

# APPENDIX A 2



**Committee:** Governance, Audit and Performance Committee

**Date:**

Monday, 22  
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**Title:** Internal Audit Report - UDC Internal Governance Arrangements with UNSL

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## Summary

1. Internal Audit recently undertook a review of the above which focussed solely on UDC's internal governance arrangements with UNSL (Uttlesford Norse Services Limited) and was not a review of the full joint venture. The audit approach involved discussion with UDC Senior Managers and Officers and review of UNSL documents, including the Service Agreement and Company and Liaison Board papers. This report presents the outcome of our review.

## Recommendations

2. GAP Committee are requested to note the content of this report.

## Financial Implications

3. None

## Background Papers

4. None

## Impact

- 5.

Communication/Consultation	This report has been discussed with, and noted by, Service Managers and CMT.
Community Safety	A high priority finding relating to the Council's oversight of safeguarding has been raised in the report.
Equalities	None
Health and Safety	A critical finding relating to the Council's oversight of health and safety compliance has been raised in the report.
Human Rights/Legal Implications	The report is restricted under Part 2 under the 1972 Act Schedule 12A (3)_- Information

	relating to the financial or business affairs of any particular person (including the authority holding that information).
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Situation

6. Several significant findings have been identified, including a critical emerging risk regarding health and safety, that requires urgent attention from senior management (see finding 1). In addition, high priority findings have been identified relating to the Council's oversight of UNSL safeguarding arrangements (see finding 2) and the need to define and clarify roles and responsibilities, particularly in relation to finance, such as the need to obtain key budget and finance information to enable the Council to understand its financial commitment and ensure the accuracy of payments (see finding 3). A further high priority finding has been noted relating to the need for improvement in key communication between the Council and with UNSL (see finding 4). Other findings relate to improvements required in clarifying and defining expectations and requirements relating to UNSL sub-contracting of services, risk management, performance management, and contingency in case of service delivery interruption or loss.
7. Given the critical inherent health and safety risk and other significant high priority issues identified, it is important to note that the findings are indicative of a 'no assurance' opinion, which requires urgent management action.
8. An action plan for UDC Management is attached at **Appendix A** with recommendations to assist the Council with treating the identified risks. UDC Management should also consider the associated impact of the findings on the Council's own Corporate and Service Risk Registers, and whether a separate risk register for all emerging UNSL issues should be developed to enable clear and transparent monitoring of risks and remedial actions implemented.
9. A separate Treatment Response Plan has been prepared by UDC Management to address the issues below.
10. In addition, the following points have not been included within the Action Plan but may benefit from additional consideration:
  - It is understood that throughout the Pandemic the Council continued to pay full staff costs to UNSL but that during the first Lockdown, some staff were furloughed by UNSL, and funds received from Central Government. The Council is seeking an explanation as to why staff were furloughed, and funds claimed when full costs were paid by the Council and is awaiting confirmation and evidence to show full repayment of these funds and that UNSL has not benefited from any duplication of receipt of staff wages.
  - Internal Audit also noted some organisational culture differences between the Council and UNSL in relation to working practices and behaviours etc. For the

partnership to be successful in the long term, it is important that the culture is aligned, with a clear vision and expectations. A review of this aspect of the partnership may be beneficial to ensure that any potential issues are acknowledged and rectified.

**Risk Analysis**

11.

Risk	Likelihood	Impact	Mitigating actions
Lack of robust governance arrangements for the Council’s oversight of arrangements with UNSL may result in a significant failure to protect the health and wellbeing of tenants and/or staff, significant penalties to the Council and/or its Directors, detrimental financial implications and significant reputational damage	3	4	See recommendations below

