

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

25 July 2019

Implementation of Internal Audit Recommendations

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information, a summary of the internal audit recommendations made and implemented for the financial years 2016/17 - 2018/19.

1 Report Details

- 1.1 This report is to inform Members of the Audit Corporate Governance and Scrutiny Committee of the progress made in respect of implementing internal audit recommendations in order that action can be taken if progress is deemed unsatisfactory. The implementation of internal audit recommendations is also monitored quarterly at Directorate meetings.
- 1.2 Appendix 1 details the outstanding internal audit recommendations as at the end of April 2019. The front page of the Appendix provides an analysis of the number of recommendations made and implemented for the financial years 2016/17 – 2018/19.
- 1.3 The timely implementation of internal audit recommendations helps to ensure that the risk of fraud and error is reduced and that internal controls are operating effectively.

2 Conclusions and Reasons for Recommendation

- 2.1 To inform Members of the internal audit recommendations outstanding so that it can be assessed if appropriate and timely action is being taken.

3 Consultation and Equality Impact

- 3.1 None

4 **Alternative Options and Reasons for Rejection**

4.1 Not Applicable

5 **Implications**

5.1 **Finance and Risk Implications**

5.1.1 Regular reports on progress against the implementation of internal audit recommendations ensures compliance with the Public Sector Internal Audit Standards and allows members to monitor progress.

5.2 **Legal Implications including Data Protection**

5.2.1 None

5.3 **Human Resources Implications**

5.3.1 None

6 **Recommendation**

6.1 That the report be noted.

7 **Decision Information**

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit recommendations made and implemented 2016/17 – 2018/19
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	
Report Author	Contact Number
Jenny Williams	01246 217547

Internal Audit Consortium - Report to Audit Corporate Governance and Scrutiny Committee
Summary of Internal Audit Recommendations made and implemented 2016/17 – 2018/19

Recommendations Made	2016/17	2017/18	2018/19
Number of High Priority	18	0	4
Number of Medium Priority	24	35	42
Number of Low priority	22	36	62
Total	64	71	108
Recommendations Implemented	62	70	48
High Recommendations Outstanding	0	0	2
Medium Recommendations Outstanding	1	1	9
Low Recommendations Outstanding	1	0	7
Not overdue yet	0	0	42
Total Overdue Recommendations	2	1	18
Percentage due implemented	97%	99%	73%

Audit	Recommendation Outstanding	Priority	Managers Comment
Discretionary Housing Payments – July 16	The DHP policy is reviewed as per section 4.1 of the 2013 policy and in line with Cabinet minute 679	Medium	The DHP policy will be reviewed. This will be completed by 30th June 2019 once billing and year end are complete.
Discretionary Housing Payments – July 16	A copy of the DHP policy is included within the Corporate Policies section of the internal NEDDC website.	Low	When the policy has been reviewed the new version will be placed on the website. The policy review is due to be completed by 30th June 2019 once billing and year end are complete.
Food Hygiene Enforcement – November 17	<p>An overarching quality assurance process for food safety should be documented with consideration of FSA requirements and, as a minimum, an overview of the following areas:</p> <ul style="list-style-type: none"> - Overview of the work programme process to ensure all premises are timely inspected and reviewed, - Monitoring progress of the planned intervention programme, - Peer review frequencies and requirements, 	Medium	Due to other work priorities this work process is still ongoing and will be progressed during 2018/19 / 2019/20.

	<ul style="list-style-type: none"> - Adhoc reviews of inspections by EHO's to ensure availability and full completion of inspection / audit paperwork - Consideration of internal performance indicators including issuing of 'stickers' within 14 days. 		
VAT – June 18	The correct VAT treatment for raising accounts for improvement notices under the Housing Act 2004 should be applied going forward (with any corrections made to historic accounts where applicable).	Low	Clarification needs to be sought from Environmental health before adjustments can be made. Audit have issued a memo to this effect to prompt communication between the two departments.
Money Laundering – June 18	<p>In line with the policy requirements, a periodic review of the Money Laundering Policy is required to ensure that it adequately reflects current legislation. The review should include, but not be limited to:</p> <ul style="list-style-type: none"> • Anti-Money Laundering Regulations 2017 -Current roles & responsibilities -Risk areas -Training requirements, schedule and documentation required 	Medium	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People

	-Customer Due Diligence		
Money Laundering – June 18	A Compliance Officer should be formally appointed to oversee compliance, policies and procedures and ensure adhered to the new Money Laundering Regulations 2017.	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Money Laundering – June 18	Once the Anti-Money Laundering policy has been updated and approved (as per R1 and R2 above), staff with key roles should be made fully aware of their associated responsibilities and ensure compliance with and awareness of the policy going forward. The policy should also be made available to wider employees via the intranet.	Medium	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Money Laundering – June 18	Reporting of Money Laundering incidents and limits of cash that can be accepted needs to be consistent across all staff guidance and related policies/policy to ensure potential issues are promptly dealt with in line with AML	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People

	regulations.		
Money Laundering – June 18	A training programme/matrix to be documented in line with the new regulations (previous training date, records for scope and effectiveness of training) and rolled out for employee's who are working in the "potential risk areas" to keep them updated and refresh their knowledge.	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Money Laundering – June 18	The Anti-Money Laundering Compliance Officer (as recommended as part of R2) should undertake a periodic review of payments received into NEDDC and BDC sites. This should identify any regular or large payments of cash with a view to highlighting and reporting any potential instances of money laundering.	Low	The Officer responsible for implementing these recommendations has left the Council and they have been re allocated to the Joint Strategic Director - People
Transport Follow up part 2 – July 18	The range of reports required from the Tranman system are considered to determine the most cost effective way of producing a functional library of	Medium	Standard system reports able to be utilised for some items; however, more complex\detailed reports may require Civica Tranman support or internal development via Crtstal Reporting.

