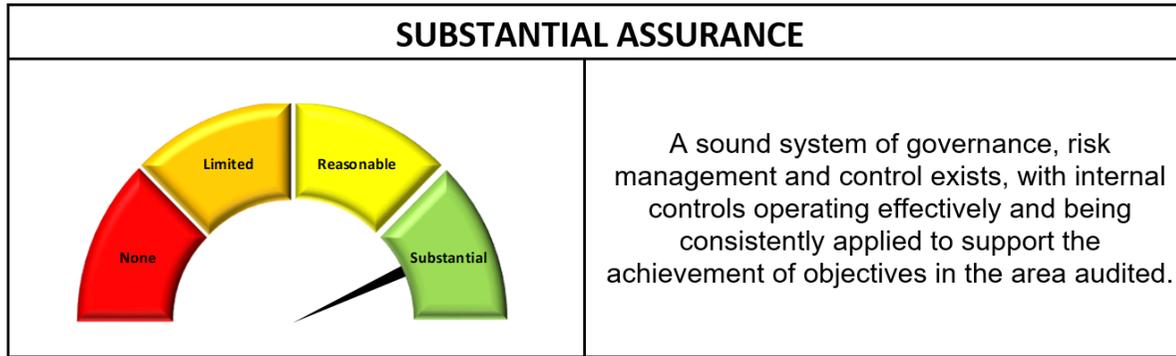
- Procedures for processing payments without an invoice (Type 9).
- Deactivating access to Total for leavers.

Appendix 1

Two low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1 - Procedures should be drawn up which cover the processing and authorisation of Type 9 payments / payments without an invoice.	Low	Agreed	Exchequer Services Team Leader	March 2021
2 - Those staff identified as leavers from the sample should have their access to the Total system deactivated.	Low	Agreed	ICT Team Manager	Already implemented

HR and Payroll



Key Findings

Areas of positive assurance identified during the audit:

- Sample testing confirmed that new starters, leavers and other changes to employee pay data are appropriately authorised and correctly actioned.
- Statutory and occupational payments in relation to sick and parental pay have been calculated correctly for the sample tested.
- Return to work interviews following sickness absence have continued as expected during the change to remote working.
- All expected reconciliations have been carried out throughout the year.
- Exception reports are independently monitored and suspense accounts reviewed and cleared.

The main area identified for improvement is to resume the periodic reviews of system users.

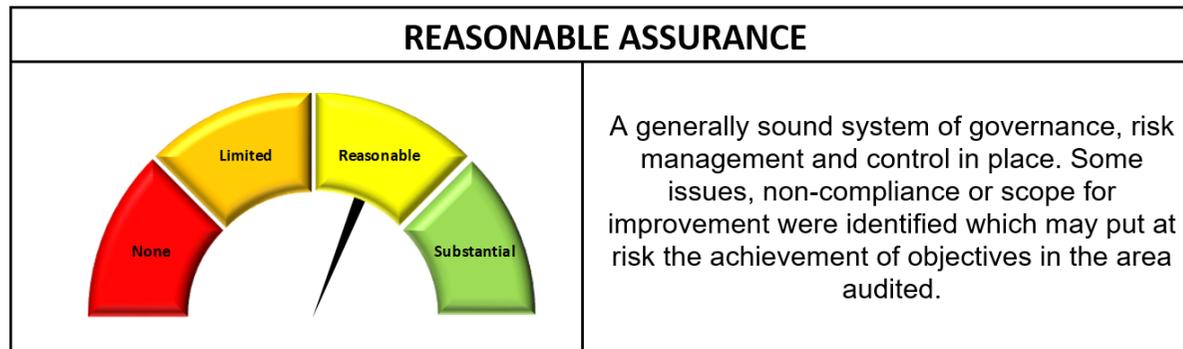
One medium and two low priority recommendations were made.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. The new HR officer formally documents her notes from the HR Analyst role shadowing during the monthly payroll runs.	Low	Agreed – the common tasks are being documented.	HR Analyst	31 st July 2021

Appendix 1

<p>2. The monthly checklist checking and authorisation section should be updated to reflect the officers currently responsible for these tasks, and should be recorded each month when done.</p>	<p>Low</p>	<p>Agreed.</p>	<p>HR Analyst</p>	<p>31st March 2021</p>
<p>3. HR resume the periodic checks of system users and their access levels.</p>	<p>Medium</p>	<p>Agreed.</p>	<p>HR Analyst</p>	<p>30th April 2021 and ongoing.</p>

Treasury Management



Key Findings

Areas of positive assurance identified during the audit:

- Adequate and up to date Treasury Management strategies are in place which comply with the CIPFA Treasury Management Code of Practice.
- Adequate separation of duties within the Treasury Management system.
- A detailed register of loans and investments is maintained.
- Investments with Local Authorities are subjected to enhanced due diligence checks by the S151/Deputy S151 Officer prior to lending.
- Performance is monitored and reported in line with the Treasury Management Strategy Statement.
- Access to the online banking system is restricted

The main areas identified for improvement are:

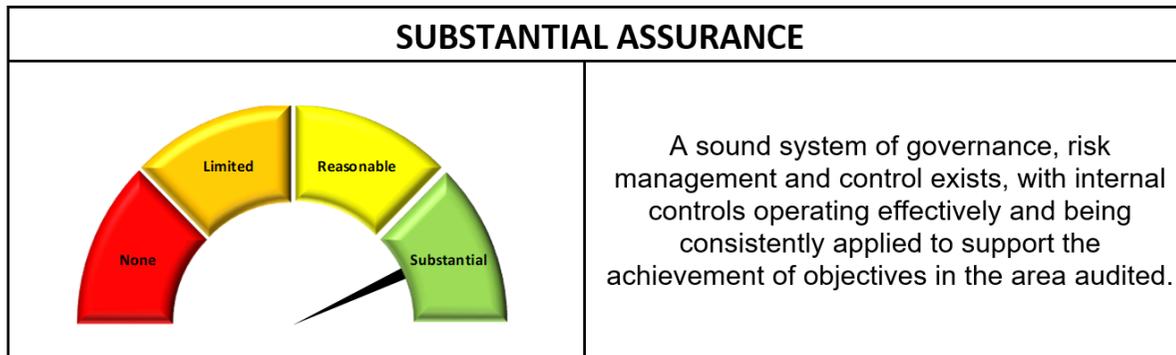
- Timeliness and review of reconciliations.
- Correction of Public Works Loan Board posting errors on the general ledger.
- Review and scrutiny of the Treasury Management Practices document.

Appendix 1

Three recommendations were made – one high, one medium and one low.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Review and update the Treasury Management Practices document and subject it to scrutiny by the relevant Committee in line with Section 7 CIPFA Treasury Management Code of Practice.	Low	Agreed. Review has been delayed due to the impact of Covid-19 on resources. TMP's will be updated during 2021/22 Quarter 1 and will be presented to Audit and Governance Committee in July for approval.	Finance Team Manager	31 st July 2021
2. Reconciliations should be brought up to date and reviewed by the Finance Team Manager following completion, in line with the approach set out in the Treasury Management Practices.	High	Agreed. Due to the impact of COVID on the workload of the Finance Business Partner responsible for treasury, it was agreed to put the reconciliation on hold whilst higher priority tasks were completed (monitoring cashflow and COVID-19 returns). It has been agreed that one reconciliation will be completed each week, commencing from the 22nd February 2021.	Finance Team Manager	31st March 2021
3. The errors in the posting of the Public Works Loan Board payments on the general ledger should be corrected.	Medium	Agreed. This has occurred due a training issue with the replacement Finance Assistant which has now been rectified. The error would have been picked up when the reconciliations were completed.	Finance Business Partner - RV	Implemented

Income Collection



Key Findings

Areas of positive assurance identified during the audit:

- Income received is recorded accurately and promptly banked
- All expected reconciliations have been carried out throughout the year.
- Refunds tested were found to have been processed and authorised appropriately.
- There is a procedure in place should unusual or suspicious transaction be identified.
- Controlled stationery is held securely.
- Appropriate insurance is in place for the security and transfer of cash.
- Access to income management systems is appropriately controlled.

The main areas identified for improvement are:

- Updating of day to day procedures to reflect changes as a result of COVID.
- Timely allocation of unidentified income.

Appendix 1

Two recommendations were made – one high and one medium priority.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1 - Where there have been changes to day to day procedures as a result of COVID-19 and homeworking the documented procedures should be updated accordingly.	Medium	Agreed	Exchequer Services Team Leader	June 2021
2 - The unidentified income spreadsheet should be regularly reviewed. This should include contacting services and consulting with Finance Business Partners particularly for high value payments. Any action to identify the income should be recorded on the spreadsheet. The unidentified income spreadsheet should be reviewed by the Exchequer Services Team Leader on at least a monthly basis.	High	Agreed. There will be an additional check added to the bank reconciliation to confirm that the unallocated income has been reviewed. This will require sign off by the Exchequer Services Team Leader.	Exchequer Services Team Leader	March 2021

RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 31ST MARCH 2021 (CRITICAL, HIGH AND MEDIUM ONLY)

Report	Recommendation	Rating	Officer Responsible	Target Date	Internal Audit Comments	
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 register should be clearly assigned.	Medium	Finance Team Manager in conjunction with Property Services Manager	<p>31st May 2020</p> <p>30th Sept 2020</p> <p>31st Dec 2020</p> <p>31st May 2021</p> <p>Covid-19 and staffing issues have delayed the implementation of this recommendation.</p> <p>Recent follow up work has established that property services is currently being reviewed by consultants and it is expected to be picked up as part of this.</p>
11	Affordable Housing – S106/Commut ed Sums	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	High	Head of Planning and Infrastructure	<p>31st August 2020</p> <p>31st May 2021</p> <p>Follow up work in September 2020 found little progress due to other priorities (Covid-19) therefore extension agreed.</p>

Appendix 1

			Services when preparing the S106 agreement.				
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 this should include procedures for carrying out rent reviews to ensure these are reviewed on a timely basis.	High	Property Officer	30th Sep 2020 31 st March 2021	Due to staffing issues within the team combined with the impact of COVID-19 this recommendation has not yet been progressed therefore an extension has been agreed. Further Internal Audit follow up will take place in April 2021.
		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	30th Sep 2020 31 st March 2021	Due to staffing issues within the team combined with the impact of COVID-19 this recommendation has not yet been progressed therefore an extension has been agreed. Further Internal Audit follow up will take place in April 2021.

2020/21 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 31.03.21	Comments
Achievement of the Internal Audit Plan	73%	Up until the end of Q2 the audit team were mostly redeployed to support the COVID-19 response. In agreement with CLT the audit plan was reviewed and work started on the plan as soon as possible in Q3. It is expected that all audits will be completed before the Audit Manager prepares the overall annual opinion.
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	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on 13 returns for 19/20 and 2 for 20/21.
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 th November 2020 which confirmed that we conform with the Public Sector Internal Audit Standards.