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Ref.	Audit Findings	Risk	Recommendations	Priority
1.	<p><b><u>Council Properties Health and Safety Requirements</u></b></p> <p>Internal Audit noted from discussion with managers that insufficient oversight procedures are in place to ensure Uttlesford Norse Services Limited (UNSL) are undertaking and completing necessary works, to the required standard, to enable UDC to meet its health and safety responsibilities in respect of Council properties.</p> <p>It is understood that requirements such as Gas Safety Certificates, Electrical Safety Testing, Fire Risk Assessments and Legionella Assessments and Tests should all be managed and/or completed by UNSL, or a contractor appointed by UNSL, within the required timeframes, however it is understood that there is currently only reporting by UNSL in respect of Gas Safety Certificates. In respect of all other work, it was noted that the Council does not have a mechanism in place to check that the work is completed on time, or to the required standard.</p> <p>In addition, it was noted that where issues arise, either as a result of these tests or work undertaken by UNSL, or its appointed contractors, there is no robust internal process in place within the Council to ensure that matters are dealt with quickly or escalated appropriately. This could relate to critical health and safety matters, including legionella/fire risk etc, for which urgent action and robust Council oversight is paramount.</p>	<p>Reporting, escalation and/or monitoring of remedial action mechanisms may not be in place within the Council to ensure UNSL undertake and complete work, to the necessary standard and in the requisite timeframe, which may lead to a significant failure to protect the health and wellbeing of tenants and/or staff, significant penalties to the Council and/or its Directors, detrimental financial implications and significant reputational damage.</p>	<p>UNSL should report all mandatory and significant health and safety issues to the Council within the required timeframe and regular updates on remedial actions should be provided on time and/or on request.</p> <p>The Council should also implement its own reporting/escalation/remedial action oversight system to identify, monitor and check that all health and safety requirements are being completed by UNSL on time. This should be risk rated to ensure that critical/high risk health and safety concerns are closely monitored and escalated to all relevant managers with health and safety responsibilities. It may also be beneficial as part of this work to instigate a post-works check to ensure that work was completed on time and to the necessary standard.</p>	<p>● Critical</p>

Ref.	Audit Findings	Risk	Recommendations	Priority
2.	<p><b>Safeguarding</b></p> <p>Internal Audit identified that although F7.4 of the Service Agreement refers to making “sure that staff are fully trained on the equity laws, safeguarding and Prevent”, UDC does not appear to have requested evidence of this. Furthermore, the November 2020 Company Board Papers state that within Q3 UNSL “will be delivering, Equality and Diversity, Customer Service and Safeguarding Training”, but there is nothing within the January 2021 and May 2021 papers to confirm that this training took place.</p> <p>It is also not clear whether UDC have sufficient oversight of potential safeguarding issues relating to UNSL and UDC tenants, nor monitoring of any remedial actions being undertaken.</p> <p>In addition, Internal Audit noted that the Council’s website advises residents to check an operative’s identification before giving access to their property and that they should contact the Council if they are still suspicious. However, there is not currently a process in place to ensure that the Council is aware of all contractors appointed by UNSL. This may cause a delay or issue resulting in the resident allowing entry without due care having been made or a delay in the work being completed if the operative is unable to wait whilst the Council contacts UNSL to verify their appointment.</p>	<p>The Council may not undertake sufficient safeguarding checks or seek appropriate assurances from UNSL which may lead to duty of care responsibilities not being met and significant reputational damage.</p>	<p>UNSL should be asked by UDC to provide confirmation / evidence that all relevant staff, including new staff as part of their induction process, have received requisite safeguarding training and obtain regular confirmation that this training remains up to date.</p> <p>UDC should request regular oversight of safeguarding issues/concerns relating to their residents and monitor any remedial actions.</p> <p>The Council (CSC) should obtain details of the contractors appointed by UNSL to enable efficient checks to be made if a resident raises a query and/or amend the Website so that it is clear that the UNSL repairs option should be selected from the telephone menu and the checks made with UNSL rather than the Council.</p>	<p>● High</p>