	operational reports.		A further Internal Audit Review will be undertaken in 2019/20.
Transport Follow up part 2 – July 18	That a formal decision is made about progressing the interface between the Civica Financial and Tranman systems, potentially creating back office efficiencies	Low	Ongoing work being undertaken to establish interfaces; however, where resource demand and/or cost of establishing is too onerous, consideration will be given to not utilising the facility. A further Internal Audit Review will be undertaken in 2019/20.
Health and Safety – July 18	Restated: Ensure that health and safety training information is accurately reported to Members of the Health and Safety Committee at Bolsover District Council and to report regularly to Members of the Joint Consultative Group at North East Derbyshire District Council, as per R2 this should be made easier when records are held in one comprehensive and central record.	Medium	March 19 – on going checking of figures to ensure accurate reporting. Coding commenced for training courses to be added to HR21 to enable traceability of attendees. A further Internal Audit Review will be undertaken in 2019/20.
Health and Safety – July 18	Restated: Create one corporate, comprehensive and centrally held record and maintain for recording all health and safety training data which is	High	March 19 – Coding of courses to be added to HR21 has commenced with HR A further Internal Audit Review will be undertaken in 2019/20.

	regularly updated to continually provide an accurate position for all members of staff.		
Health and Safety – July 18	<p>Restated: The Health and Safety Manager should ensure that work place inspection documentation is comprehensively maintained, revisited and updated to ensure the following are easily identified:</p> <ul style="list-style-type: none"> • Location • Planned Inspection Date • Actual Inspection Date • Actions Identified <p>Actions Implemented</p>	High	<p>March 19 – Process improved to empower managers to own workplace inspections for their area. H&S have devised a flowchart to outline the new format. Once approved by Joint Head of Service for Corporate Governance, a briefing note will be issued to managers outlining their responsibilities in this revised procedure.</p> <p>A further Internal Audit Review will be undertaken in 2019/20.</p>
Non Domestic Rates – September 18	Arrears reports need to be analysed to determine what accounts can be reasonably expected to have a chance of recovery and a decision taken as to what can be done with historic debt	Medium	This is still ongoing and should be completed by the end of May 2019.
Commercial and Industrial Property Rents – November 18	To maximise rental income, rent valuations should be carried out and recorded for individual properties prior to tenancies being granted. Rents should be reviewed as part of the lease renewal process thereafter.	Medium	<p>Rent reviews to be undertaken as part of the void property process prior to remarketing forming the basis of negotiation with prospective incoming tenants.</p> <p>Rent reviews to be undertaken and agreed with current tenant prior to the issue of Section 25 notice as part of the lease renewal process.</p>

			<p>Standardised records of Rental valuations to be included with each property Lease management file within Uniform for all new and renewed tenancies</p> <p>A further Internal Audit Review will be undertaken in 2019/20.</p>
Commercial and Industrial Property Rents – November 18	To introduce a quality check process which will provide assurance and a management trail of evidence supporting a transparent allocation of tenancy.	Medium	<p>To implement an authorisation process for the Estates Manager to approve lease applications.</p> <p>(i) To verify the integrity of new lettings prior to lease applications being submitted to Legal.</p> <p>(ii) To verify the integrity of lease renewals prior to section 25 applications being submitted to Legal Team.</p> <p>A further Internal Audit Review will be undertaken in 2019/20.</p>
Commercial and Industrial Property Rents – November 18	To safeguard the Council against potential losses and to ensure lease requirements are being met, checks should be made to confirm that incoming tenants hold an appropriate level of insurance cover. Checks should be made on an annual basis thereafter.	Low	<p>Copies of valid tenant liability insurance certificates to be requested in line with the check step process of new and existing tenants to be undertaken part of the lease renewal process.</p> <p>Records of expiry dates to be held within lease files on the Uniform System.</p> <p>Reminders to be issued to tenants during</p>

			<p>month 11 of cover period to provide copies of new certificates on the expiry</p> <p>A further Internal Audit Review will be undertaken in 2019/20.</p>
Commercial and Industrial Property Rents – November 18	To formalise a process of periodic inspections to ensure sites / premises are used as intended.	Medium	<p>A Formal Schedule of property inspections to be undertaken in tandem with current lease renewal process.</p> <p>A further Internal Audit Review will be undertaken in 2019/20.</p>
Commercial and Industrial Property Rents – November 18	A retrospective exercise is undertaken to ensure that all current tenants have a lease assigned. Where this is not the case, follow up action is taken in conjunction with the Legal team.	Medium	<p>As part of the document migration process onto Uniform all copies of agreements for land and property are being electronically scanned for storage with DMS.</p> <p>Any missing documentation will be identified and addressed as part of this process and appropriate remedial action taken.</p> <p>A further Internal Audit Review will be undertaken in 2019/20.</p>