

REPORT TO: AUDIT AND STANDARDS COMMITTEE

DATE: 10 JUNE 2020

TITLE: INTERNAL AUDIT ACTIVITY REPORT

LEAD OFFICER: SARAH MARSH, INTERNAL AUDIT MANAGER
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RECOMMENDED that:

The Committee reviews the outcomes of the work of the Internal Audit service for the period April to June 2020 and identifies any issues for further consideration

BACKGROUNDS

Progress Against Audit Plan

1. The Council's audit plan for 2019/20 is almost complete and sufficient work has been undertaken in order for the Internal Audit Manager to give their annual report and assurance opinion which is reported elsewhere in the agenda.
2. Work regarding the 2020/21 Audit Plan has been stalled as a result of Covid-19. Instead Internal Audit has been providing advice and guidance (see the ongoing audit work section later on) as well as completing audits from the 2019/20 plan.

Internal Audit Reports

3. Five reports have been issued since the Committee received its last update in March 2020:

a) Housing contracts (non HTS) – substantial assurance

This audit was undertaken to review the procurement and contract management processes undertaken within Housing Services for non HTS housing contracts. During 2019, responsibility for programme management, previously carried out by Savills, had been transferred back to the Council.

This audit focussed on non HTS housing contracts and found these are procured in line with the Council's Contract Standing Orders and Procurement Strategy through a Service Level Agreement (SLA) with Corporate Procurement. Tenders are evaluated in line with the agreed methodology, and documentation in support of the decision retained should any subsequent queries or challenges to the contract award arise.

Robust contract management processes are in place. Monthly contract meetings between the Council and contractor monitor progress against the programme timetable and budget, and project risks are appropriately managed through detailed contract risk registers. Daily site visits ensure works meet the required specification and contract payments are only made following sign off by the Clerk of Works. Queries and issues arising from residents during the works are

managed through a Customer Care Officer and Resident Liaison Officer assigned to each contract.

Monthly reporting to the Housing Programme and Project Management Group (HPPMG) provides a formal update on progress against the programme and budget to senior management and gives the opportunity to identify and disseminate lessons learned. Contractor performance is reported monthly both internally to the HPPMG and externally to the Housing Standards Board.

Areas of good practice identified include the SLA with Corporate Procurement, which is working well in practice, and the use of individual risk registers for each contract. No recommendations have been made from this audit.

b) Former tenant arrears - limited assurance

The Housing Rents Audit carried out in 2018/19 concluded that there was substantial assurance over the controls and processes in place over setting up new tenants, current tenant arrears, write offs and performance monitoring. However, only Moderate assurance was given regarding Former Tenant Arrears as these remained high at the time and reflected future plans to consider the future resources allocated to collection. This audit was an in-depth follow up with regards to the former tenants' arrears system controls, rather than as a sub-system opinion within the Housing Rents system.

The key issues identified in this review that support the opinion are:

- a) Twenty former tenant arrears cases were selected to ascertain if the debt had been appropriately managed. In all 20 cases the debt had not been adequately managed and followed up in accordance with the former tenant arrears procedures and in five cases there is no evidence that any action has been taken to collect the outstanding debt.
- b) Twenty recent voids notifications were reviewed to ascertain the actions taken to notify the tenant about any arrears on their rent account on termination of their tenancy. This testing established that eight cases had no evidence of any action being taken on the outstanding debt; and
- c) Debt over six years old is not collectable, due to the provisions in the Limitation Act 1980, which in effect makes all debt over six years old uncollectable as the debtor cannot be taken to court to collect the debt. The oldest former tenant debt relates to a tenancy that ended in May 1993.

As at January 2020 the total amount of former tenant arrears debt including all sub categories such as garages and court costs, but excluding any credit balances was £1,555k. This is a reduction from the total former tenant arrears debt at January 2019 of £1,672k.

The rent officers' focus is on current rather than former tenant debt, and management are aware and have started to address the write off of historical uncollectable debt. There is a need for an increased emphasis on collectable former tenant debt alongside the write off the very old uncollectable debt.

c) Business continuity - moderate assurance

A clear business continuity (BC) policy exists and is up to date, with the management hierarchy and a command chain clearly set out in the corporate plan. Overall sponsorship for business continuity is through the Senior Management Board (SMB). Day to day responsibility lies with the Heads of Service who are responsible for individual service plans.

Business impact assessments have been undertaken and are clearly set out in the service plans. A section on the risk assessment process forms part of the Corporate Plan.