Ref.	Audit Findings	Risk	Recommendations	Priority
3.	<p><b><u>Defined Roles and Responsibilities</u></b></p> <p>Internal Audit noted that roles and responsibilities/accountabilities, including clarity over potential conflicts of interest, have not been defined or formalised between UDC and UNSL.</p> <p>As a result, the Contract Liaison Officers (and their roles) referred to within the Service Agreement between UDC and UNSL have not been identified. It is therefore unclear which Officers should be involved with aspects of the roles detailed in the Service Agreement, such as: discussion of operational issues including financial and budgetary issues and performance; receiving of reports in respect of the recognition of situations which may involve personal injury etc; and/or dispute resolution.</p> <p>It is understood that there are currently several Officers involved with different aspects of work relating to UNSL, without clear guidance on their role/responsibility, or an overall appointed person to coordinate all matters within the Council and to ensure that information and actions from Board Meetings are undertaken. This may lead to duplication of work, unnecessary requests for information being made, financial errors not being identified and/or overpayments being made and lack of procedures to capture, record and report any issues or failures and monitor the scale of such instances.</p> <p>Internal Audit noted that the Shareholders Agreement states that “the Business Plan, including the budget, shall be approved and adopted by both UDC and UNSL prior to commencement of each Financial Year”. The</p>	<p>Clear roles and accountabilities may not be formally laid down within key governance documents between the Council and UNSL which may lead to officers being unaware of their responsibilities, potential conflict of interests, ineffective oversight and/or impact of the effectiveness of decision making within the partnership.</p> <p>Lack of requisite budget/finance information may adversely impact Council funds and impede proper and transparent financial management of the service.</p>	<p>Roles, responsibilities, and accountabilities for Officers should be defined and formalised, including information relating to the Contract Liaison Officers detailed within the Service Agreement, assessment of any potential conflicts of interest, and routes for dissemination and retention of UNSL data and information across the Council.</p> <p>Consideration should be given to centralising the co-ordination of all matters relating to UNSL to ensure that all issues or concerns etc., such as those relating to service delivery, finance, or provision of information, are captured, collated, and retained centrally so that information can be disseminated efficiently to all relevant staff and reported and escalated, where appropriate. Alternatively, co-ordination between all relevant officers with UNSL responsibilities should be formalised (e.g., through regular meetings), to enable more consistent dissemination of information, escalation of issues and monitoring of remedial actions. Procedures should be sufficient to ensure that any actions arising from Board Meetings, including the provision of information to the Council, are monitored to ensure completion or suitable escalation, and that Minutes from meetings are correct and fairly represent of all matters discussed.</p> <p>It may be beneficial for the Council to consider dissemination of elements of the Board Papers to Officers to enable cross checking of information being presented to the Board with details being provided directly to Officers by UNSL, such as budget/financial information and performance/KPI data.</p> <p>The Council should also consider undertaking a review to identify the requirements detailed within the Agreements, including the Shareholders Agreement and</p>	<p>● High</p>

Ref.	Audit Findings	Risk	Recommendations	Priority
	<p>Service Agreement also refers to “UNSL and the Council seeking to agree each Business Plan in accordance with the budget setting timeline of the Council prior to commencement of the Financial Year”. However, it is understood that while 2021/22 draft budget figures were provided by UNSL in November 2020, UDC queries remained unresolved until after May 2021, and to date (November 2021), no confirmed 2021/22 budget has been supplied from the Board to UDC Finance, impacting on UDC’s ability to ensure the accuracy of the figures or the affordability of the budget.</p> <p>The Service Agreement also refers to a budget monitor report being shared with UDC finance staff on a monthly basis and open for discussion at the monthly finance meeting. However, it is understood that while UDC received actuals and annual forecasts for Q1 2021/22 (to end of June 2021) in July 2021, UDC have not received any further reports (Q2 not supplied to date (November 2021) despite chasing) and information is not supplied on a monthly basis. It is understood that high level figures are provided to the main Board, but these have not been supplied to UDC Finance for a high-level check and monitoring.</p> <p>In addition, the Council’s Finance Manager raised issues regarding UNSL delay in production of credit notes and monthly invoices for 2020 and 2021. Issues were also noted in respect of the accuracy of invoices provided for 2020, including potential double counting, additional staff costs and inability to reconcile invoice items to respective budget codes. The delay in UNSL</p>		<p>Service Agreement, that are currently not being met, such as the various financial matters and performance information, and raise these issues formally at the Board Meeting.</p> <p>Evidence should be obtained to confirm that UNSL has the requisite Insurance coverage in place.</p> <p>An electronic version of the signed service agreement should be retained by the Council and accessible to relevant officers.</p>	



