INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2023/24 Q3

1. Introduction

1.1. Internal Audit is provided through a shared service arrangement led by North West Leicestershire District Council and delivered to Blaby District Council and Charnwood Borough 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 2023/24 Internal Audit Plan up to 31 December 2023.

2. Internal Audit Plan Update

2.1 Progress on the audit continues, with one audit complete, IT Asset Management, the executive summary is included at Appendix B.

2.2 Two audits have been postponed, one audit is at draft stage, and a further 8 are in progress. The 2023/24 audit plan is included at Appendix A for information.

The audits due to take place in Q4 are:
- Key Financial Systems
- HMO/ Selective Licensing
- Capital Programme Management
- Climate Change Strategy

2.2 Progress during quarter 3 has been slower than expected due to only one of the vacancies for the Internal Audit Assistants posts being filled, being unable to recruit agency staff to complete the housing audits and the training required for the Internal Audit Apprentice and the Internal Audit Assistant. A further requirement exercise for the Internal Audit Assistant is currently in progress as is the recruitment of agency staff to cover the outstanding audits.

3. Internal Audit Recommendations

3.1. Internal Audit monitor and follow up critical, high and medium priority recommendations. Further details of overdue and extended recommendations are detailed in Appendix C for information.

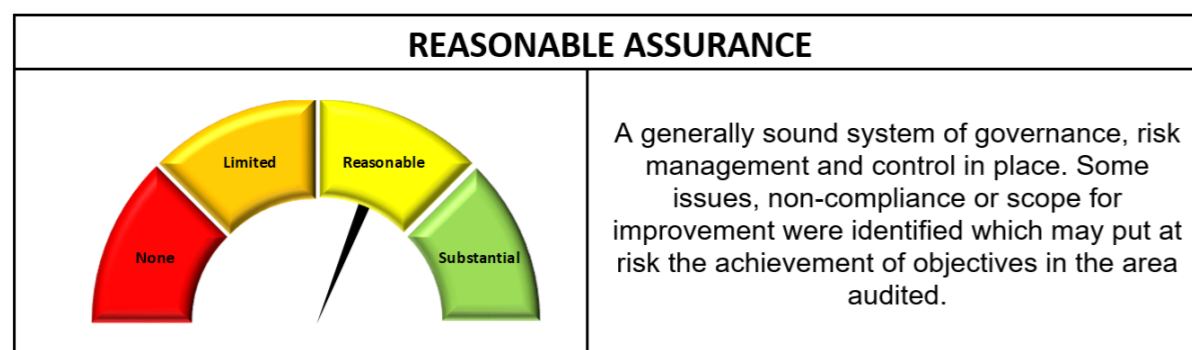| Year	Not Due		Extended		Overdue	
	High	Medium	High	Medium	High	Medium
21/22	-	-	9	3	-	-
22/23	4	5	7	3	1	-

4. Internal Audit Performance Indicators

4.1. Progress against the agreed Internal Audit performance targets is documented in Appendix D.

2023/24 AUDIT PLAN AS AT 31 DECEMBER 2023

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Housing Repairs Q1	Audit	10	8	In progress						These audits have been combined in to one audit to be completed during Q3 & Q4
Housing Repairs Q2	Audit	10								
Housing Repairs Q3	Audit	10								
Housing Repairs Q4	Audit	10								
Housing Planned Maintenance Q1	Audit	10	2	In progress						These audits have been combined in to one audit to be completed during Q3 & Q4
Housing Planned Maintenance Q2	Audit	10								
Housing Planned Maintenance Q3	Audit	10								
Housing Planned Maintenance Q4	Audit	10								
Asbestos Management	Audit	10	3.5	In progress						
HMO/ Selective Licensing	Audit	10	0.5	Planning						
Safeguarding	Audit	8	16	Report drafted						
Fleet Management & Operating Licensing	Audit	8	3	Q4						
Tree Stock Management	Audit	6		Q3						Postponed until 24/25 due to a tree strategy currently being written.
Protect Duty	Audit	8		Q4						Postponed until legislation is in place.
New finance system	Advisory/ Testing	10	5	Completed	Not applicable					
Key financial systems	Audit	52	0.5	Planning						
Workforce Planning	Audit	10	3	In progress						
IT Asset Management	Audit	10	10	Completed	Reasonable		1	3	3	
Remote Support & Data Exchange	IT Audit Contractor	IT Contractor		In progress						
Cyber Security	IT Audit Contractor	IT Contractor		In progress						

Corporate Policy Management	Audit / Data analysis	10	3	In progress						
Capital Programme Management	Audit	10		Q4						
Transformation Projects	Advisory	5		As required						
Climate Change Strategy	Audit	10		Q4						
Procurement & Contract Management	Audit	10	11	In progress						
Grant Assurance	Assurance		6	As required						

SUMMARY OF FINAL AUDIT REPORTS ISSUED BETWEEN 1 OCTOBER & 31 DECEMBER 2023

IT Asset Management

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 for IT Asset Management are up to date and available to those staff who require them.
- There is adequate segregation of duties within the ordering, payment and allocation of assets.
- There is adequate insurance in place for IT assets.
- Decommissioned items are disposed of securely with regard to the Waste Electrical and Electronic Equipment (WEEE) Directive.

The main areas identified for improvement are:
- Adherence to Contract Procedure Rules in relation to the purchase of IT equipment.
- Recording and updating of IT assets in the asset register.

Recommendation	Priority	Response/Agreed Action	Officer Responsible	Implementation Date
1. Advice should be sought from Procurement regarding the purchase of IT equipment to ensure that Contract Procedure Rules are met.	High	Agreed – have met with the Council's Procurement Officer to discuss and agree a way forward.	Sam Outama – ICT Manager	Implemented
2. Consideration should be given to having a centralised IT budget which will ensure an efficient use of assets. This could lead to budget savings and also time savings as it eliminates the need to journal items to individual budget codes.	Low	Agreed	Sam Outama – ICT Manager	As part of annual budget setting process.
3.In order to confirm that IT assets have been reviewed the date the review was carried out should be added to the register.	Medium	Agreed	Sam Outama – ICT Manager	Implemented
4. A robust process is introduced for managers to confirm that the assets recorded on the asset register match the physical assets held by each team member.	Medium	Agreed – however the approach we would prefer to take is to obtain this information directly from staff via an on-line form. Following this exercise any IT equipment where the location cannot be confirmed will be investigated. From next year the requirement to update details of IT equipment staff have will be removed from the DSE assessment and this new form used to capture this information.	Sam Outama – ICT Manager	September 2024
5.The ICT Departmental procedure document should be updated to show the correct status to be allocated to equipment returned to ICT.	Low	Agreed	Sam Outama – ICT Manager	Implemented
6.A review of IT equipment which is held in the IT store should be undertaken and records updated accordingly.	Low	Agreed	Sam Outama – ICT Manager	Implemented
7.To ensure an accurate record of assets is maintained the date of disposal of IT Assets should be recorded in a reportable field within HOTH.	Medium	Agreed – we will start using the "Last accessed field" to record the date the item was recycled. We will do this on the next recycle collection.	Sam Outama – ICT Manager	Implemented

RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS AS AT 31 DECEMBER 2023

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	CLT	Original Due Date	1st Follow up comments	Extension Date	Second Follow up comments	Extension Date	Further Management update	Further extension date
2022/23	Tax - IR35 and P11D	7.The iTrent Employee and Manager Self Service guides should be updated to clearly show how to input and authorise expense claims containing VAT. Additionally, a reminder should be issued to managers informing them of their responsibility when authorising expense claims to ensure that VAT this has been correctly recorded.	High	Agreed	Head of Human Resources and Organisational Development.	Head of HR & OD	Aug-23	Sept 23 – In progress. The guidance should be available from mid-October.	Oct-23	Oct-23 No response		Nov-23 No response. A review of the published guidance indicates it is yet to be updated.	

EXTENDED RECOMMENDATIONS AS AT 31 DECEMBER 2023

Audit Year	Audit	Recommendation	Priority	Response/ Agreed Action	Responsible Officer	CLT	Original Due Date	1st Follow up comments	Extension Date	Second Follow up comments	Extension Date	Further Management update	Further extension date
2021/22	Corporate Estates Management	2 A performance monitoring and reporting framework is introduced which includes contractor and legislative compliance performance monitoring and periodic reporting to the Statutory Duty Group and, where necessary, the Corporate Leadership Team.	High	Overlapping with the audit we have begun the introduction of a performance monitoring framework, utilising a RAG system. This will be reported through to CLT. It would be beneficial to include properties not managed by property services into this report.	Head of Economic Regeneration	Head of Economic Regeneration	Oct-22	Update - consultants have been employed to develop a Corporate Asset Management Toolkit. This will cover frequency of inspections and recording of compliance.	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23	Dec-23 Contractor performance is currently being monitored via the Statutory Duty Group. Further improvements are expected to be delivered by the council adopting a digital Asset Management System to work alongside the Asset Management Toolkit currently being prepared. Work to identify Asset Management Systems is with implementation and onboarding likely to take 6 months.	Oct-24
2021/22	Corporate Estates Management	3 To ensure that the authority is fully meeting its legislative responsibilities in an efficient and effective manner consideration is given to introducing a true corporate landlord model for corporate property.	High	Since the publication of the 2020 report, there has been considerable change in both the operation of the council, its ability to address some strategic issues due to the pandemic, and more recently changes in property service management, housing senior management and the Chief Executive, along with changes to our accommodation strategy. So as to address the above we will undertake a further assessment of options for the operation and scope of an overall property function spanning all of our assets, and consider how this is best addressed in the future.	Strategic Director of Place	Strategic Director of Place	Mar-23	Extended to align with other recommendations	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23	Dec-23 As detailed above, the adoption of a new system will assist with meeting legislative compliance. Following this full consideration will be given to adopting a corporate landlord model.	Oct-24 for system implementation Dec-24 for decision on the adoption of a corporate landlord model.
2021/22	Corporate Estates Management	4 The process for recording and monitoring issues through the compliance tracker is fully implemented and a reporting framework is put in place, to ensure that any remedial actions	Medium	Agreed – for the property services managed properties. This may take longer to fully implement if we follow a corporate landlord model. If not then there will not be assurance for all properties.	Head of Economic Regeneration	Head of Economic Regeneration	Oct-22	Update - consultants have been employed to develop a Corporate Asset Management Toolkit. This will cover frequency of inspections and	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23	As per recommendation 3	Oct-24

2021/22	Corporate Estates Management	6 A comprehensive record of all assets and statutory inspections/ checks that are required by the Council is introduced. These records should cover all services and be monitored and reported against on a regular basis to ensure testing/ checks have taken place as required. Note: This recommendation was made in the Health and Safety Audit, undertaken in February 2021 (due for implementation in June 2021) and as yet has not been implemented.	High	Not all of these assets are owned by the authority. The scope of the contracts need to be known and recorded and performance monitored against this. Where assets are owned by the authority these will be detailed as required.	Head of Economic Regeneration	Head of Economic Regeneration	Mar-23	Extended to align with other recommendations	Jul-23	Jul-23 – Good progress is being made but consultants still engaged.	Dec-23	The digital Asset Management System will automatically schedule inspections at the required frequency. It is expected that a decision on which Asset Management system is to be adopted will be taken by 31/3/2023 with implementation and onboarding likely to take 6 months thereafter.	Oct-24
2021/22	Project Management	1.A project management policy is implemented that describes the essential elements of all projects/ programmes (e.g. project / programme identification through to authorisation, officer responsibilities, reporting requirements, requirement of the use of the toolkit etc), to ensure that all projects are effectively managed, and relevant governance and controls are in place.	High	Agreed. CLT need to revisit and agree the programme framework, review/refresh the toolkit, to see if it is still relevant, and then look at the resources for programme management with the new Chief Executive, including looking at where the function sits again, if needed. There is project management support to projects but there is not clear programme management, which is owned and maintained by one person/ service area, and which then collates and reports to CLT/ Members via relevantly timed reports.	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	Oct 23 - A project management policy has been drafted, alongside Project and Programme Management Procedures.\n\nCurrently liaising with the LGA to review the policy and associated documents.\n\nFollowing this, there will a programme of activity to approve the policy, rollout the templates, replacing current templates on the sharepoint site and a suite of training for officers across the Council.	Mar-24		

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"or works required are identified and tracked to fruition in a timely manner" ... "recording of compliance."

2021/22	Project Management	2. A corporate approach to project management is agreed, implemented, relevantly managed, and communicated to all staff on a consistent and regular basis.	High	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24		
2021/22	Project Management	3. All corporate projects should be monitored and recorded.	High	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24		
2021/22	Project Management	4. The role of the Organisational Performance Team in monitoring of projects, as referred to in the report to CLT, should be pursued.	High	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24		
2021/22	Project Management	5. A reporting structure is agreed and disseminated to ensure all relevant parties are aware of projects, progress of projects and any issues and reports are presented in a timely manner.	Medium	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24		
2021/22	Project Management	6.The highlight reports to boards should contain details of the project approval.	Medium	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24		
2021/22	Project Management	7.Following agreement of a corporate approach to Project Management suitable training should be made available to enable staff to effectively manage projects.	High	As above	Chief Executive, Directors, Monitoring Officer, Section 151 Officer.	CLT	Dec-22	Recommendation extended due to corporate review	Sep-23	As per recommendation 1	Mar-24		
2022/23	Rent Accounting and Arrears	10. With the introduction of Unit 4 (new Finance System) the rent debit should be uploaded automatically from the Housing System to the General Ledger each week. This should enable weekly reconciliations	High	Agreed	Housing Strategy and Systems Team Manager	Strategic Director – Housing & Communities	Aug-23	Aug 23 – No response	Sept 23	Sept 23 - Issues regarding UNIT4 - meeting with Finance planned for w/c 11.9.23. Will require an extension to the implementation date.	Oct 23	Nov-23 Further extension requested.	Mar-24

		between the two systems to be carried out.											
2021/22	External Audit Completion Report 2020/21	The Council need to ensure that all related party transactions are identified and then should determine which transactions are material and hence should be disclosed.	High	Recommendation accepted. The Council will review its process, and implement the findings, for identifying and reporting on related party transactions for the closure of its 2022/23 Accounts. It will also seek to retrospectively apply the new approach to its 2021/22 Accounts.	Head of Finance	Director of Resources	Jun-23	Dec 23 - The accounts for 2021/22 are still in draft and will be presented to Audit Committee in March.	Mar-24				
2022/23	Rent Accounting and Arrears	1.The policies and procedures held by both the Rent Accounting and Housing Management Teams should be reviewed and updated where necessary. Any obsolete / out of date policies should be archived.	Medium	Agreed – consultation is required for certain policies.This can also be picked up as part of the Policy audit whereby all council policies are listed, with the author and recommended review date.	Housing Strategy and Systems Team Manager and Housing Management Team Manager.	Strategic Director – Housing & Communities	Dec-23	Dec 23 – This will be picked up following the policy audit report being presented to CLT.	June-24				
2022/23	Choice Based Lettings	2. A review of all applications within the register is undertaken to confirm that bands are correctly recorded, with band expiry dates being updated accordingly.	High	The system generates a date for all categories, but the policy only defines a review of those priority and high bands. Agree with recommendation. Review band expiry date process with the implementation of the new CBL system.	Housing Strategy and Systems Team Manager, Housing Choices Team Leader and the Module Lead for Aareon Implementation Project.	Head of Housing	Dec-23	Dec 23 – As a new system is due to be implemented the recommendation will be included within the system workflow/ processes.	May-24				
2022/23	Payroll	4. Sample testing should be undertaken when changes to standing data occur to confirm they have been correctly applied.	High	Agree – sample checking to be undertaken and evidence retained.	Payroll Officer / HR Analyst	Director of Resources	Dec-23	Dec-23 Testing to be undertaken in January with changes to NI and again Feb/ March.	April-24				
2022/23	Payroll	2. A regular review of the iTrent audit log is carried out by an independent officer to ensure functions are appropriate to the officer.	High	Agree – appropriate audit log to be sourced, possibly reviewed by Senior HR Advisors.	Head of HR and Organisational Development.	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	Jul-24				
2022/23	Payroll	3.Consideration should be given to providing training to a member of the Human Resources Team to ensure business continuity in the event of the	Medium	Agree – training to be provided to a member of the HR Team but may require additional resource.	Head of HR and Organisational Development.	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	Jul-24				

		absence of the HR Analyst.										
202223	Payroll	6.A review of the payroll checking process is carried out to eliminate duplication, reduce the risk of fraud and ensure independence in the review and checking of the monthly payroll.	High	Agree – current payroll checks to be reviewed and revised.	Exchequer Services Team Leader and Head of HR and Organisational Development	Director of Resources / Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	Jul-24			
2022/23	Payroll	7. A full review of user access is carried out, in particular System Administrator access should be reviewed, and the number reduced.	High	Agree – access to be reviewed and removed where no longer required.	Head of HR and Organisational Development	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	Jul-24			
2022/23	Payroll	8. A review of the access for the HR Analyst should be undertaken and access removed / disabled where no longer required.	High	Agree – access to be reviewed and removed where no longer required.	Head of HR and Organisational Development	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	Jul-24			
2022/23	Payroll	9. Consideration should be given to ICT undertaking the System Administration role within iTrent. This would assist with the separation of duties, referred to in recommendation 1.	Medium	Agree – will discuss transfer of responsibilities with IT Manager.	Head of HR and Organisational Development	Head of HR and Organisational Development	Dec-23	Dec 23 – Not implemented due to resourcing issues/ staff leaving. Will further discuss with Director of Finance and Head of Finance.	Jul-24			

2023/24 INTERNAL AUDIT PERFORMANCE

Performance Measure	Position as at 31.12.2023	Comments
Achievement of the Internal Audit Plan	19%	Two final audits, one audit at draft stage, eight audits in progress.
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	
Annual Opinion Report - July 2023 Audit and Governance Committee Meeting	Achieved	
100% Customer Satisfaction with the Internal Audit Service	100%	Based on three for 2022/23 and 1 for 2023/24
Compliance with Public Sector Internal Audit Standards	Conforms	External inspection carried out w/c 30 November 2020 which confirmed that the Council conforms with the Public Sector Internal Audit Standards.