

Pre-meeting questions and answers on reports being considered on the Audit & Standards Committee Agenda 13 June 2023

5. Internal Audit Progress Report – Quarter 4 2022/23

(Report author(s): Richard Barr – Audit & Risk Manager, Lisa Barker- Head of Housing, Ian Davy - Principal Internal Auditor)

Question(s) from Councillor R Dickson:

I have a few questions relating to the management of the contract with EA:

- 1) It's stated in Paragraph 4.2.3 that WDC has no leisure strategy. Whilst it's appreciated that the lack of such is not within the remit of the audit, how is it possible in such circumstances to determine value for money for local taxpayers in this contract with EA?
- 2) It was confirmed several months ago that Grant Thornton had not audited the 'open-book' arrangements that existed with EA in the year ended March 20. However, was it established during this internal audit whether WDC had sought an explanation from EA for the late filing at Companies' House of its annual report and accounts for the year ended March 2022 by its parent company Sports and Leisure Management Ltd?
- 3) Am I correct that, in the year ended March 2022, WDC waived the concession fee of £1.2m that was due to WDC and instead received £560,601 from EA by way of income share? If so, did the audit establish if the regular meetings of WDC staff with EA had ever sought justification from EA of the increase in the highest paid director's remuneration in the same period from £329,387 to £625,415?

Response:

In response to each of your queries:

- 1 When the decision was taken to outsource the management of the centres there was a strategy in place, and the VFM aspects should have been considered against that strategy. I believe that the Sports and Leisure Contract Manager is looking to get a new strategy drawn up (which she should, hopefully, have time for now that there is a full team under her to allow her to concentrate on the management aspects of her role and not the day-to-day contract administration)
- 2 This was not established during the audit and it is not something that would be routinely checked as, whilst it may be an indicator that something might not be right with the company, it would not pose a direct risk to the Council (and it is not something that the Strategic Procurement and Creditors Manager flagged when she reviewed the

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standard programme for contract management). The related control objectives that were covered in this audit were around continuing provision of a service in case the company was unable to service the contract (i.e. contingency plans), with the Sports and Leisure Contract Manager flagging that regular credit checks were being undertaken on the company due to the current economic situation and the issues that the leisure industry are experiencing.

- 3 You are correct regarding the contract payment for year ended March 2022 (although the £560,601 was the figure net of VAT, so the total payment received was £672,721.20). However, the finances related to our contract with EA are based on the performance of the leisure centres within the District and the overall performance of the company as a whole (and the related payments to its staff) are outside of the remit of this audit.

Question(s) from Councillor R Dickson:

With regard to the audit of Emergency Planning and Business Continuity Management, the proposed recommendation is noted, but can a frequency of review of the BCP please be included? I would suggest this should be a minimum of annually, with all new entrants also receiving appropriate training.

Also, what reassurances were provided during the audit about the preparedness of WDC's EP and BCM plans for the increasing likelihood of a cybersecurity breach? It was a concern to read last month that almost two thirds of senior managers in councils across the UK admitted that their cybersecurity approach is outdated

<https://www.localgov.co.uk/Majority-of-senior-managers-admit-outdated-cybersecurity-/56092>

Response:

Thank you for your questions.

Taking each one in turn...

My understanding is that an annual review of BCPs is already required by the Council and has been for a number of years. However, as with many organisations, it has to be acknowledged that the Council has struggled to achieve this, particularly in recent years, and especially post-Covid. As you indicate, however, this is an extremely important function.

No assurances were sought during the audit specifically about the Council's preparedness for a cybersecurity breach. The review was undertaken with a relatively small time allocation and took a broad-brush approach on this occasion. I should

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also mention here that an Internal Audit review of Cyber Security is currently being undertaken, having been carried forward from last year. You will be aware of this from your ongoing membership of Audit and Standards.

David Elkington, Head of Customer and Digital Services, and Marianne Rolfe, and Head of Safer Communities, Leisure and Environment, may wish to comment in respect of these issues so I have copied them into this email. I have also copied in the Chief Executive and Deputy Chief Executive who I feel need to be apprised of these issues and discussions around them.

Question(s) from Councillor Russell:

With regard item 5 in Appendix A (Affordable Housing Development Programme Internal Audit), sections 4.2.1 and 4.2.3 both refer to missing monitoring / tracking spreadsheets.

1. How concerned should we be that these are missing (how sensitive is the information) and what is being done to locate them?
2. Should the committee be concerned more widely about how documents are managed, who has access to them, and where they are stored?