Ref.	Audit Findings	Risk	Recommendations	Priority
	<p>providing the credit notes and monthly invoices may cause cash flow pressures for the Council as well as workload issues for the UDC Finance Team. Capital forecasts for Q1 2021/22 provided to UDC also raised further queries about accounting treatment and potential double counting. UDC Finance are continuing to pursue a response to their queries. Issues with the accuracy of invoices to the Council were also raised by the Council's Property Surveyor.</p> <p>In addition, Internal Audit were advised of an instance where problems arose with the UNSL telephone system and the Council's Customer Services Centre were taking messages for a time, whilst this issue at UNSL was resolved. Due to the current process this issue was not formally captured or reported. Other examples include information being requested from UNSL which are included within Board Papers and the lack of opportunity to check information entered on Pentana, especially as supporting information is not provided to enable validation of the performance information being provided to the Council.</p> <p>During the Audit, it was not evident whether the Council had obtained evidence to confirm that UNSL has an appropriate insurance policy which provides the minimum levels of cover as stated in the Service Agreement. It is understood that this is currently being ascertained.</p> <p>Internal Audit were also advised that there is currently no electronic version of the signed Service Agreement between the Council and UNSL. Whilst it is acknowledged that the Engrossment Version is likely to be the same as</p>			

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	<p>the signed version, the Engrossment Version is not dated and still includes the “Draft” watermark, which may cause potential issues in the event of any dispute.</p>			
4.	<p><b><u>Communication</u></b></p> <p>Internal Audit noted that whilst UNSL have produced a Communications Plan, this only relates to some of the meetings that take place between UDC and UNSL and does not include reference to other meetings, such as the weekly void meetings, that are now also taking place. It also does not include details of the officers who attend the meetings or who provides the information at UNSL, plus it does not include other pertinent communication between UNSL and UDC, such as complaint handling, finance, or performance management. Some differences were also noted between the terminology used in the Communications Plan and in practice, which could cause confusion and inconsistencies.</p> <p>It was also noted that whilst most of the Council’s Officers were in contact with a specific person or persons at UNSL, no contingency contact details had been provided to UDC to ensure continuity of operations in the absence of any key staff, such as the UNSL Operations Director or Commercial Director. In addition, whilst the Service Agreement includes details relating to Customer Care, it was noted that there were some differences between the Agreement and activities operating in practice. For example, the Service Agreement refers to “learning from the services that UNSL provides to its customers by obtaining feedback” however it is not evident from the information being provided to</p>	<p>There may not be consistent and effective communication between the Council and UNSL, including information to users of the service and/or an effective complaint handling process which may impact on service delivery, reputation, and overall success of the partnership.</p>	<p>The Communications Plan should include all formal meetings/communication channels that take place between the Council and UNSL. This should also include the officers involved and standard terminology for clarity and consistency of communications between UDC and UNSL.</p> <p>Consideration should be given to the production of a contact list between the Council and UNSL to ensure that operations can continue in the event of any staff absence, either within UDC or UNSL.</p> <p>Differences between Service Plan expectations and operations in practice, including those relating to Customer Care should be monitored and actions raised where appropriate.</p>	<p>● High</p>