Contingency arrangements are visible within the plans and note recovery expectations for various functions. Stakeholders and dependencies form part of the service area plans. High level recovery priorities exist within the Corporate Plan. Service area BC plans concentrate on functions and the people required to undertake them rather than IT systems. There is scope to improve the alignment between service area plans and the corporate plan to ensure that recoveries are properly scheduled.

A recent IT incident highlighted shortfalls within the connection between the BC plans and the IT Disaster Recovery (ITDR) plan. This is largely to do with ensuring that ICT can quickly identify what IT systems to prioritise for recovery and in what order.

Just as the audit report was being prepared, the Coronavirus pandemic emerged and escalated. It is vital that whatever happens, lessons are learned and plans revised and updated with those lessons.

d) Corporate Health and Safety - moderate assurance

The Council has a Safety Committee that meets quarterly and is chaired by the Environment and Licensing Manager. There are Terms of Reference, which clearly sets out the role and responsibilities of the Committee and there is a comprehensive staff Health and Safety Handbook.

Accident and near miss statistics are reported and considered to the Safety Committee and are also reported to SMB and annually to the Council. The Council has a comprehensive suite of Health and Safety related policies, albeit the majority of these require updating. Policies in hard form are circulated to staff who do not have access to a computer.

There are no central mechanisms to ensure that operational risk assessments are adequate and in line with Council policy. The Control of Substances Hazardous to Health (COSHH) data sheets should be regularly reviewed to ensure compliance with the Health and safety executive guidance.

Health and safety training records across the Council need review to ensure gaps in training and / or refresher training requirements are identified.

e) Commercial Rents - moderate assurance

Processes are in place within commercial rents however these require formalising in respect of rent deposits, rent reviews, reconciliation, formal reporting and management information. Implementation of the recommendations

made in this report will help to strengthen controls and provide greater assurance to management.

The Property and Facilities Department is due to increase its staffing resource during 2020/21. This will provide for greater separation of roles, increase transparency in the decision making processes and has the potential to introduce more formalised processes.

Ongoing Audit Work

4. During the Covid19 lockdown Internal Audit has:

- a) Been liaising with the Revenue and Benefits Manager about pre and post business grant checks, sharing good practice from other councils and exploring the use of central government tools and other fraud related organisations (such as the National Anti-Fraud Network and Cifas, a not-for-profit fraud prevention membership organisation) to undertake these.
- b) Reviewing and advising on controls where these have had to be flexed to allow for staff to be able to work remotely with regards to payroll and accounts payable. This has included an analytical review of payments to help identify any instances of potential fraud (internal and external).
- c) Reviewing the project plan for implementation of the new HR system, where the go-live date has been pushed back from November 2020 to January 2021 due to Covid-19. In addition, Internal Audit is reviewing membership and terms of reference of the Council wide project group that will support and oversee the project.
- d) The Internal Audit Manager is advising the recently created internal recovery group that is coordinating the Council's approach as we come out of lock down.

Recommendation Tracker

5. The Audit and Standards Committee receives details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of whether they are overdue or not.
6. The current tracker, as set out in Appendix A, contains recommendations which have passed their due date. A comparison with previous periods is outlined in the table below:

Table One: Tracker Comparison

Recommendation Priority	Number (as at June 2020)	Number (as at March 2020)	Number (as at Nov 2019)	Number (as at June 2019)
High - not yet due	2	0	0	0
High - passed due date	0	0	0	0
Medium - passed due date	14	10	13	5
Low - passed due date	3	2	2	3
TOTAL	19	12	15	8

7. Implementation of some recommendations has been delayed as a direct result of the impact of Covid-19. The two high risk recommendations not yet due relate to the former tenant arrears audit.

IMPLICATIONS

Environment and Planning (includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (includes ICT)

It is important that the organisation responds to and implements the recommendations flowing from the internal audit process in order to protect and improve the overall internal control environment of the Council.

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

None specific.

Author: Andrew Murray, Head of Housing

Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (includes HR)

Internal Audit provides a key element of assurance within the overall Governance framework within the Council and it is important that recommendations flowing from internal audit recommendations are acted upon and implemented within reasonable timescales if reliance on internal controls and procedures is to continue.

Author: Simon Hill, Head of Governance

Background Papers

Internal Audit Plan and Internal Audit monitoring reports

Appendices

Appendix A – Audit Recommendation Tracker

Glossary of terms/abbreviations used

BC – Business Continuity

COSHH - Control of Substances Hazardous to Health

ITDR – IT Disaster Recovery

HPPMG - Housing Programme and Project Management Group

SLA – Service Level Agreement

SMB – Senior Management Board