



# **INTERNAL AUDIT SHARED SERVICE**

**North West Leicestershire District Council**

**Internal Audit Annual Report 2023/24**

## **INTRODUCTION**

- 1.1 This is the annual report of the Chief Audit Executive (Audit Manager) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2023 to 31 March 2024 for North West Leicestershire District Council.
- 1.2 This report includes the Audit Manager's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is formulated by taking in to account the following:
- All audits completed during the year.
  - Any follow up actions taken in respect of audits from previous periods.
  - High priority recommendations not accepted by management or acted upon and any associated risks.
  - The effect of any significant changes in the Council's objectives, activities or systems.
  - Matters arising from previous reports to the Audit and Governance Committee.
  - Whether any limitations have been placed on the scope of Internal Audit (there have not been any).
  - The extent to which resources constraints may impinge upon the Internal Audit Manager's ability to meet the full audit needs of the Council.
  - What proportion of the Council's audit need has been covered to date.
  - The results of work performed by other assurance providers including the work of the External Auditors.
- 1.3 This report also includes:
- A summary of internal audit work carried out during 2023/24 which supports the opinion.
  - Issues relevant to the preparation of the Annual Governance Statement.
  - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
  - A statement on conformance with the Public Sector Internal Audit Standards.

## **2. CHIEF AUDIT EXECUTIVE (AUDIT MANAGER) OPINION 2023/24**

- 2.1 Resources both within the Internal Audit team and the areas audited have continued to cause difficulties during 2023/24, with audits being delayed or taking longer to complete due to availability of staff.

Internal audit continued to provide the additional support required for assurance on grants.

- 2.2 In line with the Public Sector Internal Audit Standards, Internal Audit has worked flexibly throughout the year whilst still ensuring a sufficient, although reduced, level of audit coverage to allow me to give an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control (the control environment). In giving this opinion, it should be noted that assurance cannot be absolute.

2.3 For the 12 months ended 31 March 2024, I am only able to give **limited assurance** on the overall control environment. To be consistent with Internal Audit opinion definitions, this means that 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 areas audited. As this is not a positive assurance overall the Corporate Leadership Team have developed an action plan in response to this annual opinion.

2.4 My opinion is based on the following:

- All internal audit work undertaken during the year, this includes advisory work as well as assurance, and supports the view on internal control arrangements.
- Follow up audit work in respect of audit recommendations.
- My knowledge of the Council’s governance and risk management structure and processes.

2.5 There have been no impairments to the independence of internal auditors during the year.

### 3. SUMMARY OF INTERNAL AUDIT WORK DURING 2023/24

3.1 The risk based internal audit plan for 2023/24 was presented and approved by the Audit and Governance Committee on 26 April 2023. Progress against this plan has been reported to Audit and Governance Committee throughout the year as part of the quarterly Internal Audit progress reports.

3.2 A summary of the audit opinions given in 2023/24 is detailed in Table 1 below. The opinion for individual audits is included in Appendix A for information, along with a comparison of the work delivered against the audit plan.

Table 1

Opinion	Definition	Number
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	0
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	3
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.	14
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	-
<b>Total number of audit reports</b>		<b>17</b>

- 3.3 Three of the Council's key financial systems (Benefits, Business Rates and Council Tax) are provided by the Leicestershire Revenues and Benefits Partnership. The internal audit service at the Partnership was provided by Mazars, there have been no audits reported for this service during 2023/24.
- 3.4 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Corporate Leadership Team is updated monthly on the progress of the recommendations and Audit and Governance Committee is updated on the Council's progress against the recommendations as part of the quarterly Internal Audit progress reports, as well as giving details of ongoing or overdue recommendations. A summary of the recommendation tracking results for 2023/24 is included at Appendix B. It must be noted that the majority of the recommendations have yet to reach their agreed implementation date.