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	<p>the Council whether this is happening in practice. Furthermore, it is understood from discussions with officers that some improvements may be beneficial in terms of operational communication between UNSL operatives and Sheltered Housing Officers to assist in completion of repairs at the appointed time.</p>			
5.	<p><b><u>Complaints Handling</u></b></p> <p>During the audit, it was noted that although UNSL is mentioned on several pages of the Council's website, no information is available to residents advising how they can raise any complaints to UNSL.</p> <p>In addition, it was not evident whether all complaints received by the Council are forwarded to the UNSL complaints email or if all of the forwarded complaints are included within the data figures being reported. Currently, not all of the complaints received by the Council are recorded before being forwarded and data provided by UNSL does not include supporting information that would enable cross checking to the Council's records.</p>	<p>There may not be consistent and effective communication between the Council and UNSL, including information to users of the service and/or an effective complaint handling process which may impact on service delivery, reputation, and overall success of the partnership.</p>	<p>The Council's website should include information for residents regarding how they can raise a complaint in respect of UNSL and the handling procedure expected.</p> <p>It may be beneficial for the Council to consider implementing a process to record all complaints received by the Council in respect of UNSL and to require the Company to provide sufficient information to enable cross checking of the Councils' records to the performance data provided. This would provide the Council with a greater understanding of how the process is working and whether UNSL have the same consideration of a complaint as the Council.</p>	<p>● Medium</p>
6..	<p><b><u>Sub-Contractors – Data Protection and Legal / Regulatory Requirements</u></b></p> <p>Internal Audit noted that although there are clear agreements relating to ownership/liability for information and data security between the Council and UNSL, it is not evident whether UNSL are imposing obligations on its sub-contractors in the same terms as those imposed on it, pursuant to the Service Agreement (section 30.4.2).</p>	<p>Lack of clear policies and agreements relating to ownership/ liability for information and data security between partners and stakeholders may lead to a lack of compliance with regulatory requirements (e.g., GDPR) and / or reputational damage in the event of an incident.</p> <p>Risks relating to sub-contracting, such as poor service delivery, failure to comply with regulatory requirements (e.g., Modern</p>	<p>The Council should consider and decide whether UNSL should be requested to obtain written consent from the Council before any contractors, that will obtain/use Personal Data to provide the services, are appointed, and whether UNSL should provide evidence that at least the same data protection obligations and other requirements as set out in the Service Agreement are being met.</p> <p>Consideration should be given to whether it would be appropriate for the Council to periodically request sight</p>	<p>● Medium</p>

Ref.	Audit Findings	Risk	Recommendations	Priority
	<p>Agreements between the Council and UNSL state that UNSL should not disclose Personal Data to a third party, nor appoint a third party to process the Personal Data in any circumstances other than at the specific request of the Council, and that no third-party Processor should be appointed without the Council's prior written consent. There should also be a written contract which imposes the same data protection obligations, with UNSL remaining liable to the Council for compliance of any third-party Processor engaged and informing the Council of any changes concerning the addition or replacement of third-party Processors giving the Council sufficient opportunity to object to such changes.</p> <p>The Agreements also include the requirement for UNSL to inform the Council of any Data Breaches or requests for data etc., but Internal Audit identified that it is unclear whether this requirement extends to third parties to ensure that they provide such information to UNSL for onward reporting to the Council.</p> <p>The Service Agreement also states that UNSL should maintain a register of Personal Data Breaches and complete and accurate records and information including a record of processing activities to demonstrate its compliance with clause 22. However, Internal Audit noted that a process is not in place to request sight of this information periodically.</p> <p>In addition, the Data Protection requirements set out in the Service Agreement state that "the Company may freely sub-contract parts of the Services to members of the Norse Group but otherwise shall seek the consent of the Council</p>	<p>Slavery Act, GDPR) etc. may not be identified and monitored, to prevent reputational damage and any impact on the business resilience of the service.</p>	<p>of the register of Personal Data Breaches and records and information, including a record of processing activities, that UNSL should be maintaining to demonstrate its compliance with clause 22. This could be incorporated within the suite of performance indicators, complaints / data issues etc. as recommended at Finding 4 and 7.</p> <p>The Council should be made aware of and consent to any sub-contract for any part of the Services valued at more than £25,000 per annum in line with the Service Agreement.</p>	

Ref.	Audit Findings	Risk	Recommendations	Priority
	<p>before entering into a sub-contract for any part of the Services valued at more than £25,000 per annum”.</p> <p>It is understood that the Council were not consulted when UNSL appointed new heating contractors. Whilst Internal Audit were advised that it was not expected that UNSL would consult with the Council about the appointment of a new Heating Contractor as this was an operational decision for UNSL, it is noted that no details have been provided to confirm that a written contract is in place between UNSL and the contractor which imposes the same data obligations and requirements set out in the Service Agreement and the Council’s lack of involvement / consultation about this appointment may have resulted in the legal responsibility to inform / consult with leaseholders on any new heating contractor not being met.</p> <p>Lack of involvement also means that the Council may not know what arrangements are in place between UNSL and the heating contractor with regards to compliance with regulatory requirements, service delivery, compensation for failing performance/ issues etc. or customer service, although it is acknowledged that UNSL is responsible for overall service delivery of the services. Although mention is made of weekly performance and complaints meetings with the new contractor, it is understood that no information about these discussions is formally provided to the Council in writing. However, it is understood that some details may be provided verbally during weekly discussions between UNSL and the Council.</p>			