Response from Lisa Barker:

Firstly, I can confirm that the information is no longer missing. There is no sensitivity to the information as it merely replicates that included in planning application processes in relation to affordable housing. It is not a statutory document nor is the information contained within contribute in any way to the completion of statutory documentation or returns. In fact, having delved down into the detail, the spreadsheets referred to are merely internal working papers for the Housing team. The data is taken from Planning officers and acts as background information to assist the enabling officers to have meaningful conversations with Registered Providers. Knowing this, it perhaps is not a document that should have been included within the Audit.

Response from Ian Davy:

In regards to point 1, the information was not sensitive and the spreadsheets have now been located (as per the subsequent response, set out on page 13 of Appendix 4, as the target date for the recommendation has now passed). The concern is

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that these spreadsheets were said to be the main way that Housing staff were tracking the relevant developments and commuted sums available and, without regular monitoring, progress may be overlooked / monies are not spent in line with conditions.

Staff in Accountancy and Development Management have their own records although, as also highlighted in the report, there was some inconsistency in the records held with regards to available funding which had to be reconciled. They will also be using their records for different purposes (e.g. staff in Development Management will need to know when trigger points have been hit with regards to number of properties completed so that they can monitor compliance with conditions, but they will not need to monitor whether the properties have been offered to the Council or other registered providers to ensure that they are being made available to people on the Housing waiting lists etc.)

For point 2, these were internally generated documents, so document retention / management issues are not as relevant, and this was a case of someone leaving and their manager not knowing exactly where it was stored. We would advocate that there is structure to how folders and documents are created / named within the departmental network drives, with all work documents being held in folders that are accessible to all relevant staff, so it may be that the person who left had saved it somewhere that was not obvious.

I know (anecdotally) that the Head of Customer and Digital Services has concerns about the way the Council's network files are structured (issues around data protection)

Question(s) from Councillor Falp:

We receive all the internal audit reports, apart from reading them what else do we do?

If they are not substantial, do we monitor them in any way?

How do we know any actions have been actioned on any of the reports?

Response:

Apart from reading them what else do we do? You ensure that we receive all the responses to recommendations and, where we haven't, require the manager and/or head of service to provide them, perhaps requesting/demanding that they attend the next meeting to deliver the response directly (and explain why they hadn't responded on time).

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If they are not substantial, do we monitor them in any way? Through the chair, you may wish to have service representatives at the meeting to question them on parts of the audit that we felt were not very well controlled.

How do we know any actions have been actioned on any of the reports? This information is set out in Appendices 3 and 4 of the quarterly Internal Audit progress reports that you receive. Appendix 3 provides copies of all the action plans that accompanied the audit reports that were issued in that quarter and Appendix 4 provides an update on the state of implementation (i.e. As you say, that actions have been actioned) of recommendations that had previously been agreed but not necessarily implemented.

To an extent I shall be covering these issues at the training session tomorrow evening (5-6 pm) before the Committee meeting. See you then.

Question(s) from Councillor Phillips:

I have a question in relation to the Affordable Housing report. I note that there are potentially two spreadsheets missing that is of concern. Noting the report on Microsoft 365 as well, this leads me to question whether we have a wider issue in WDC that we do not have a sufficiently robust back-up process for Officers' files of storing backups of all files and folders in the cloud etc. and this could apply across multiple teams within WDC. Would such a back-up policy have prevented the potential loss of the missing spreadsheets?

Response from Lisa Barker:

Firstly, I can confirm that the information is no longer missing.

There is no sensitivity to the information as it merely replicates that included in planning application processes in relation to affordable housing. It is not a statutory document nor is the information contained within contribute in any way to the completion of statutory documentation or returns.

In fact, having delved down into the detail, the spreadsheets referred to are merely internal working papers for the Housing team. The data is taken from Planning officers and acts as background information to assist the enabling officers to have meaningful conversations with Registered Providers. Knowing this, it perhaps is not a document that should have been included within the Audit.

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Response from Ian Davy:

The spreadsheets have now been located (as per the subsequent response, set out on page 13 of Appendix 4, as the target date for the recommendation has now passed).

I believe the issue was a case of someone leaving and their manager not knowing exactly where it was stored. We would advocate that there is structure to how folders and documents are created / named within the departmental network drives, with all work documents being held in folders that are accessible to all relevant staff, so it may be that the person who left had saved it somewhere that was not obvious.

As such, I do not believe it to be part of a wider issue, with any back-up probably having the same issue over naming / location of the document.