#### **4. ISSUES RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT**

- 4.1 The Internal Audit team has issued 14 audit reports with limited assurance during 2023/24. These should be considered when preparing the Annual Governance Statement:
- **Creditors**  
The main areas identified for improvement were the timeliness of reconciliations, timeliness of processing supplier invoices and credit notes, availability of reporting functionality to carry out management checks.
  - **Debtors**  
The main areas identified for improvement were the debtor reconciliations being completed in a timely manner, bad debt identification and write-off's, the introduction of consistent and timely reminder letters being issued.
  - **Main Accounting and Budgetary Control**  
The main areas identified for improvement were the timely completion of reconciliations, timely and accurate compilation of budgetary information to budget holders, monitoring appropriate accounting of virements.
  - **Treasury Management**  
The main areas identified for improvement included the reconciliations between treasury management and the general ledger, review of the designated officers detailed on the fidelity guarantee insurance, review of access to the software system.
  - **Housing Repairs**  
The main areas identified for improvement included the management and monitoring of orders and variations, the procedure for the checking and approval of invoices, the process and management of recharges to tenants, appropriate recording of all inspections and surveys.
  - **Housing Planned Maintenance**  
The main areas identified for improvement included the management and monitoring of contracts and payments, the completion and documentation of

inspections, the authorisation of variations to works, the review of processes to remove duplication of work.

- **Asbestos Management**  
The main areas identified for improvement included having an approved Asbestos Management Plan in place, having an up-to-date Asbestos Register, the carrying out of assessments to confirm compliance with the Council's statutory duties relating to asbestos management.
- **Safeguarding**  
The main areas identified for improvement included a review of the safeguarding referral process, monitoring and recording of Disclosure and Barring Service (DBS) rechecks, updating of the DBS policy and procedures, the recording of safeguarding risks within relevant risk registers.
- **Fleet Management**  
The main areas identified for improvement are the approval of an asbestos management plan, maintaining records for the monitoring of the results of asbestos surveys, effective contract monitoring and the relevant training of officers across the Council.
- **Workforce Planning**  
The main areas identified for improvement included the development of a workforce planning strategy.
- **Remote Support & Data Exchange**  
The main areas identified for improvement included the need to ensure data transfers are completed adequately by service users, the update of the ICT and Cyber Security Policy to cover all key issues in relation to data transfers and remote support.
- **Cyber Security**  
The main areas identified for improvement have been reported but as the report is confidential no further details have been included within this report.
- **Capital Programme Management**  
The main areas identified for improvement included the availability of documented procedures and training for new managers, the virement procedure and the monitoring and reporting of capital projects.
- **Procurement and Contract Management**  
The main areas identified for improvement included the completion and approval of the Council's procurement strategy, maintaining an up-to-date contract register, the management and monitoring of contracts is in place and documented across the Council.

There were no audit reports issued without any assurance during 2023/24.

A number of high priority recommendations were made in respect of other audit reviews undertaken, however as they tend to relate to specific systems and/or process within a service area, I do not consider it necessary to include them in the Annual Governance Statement.

The Section 151 Officer receives all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

## **5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) FOR INTERNAL AUDIT**

- 5.1 The Public Sector Internal Audit Standards (PSIAS) require the QAIP to include internal and external assessments (see Appendix C for more detail).
- 5.2 The internal assessments applicable to 2023/24 include the following:
- Monthly performance review meetings attended by the Audit Manager and the Head of Legal and Support Services as well as regular meetings with the Director of Resources (S151 Officer).
  - Customer satisfaction surveys were sent out to all Team Managers and/or Team Leaders who had an audit in their service area. Only two returns were received for 2023/24 both providing overall positive feedback.
  - Quarterly progress reports to the Corporate Leadership Team and Audit and Governance Committee which include monitoring of activity and performance.
- 5.3 The PSIAS require external assessments to be conducted at least once every five years. In December 2020 the shared internal audit service had an external quality assessment, and the full report was presented to Audit and Governance Committee on 20 January 2021.
- 5.4 It was the assessor's opinion that Internal Audit at Blaby, Charnwood and North West Leicestershire Councils **conforms with the PSIAS**.
- 5.5 In addition to delivering the annual audit plan and opinion, Internal Audit has added value in the following ways:
- Providing assurance on various grants during the year.
  - Providing ad-hoc advice throughout the year to a wide range of services to help ensure that internal controls are maintained or strengthened.
  - The continued delivery of a successful shared service to Blaby District Council and Charnwood Borough Council. This adds value to all Councils as the audit team shares learning, expertise and best practice.