Ref.	Audit Findings	Risk	Recommendations	Priority
7.	<p><b><u>Risk Management</u></b></p> <p>Internal Audit were advised that the UNSL Risk Register in place for the Partnership, is reviewed quarterly at the Company Board Meetings. Details of a review of the Risk Register were noted in the Minutes for the November 2020 Meeting, however no other references to the Risk Register being reviewed at other Board Meetings were seen.</p> <p>Whilst it is acknowledged that details may be provided verbally during the Company Board Meetings, no information was seen within the Board Papers to show what, if any, monitoring had taken place to ensure that the mitigating actions had been implemented successfully and were managing the risks effectively. No changes were observed in the risk scores reported in January 2021 and May 2021.</p> <p>In addition, risks relating to UNSL were not seen within the Council's Corporate Risk Register 2020/2021 or within the 2020/2021 Service Level Risks recorded on Pentana, unlike the PFI Contract which has six Service Level Risks, two of which relate to Service Delivery, namely effective monitoring and management of the service level risks and performance monitoring.</p>	<p>A formal risk management framework for the partnership may not be in place which enables risks relating to the Council's arrangement with UNSL to be fully identified, appropriately actioned to mitigate the risk, assigned to appointed responsible officers to ensure actions are put in place and regularly monitored and reported upon to ensure that actions are implemented effectively.</p> <p>Risks relating to sub-contracting, such as poor service delivery, failure to comply with regulatory requirements (e.g., Modern Slavery Act, GDPR) etc. may not be identified and monitored, to prevent reputational damage and any impact on the business resilience of the service.</p>	<p>The Partnership Risk Register should be discussed at each Board meeting, including consideration of the mitigating actions and impact on risk scores, with details of these discussions recorded within the Minutes of the meeting. The issues identified in this report should be included on the risk register.</p> <p>Consideration should be given to including risks relating to UNSL on the Corporate Risk Register as well as Service Level Risks relating to service delivery. Incorporation of sub-contracting risks such as failure to comply with regulatory requirements and poor performance and service delivery would enable the Council to identify any potential issues and monitor the risks to prevent reputational damage and any impact on resilience of the service. It is acknowledged that the UNSL Risk Register includes a risk relating to Contractors Delivery (UNSL03) however this is owned by the Operations Director of the Partnership rather than the Council and would therefore relate to risks to the Company rather than the Council.</p>	<p>●</p> <p>Medium</p>
8.	<p><b><u>Service Standards, Targets and KPIs</u></b></p> <p>Internal Audit noted that all of the key performance indicators stated in the Service Agreement relate to the housing side of operations, even though cleaning and facilities were also transferred to UNSL, and a Cleaning and Facilities Quality Standards Table is included</p>	<p>Service standards, targets and KPIs may not be defined and/or may not be reported upon and reviewed on a regular basis to ensure that the arrangement provides effective and efficient service and/or demonstrates value for money.</p>	<p>Consideration should be given to the monitoring of cleaning and facilities work, specified within the Service Agreement, including compliance with the Cleaning and Facilities Quality Standards Table, perhaps by the introduction of additional performance indicators.</p> <p>In respect of the performance information being provided by UNSL, the Council should:</p>	<p>●</p> <p>Medium</p>





Ref.	Audit Findings	Risk	Recommendations	Priority
	<p>within the Service Agreement.</p> <p>Differing opinions of compliance by UNSL in respect of its performance reporting were observed during the Audit. For example, some Officers considered that sufficient information was being provided to them, for their purposes, and information provided to the Housing Board in December 2020 stated that “good monitoring arrangements were in place through the Pentana Indicators”. However, at the time of the Audit, information was not being provided by UNSL for all performance indicators set on Pentana and details that were provided were entered as notes with no supporting information provided.</p> <p>It was also noted that reporting by UNSL at Board Meetings includes some performance indicators not specified in the Service Agreement for Heating Servicing, Heating Repairs and complaints and compliments, which are not included within the Council’s Quarterly Performance Reports.</p> <p>In addition, differences were noted between the performance indicators specified within the Service Agreement and information being reported in respect of Gas Servicing and Voids.</p> <p>It was noted that although key performance indicators have been set out in the Service Agreement, no details were included in respect of targets. However, it is acknowledged that work has since been undertaken to agree targets for most of the performance indicators.</p> <p>Internal Audit also noted that whilst UNSL Quarterly Performance Reports are not currently reported to the Governance, Audit and</p>		<ul style="list-style-type: none"> <li>• Set a timeframe for completion of any requisite processes within UNSL, to ensure that the Company is in a position to provide all performance data from that date onwards.</li> <li>• Require UNSL to provide supporting information to enable verification of the performance data the Company is providing, perhaps quarterly with every data submission or periodically.</li> <li>• Include details reported at Board Meetings by UNSL in respect of Heating Servicing and Repairs and Complaints and Compliments within the Quarterly Performance Reports.</li> <li>• Require UNSL to provide information to enable reporting of all performance indicators specified within the Service Agreement or whether the different information in respect of Gas Servicing, Voids and Complaints and Compliments is acceptable and effectively replace the specified indicators. If this is the case, then any agreed changes should be formally recorded for future reference.</li> </ul> <p>The current reporting framework should be reviewed to ensure that there is sufficient reporting of UNSL performance within the Council and whether it would be appropriate to provide the Quarterly Performance Reports to the GAP Committee, and perhaps also the Housing Board.</p>	

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	<p>Performance (GAP) Committee, there is a Councillor present at the Company Board Meetings, who is one of the Company Directors, and another that chairs the Liaison Board meetings. Although both of these Councillors sit on the Housing Board, which includes members from the GAP Committee, this Board only meets twice a year and there is no apparent framework in place to ensure that there is sufficient performance reporting in respect of UNSL throughout the year.</p> <p>As mentioned above, information provided to the Housing Board in December 2020 indicated that good monitoring arrangements were in place through the Pentana Indicators, however gaps/missing data, lack of supporting information or queries included on the Quarterly Performance Reports were not noted.</p>			
9.	<p><b><u>Contingency/Service Delivery Interruption or Loss</u></b></p> <p>Internal Audit noted that there is currently no Contingency Plan in place within the Council to deal with any event of service interruption or loss of UNSL operations.</p> <p>In addition, although it was noted that the Service Agreement provides for the Council to serve notice to UNSL, requiring remedy, and to provide, procure or terminate the relevant part of the Service if the Company fails to remedy within the required time, there is no mention of any compensation or reduction in costs payable by the Council for any interruption or loss of service by UNSL operations.</p>	<p>Lack of contingency plan in the event of a loss of UNSL operations, may lead to the Council being unable to respond to residents sufficiently in the event of service interruption and/or may have a detrimental financial impact on the Council.</p> <p>Failure of the Council to design and implement a process to identify, record and report, loss or interruption of UNSL operations may lead to an inability to ensure that the arrangement provides effective and efficient service and/or demonstrates value for money, officers being unaware of their responsibilities, ineffective oversight and/or impact of the effectiveness of decision making within the</p>	<p>A Contingency Plan should be agreed and implemented between the Council and UNSL to ensure that it is able to respond to residents sufficiently in the event of service interruption or loss of UNSL operations and limit any detrimental financial impact to the Council.</p> <p>Greater protection for the Council in the event of a loss or interruption of UNSL operations should be considered. It may be beneficial for the Council to implement a process whereby any instances of loss or interruption of UNSL operations are recorded and reported, perhaps to CMT or to Directors and the Chief Executive.</p>	<p>● Medium</p>