## **6. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 6.1 The external assessment conducted in December 2020 concluded that there were no significant gaps in compliance.
- 6.2 I can confirm that during 2023/24 the Internal Audit Shared Service conformed to the Public Sector Internal Audit Standards.

## RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS AGAINST THE 2023/24 AUDIT PLAN

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Housing Repairs	Audit	40	43	Completed	Limited	-	4	16	3	
Housing Planned Maintenance	Audit	40	3.5	Completed	Limited	-	9	3	2	
Asbestos Management	Audit	10	12	Completed	Limited	-	11	1	-	
HMO	Audit	10	0.5	Completed	Reasonable	-	3	4	2	
Safeguarding	Audit	8	19.5	Completed	Limited	-	6	7	3	
Fleet Management & Operating License	Audit	8	12.5	Draft	Limited	-	19	2	-	
Treasury Management	Audit	4	4.5	Completed	Limited	-	5	1	-	
Debtors	Audit	10	10	Completed	Limited	-	7	4	1	
Creditors	Audit	10	11.5	Completed	Limited	-	9	5	-	
Main Accounting	Audit	10	11	Completed	Limited	-	8	4	-	
Rent Accounting	Audit	10	9	Draft	Reasonable	-	1	5	-	
Workforce Planning	Audit	10	7	Completed	Limited	-	3	-	-	
IT Asset Management	Audit	10	10	Completed	Reasonable	-	1	3	3	
Remote Support & Data Exchange	Audit	Contractor		Completed	Limited	1	4	4	-	
Cyber Security	Audit	Contractor		Completed	Limited	2	-	12	2	
Corporate Policy Management	Advisory	10	8.5	Completed	N/A					
Capital Programme Management	Audit	10	5	Completed	Limited	-	3	6	-	
Procurement & Contract Management	Audit	10	15	Completed	Limited	-	5	3	-	
Grant Assurance	Assurance		7	As required	N/A					

Recommendations key – see Appendix B

**SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP 2023/24**

Internal Audit follows up progress against critical, high, and medium priority recommendations in line with the timescales agreed at the time of issuing reports. The progress of recommendations is reported to the Corporate Leadership Team monthly and any overdue and extended recommendations are highlighted to Audit Committee.

The table below shows the progress against recommendations made by Internal Audit during 2023/24. The reason that there is such a high number of recommendations in progress or not yet due is due to the timings of the audit and the agreed implementation dates not then being until 2024/25, these will continue to be reported to Audit Committee.

Recommendation Priority	Recommendations Made	Recommendations Implemented	Recommendations Outstanding (In Progress or Not Yet Due)	Recommendations Overdue
Critical	3	3	-	-
High	98	10	87	1
Medium	80	20	59	1
Total	181	33	146	2

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/Advisory	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.



## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2023-24

Activity	PSIAS	Result/comments	Frequency
External Quality Assessment	1310	December 2020 Assessment - no significant gaps in compliance.	Every 5 years.
Annual Declaration of Interests	1130	Forms completed in April 2023, this includes Code of Ethics and Principles.	Annual
Customer satisfaction surveys	1311	Two received for 2023/24. Positive overall.	After each audit
Performance indicators reported in progress reports	1311	Performance indicators included in all quarterly reports to corporate leadership team and Audit Committees.	Quarterly
Improvement actions/continuous improvement	1311	An internal action plan produced for 2023/24 detailing improvement actions which included rolling review of the internal audit service to ensure compliance with standards.	Ongoing
Review of all audit engagements and reports	1311, 2340	All audit engagements and reports are reviewed by the audit manager to ensure compliance with PSIAS in terms of meeting audit objectives and quality.	Every audit
Monthly performance reporting and meetings	1311	Monthly performance meetings with Head of Legal and Support Services (Monitoring Officer) and the Director of Resources (S151 Officer).	Monthly
Annual review of internal audit charter	1000	Shared Service Charter updated with only minor amendments and reported to Audit & Governance Committee in October 2023. Annual review takes place in September each year.	Annual
Performance and development review process for staff and training and development records.	1200	All review meetings with team have taken place and the training and development recorded within system for all training and development identified and completed. Officers recording their CPD in line with their professional body requirements do not need to duplicate records.	Bi- annual review meetings