Ref.	Audit Findings	Risk	Recommendations	Priority
	<p>During the Audit it was found that the Council does not have a process in place to record or report any instances of interruption or loss of service by the Company. For example, it became known that an incident arose whereby the Company were unable to take telephone calls for a few hours one morning and staff at the Council's Customer Services Centre provided cover by answering the calls and passing messages to the Company, however lack of procedures resulted in this event not being recorded or reported within the Council.</p> <p>The Service Agreement also did not include details about maintaining available phone lines or what happens if these are not available, nor about compensation / reimbursement to UDC if this service is not available and cover has to be provided by UDC staff.</p>	<p>partnership, the Council being unable to respond to residents sufficiently and/or have a detrimental financial impact on the Council.</p>		

## Key to Risk Ratings for Individual Findings in Reports

<b>Critical</b> 	<p><b>Financial:</b> Severe financial loss; <b>Operational:</b> Cessation of core activities</p> <p><b>People:</b> Life threatening or multiple serious injuries to staff or service users or prolonged work place stress. Severe impact on morale &amp; service performance. Mass strike actions etc</p> <p><b>Reputational:</b> Critical impact on the reputation of the Council which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV.</p> <p><b>Legal and Regulatory:</b> Possible criminal, or high-profile civil action against the Council, members or officers. Statutory intervention triggered impacting the whole Council. Critical breach in laws and regulations that could result in material fines or consequences</p> <p><b>Projects:</b> Failure of major Projects and/or politically unacceptable increase on project budget/cost. Elected Members required to intervene.</p>
<b>High</b> 	<p><b>Financial:</b> Major financial loss. Service budgets exceeded; <b>Operational:</b> Major disruption of core activities. Some services compromised. Management Team action required to overcome medium-term difficulties.</p> <p><b>People:</b> Serious injuries or stressful experience (for staff member or service user) requiring medical attention/ many workdays lost. Major impact on morale and performance of staff.</p> <p><b>Reputational:</b> Major impact on the reputation of the Council. Unfavourable media coverage. Noticeable impact on public opinion.</p> <p><b>Legal and Regulatory:</b> Major breach in laws and regulations resulting in significant fines and consequences. Scrutiny required by external agencies</p> <p><b>Projects:</b> Key targets missed. Major increase on project budget/cost. Major reduction to project scope or quality.</p>
<b>Medium</b> 	<p><b>Financial:</b> Moderate financial loss. Handled within the team; <b>Operational:</b> Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service Manager action will be required.</p> <p><b>People:</b> Injuries (to staff member or service user) or stress levels requiring some medical treatment, potentially some work days lost. Some impact on morale and performance or staff.</p> <p><b>Reputational:</b> Moderate impact on the reputation or brand of the organisation. Limited unfavourable media coverage</p> <p><b>Legal and Regulatory:</b> Moderate breach in laws and regulations resulting in fines and consequences. Scrutiny required by internal committees or internal audit to prevent escalation.</p> <p><b>Projects:</b> Delays may impact project scope or quality (or overall project must be re-scheduled). Small increase on project budget/cost. Handled within the project team.</p>
<b>Low</b> 	<p><b>Financial:</b> Minor financial loss; <b>Operational:</b> Minor errors in systems/operations or processes requiring Service Manager or Team Leader action. Little or no impact on service users.</p> <p><b>People:</b> Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale.</p> <p><b>Reputational:</b> Minor impact on the reputation of the organisation.</p> <p><b>Legal and Regulatory:</b> Minor breach in laws and regulations with limited consequences.</p> <p><b>Projects:</b> Minor delay without impact on overall schedule. Minimal effect on project budget/cost or quality.</p>

## Key to Assurance Levels

<b>No</b> 	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p>
<b>Limited</b> 	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p>
<b>Moderate</b> 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>
<b>Substantial</b> 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be advice and best practice.</p>

## Limitations and Responsibilities

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit shall endeavour to plan its work so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, Internal Audit shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, the examinations of Internal Audit should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless Internal Audit is requested to carry out a special investigation for such activities in a particular area.

### Limitations inherent to the internal auditor's work

Internal Audit work has been performed subject to the limitations outlined below:

- **Opinion**

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence, management and the GAP Committee should be aware that the opinion may have differed if the programme of work or scope for individual reviews was extended or other relevant matters were brought to Internal Audit's attention.

- **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

- **Future periods**

Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate