



## **Governance & Audit Committee – 29 November 2017**

### **Internal Audit – Progress and Performance**

#### **Purpose of report**

To provide Members with information on the progress made by Internal Audit on the delivery of the Annual Internal Audit Plan for 2017/18 and associated measures of performance.

#### **Attachment:**

**Appendix A: Progress Report for 2017/18 to week 32.**

#### **1.0 Background**

- 1.1 LGSS provide the Internal Audit service for East Northamptonshire Council and have been commissioned to provide 230 days to deliver the 2017/18 Annual Audit Plan and support to the organisation.
- 1.2 The Public Sector Internal Audit Standards require periodic reporting to the 'Audit committee' including the performance of Internal Audit against the agreed plan and any key findings regarding the council's risk management and control arrangements highlighted in the course of work completed.

#### **2.0 Progress with the Annual Audit Plan**

- 2.1 Appendix A provides information on the progress made on each of the audit assignments along with performance information for the Internal Audit service. In order to provide Members with the most current performance information the report analyses Internal Audit's performance to the end of week 32.
- 2.2 At the time of reporting, reports have been finalised for five assignments Fieldwork is underway or in planning stages for a number of further assignments. Full details are shown in Appendix A to the report.
- 2.3 Internal Audit actively monitors the implementation of recommendations arising from audit reports. Since the last Governance and Audit Committee meeting, seven actions have been implemented. Based on the latest information provided at the time of reporting, there are nine actions which are overdue for completion. Further details are provided in Appendix A.

#### **3.0 Important issues to consider**

- 3.1 The key findings of all recently finalised assignments are provided in Appendix A.

#### **4.0 Equality and Diversity Implications**

- 4.1 There are no equality and diversity implications arising from the report.

#### **5.0 Legal Implications**

- 5.1 There are no legal implications arising from the report.

## 6.0 Risk Management

6.1 There are no significant risks arising from the proposed recommendations in this report. The role of Internal Audit is to provide assurance over the Council's governance, risk and control environment and the progress report highlights any key findings relating to the management of identified risks and controls from recent audit reviews.

## 7.0 Resource and Financial Implications

7.1 There are no resource or financial implications arising from this report.

## 8.0 Constitutional Implications

8.1 The report does not require any amendment to the Council's Constitution.

## 9.0 Customer Service Implications

9.1 There are no customer service implications arising from the report.

## 10.0 Corporate Outcomes

10.1 Effective Management - The Annual Audit Plan is designed to provide Members with assurance as to the effective management of the Council's most significant risks.

## 11.0 Recommendation

11.1 The Committee is recommended to

- (1) Note the progress and performance of Internal Audit and the key findings from audits delivered during the period.

*(Reason: To review the performance of Internal Audit against the agreed plan and any key findings regarding the council's risk management and control arrangements in accordance with the Public Sector Internal Audit Standards)*

<b>Legal</b>	Power: It is a statutory requirement for Councils to have an Internal Audit function in accordance with the Local Government Act 1972.				
	Other considerations: Internal audit and the "Audit Committee" should also conform to the relevant professional guidance – the Public Sector Internal Audit Standards.				
<b>Background Papers:</b> None					
<b>Person Originating Report:</b> Rachel Ashley-Caunt, Head of Internal Audit, ☎ 07824 537900 ✉ <a href="mailto:rashley-caunt@rutland.gov.uk">rashley-caunt@rutland.gov.uk</a>					
<b>Date:</b> 10 <sup>th</sup> November 2017					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	



EAST NORTHAMPTONSHIRE COUNCIL  
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE  
NOVEMBER 2017



Date: 30<sup>th</sup> November 2017

## ***Introduction***

- 1.1 LGSS provides the Internal Audit service for East Northamptonshire Council and has been commissioned to provide 230 days to deliver the 2017/18 Annual Audit Plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Governance & Audit committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the council. This report aims to provide the committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Consortium.

## ***Performance***

### **2.1 Will the Internal Audit Plan for 2017/18 be delivered?**

LGSS has been set the objective of delivering at least 90% of the Internal Audit plan for 2017/18 to draft report stage by the end of March 2018.

At the time of reporting, final reports have been issued for five audit assignments and a further three draft reports have been issued for management responses. Fieldwork is completed or underway on a further three assignments. As such, approximately 69% of the Audit Plan is either complete or in progress.

Progress on individual assignments is shown in Table 1.

### **2.2 Are audits being delivered to budget?**

Internal Audit is on target to deliver the Audit Plan within the 230 days budget. Any overruns on individual assignments are managed within the overall budget.

### **2.3 Are clients satisfied with the quality of the Internal Audit assignments?**

All responses from clients during the year to date have rated the Internal Audit service as 'Good' or 'Outstanding'. Responses are summarised in Table 2.

### **2.4 Is the Internal Audit team achieving the expected level of productivity?**

As at week 32, the team had been delivering 94% productivity, against the target set of 90%.

2.5 **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

Since the last Governance & Audit Committee meeting, two audit reports have been finalised. These are summarised as follows:

**Use of Specialist Resources in the Planning Service**

An effective Planning Service should ensure that the right development happens in the right place at the right time, benefitting communities and the economy. It plays a critical role in identifying what development is needed and where, what areas need to be protected or enhanced and in assessing whether proposed development is suitable. Internal Audit sought assurance with regards to the effective and efficient use of specialist resources within East Northamptonshire Council's (ENC's) Planning Services.

Various options are considered when cover in relation to specialist resources is required. It is however noted, that a strategic workforce planning exercise has not taken place to identify the number, or the relevant skills of the specialist resources which may be required, in order to plan efficiencies and deliver key service priorities within the Planning Service.

Controls in relation to staff skills assessments are operating effectively and a training budget is in place. It is however noted, that training and development needs identified during the employee Performance and Development Review (PDR) process, may not have been fulfilled in all cases, particularly in relation to conservation matters. As such, there is a risk that management may miss the opportunity to develop in-house knowledge and skills, in order to optimise resources and realise the benefits of effective succession planning.

A benchmarking exercise was undertaken to compare and contrast the specialist resources that are currently in place within ENC's Planning Services, against those of a sample of other local authorities. Management may wish to explore these findings in more detail, in order to establish whether value for money is being maximised.

Testing identified that external specialist resources which had been bought in to support the Planning Service from April 2016 to date, had been obtained in a timely manner when required, and in line with the Council's Procurement Procedures. In addition, interviews undertaken with a sample of staff across Planning Services identified some areas of good practice, such as the implementation of the paperless planning project within Development Management. Some areas for improvement were raised by staff, particularly with regards to omissions in the flow of communication and staff supervision.

Whilst KPI reporting is undertaken, reporting does not currently take place for applications received in relation to tree work. In addition, sample testing identified a minor variance in the accuracy of the data which had been reported in 50% of the cases, when compared to supporting documentation.

Based on the outcome of the testing performed, the assurance opinions given by Internal Audit were as follows:

Assurance Opinion		
Control Environment	Satisfactory	●
Compliance	Satisfactory	●
Organisational Impact	Minor	●

Internal Audit has made eight recommendations to further strengthen the control environment.

### **Local Plan Process – Embedded Assurance Stage 1**

The Council approved the preparation of the Local Plan Part 2 as a District-wide ‘site allocations’ Development Plan Document (DPD) on 11<sup>th</sup> April 2016. When adopted, the Plan will provide detailed non-strategic and / or site specific policies which will support the strategic policies of the adopted Local Plan Part 1 (North Northamptonshire Joint Core Strategy (JCS) 2011-2031). This is the first report issued on the embedded assurance review of this project. Internal Audit will continue to engage with the project throughout the financial year and seek to advise on strengthening the project management arrangements on an ongoing basis.

Communications have been considered from the outset of the project. The Local Development Scheme (LDS) communicates the internal reporting arrangements which are in place, and the Statement of Community Involvement (SCI) sets out how communities and stakeholders can engage in the process.

The LDS sets out the key milestones of the Local Plan project, it is however noted, that a comprehensive project plan has not been developed; and whilst it is understood that Key Performance Indicators (KPIs) are in place with regards to the delivery of the project, such information has not been provided at the time of reporting.

Member workshops have taken place to inform and debate the key elements of the work and proposals as the plan progresses, it has been identified that workshop notes could be further improved

to ensure that all key issues are addressed efficiently and effectively.

It is recognised that the production of development plan documents requires significant resource, and whilst additional resources will be required to ensure the production of the Plan through to adoption; it is not yet known what the human or capital implications of this will be.

The project has encountered a number of risks and issues, and whilst the risk of failing to deliver the project is included in the Council’s risk register; a comprehensive risk log does not currently exist.

Based upon the findings to date, the following assurance opinions are given over the project management arrangements at this time:

Assurance Opinion		
Control Environment	Limited	●
Compliance	Limited	●
Organisational Impact	Moderate	●




Internal Audit has made eight recommendations to improve the control framework.

**2.6 Are clients progressing audit recommendations with appropriate urgency?**




Recommendations are reviewed as part of the Council’s quarterly performance clinics. Updates are returned explaining action taken to complete a recommendation by the target date or, if this is not possible, to provide explanations for non-compliance and details of their expected target dates for completion.





The outcomes of the latest performance clinic are provided in Table 3 and demonstrate that seven actions had been completed since the last update. There are nine overdue actions and, of these, seven have been overdue for more than three months, details of these actions are provided in Table 4.

**Table 1 - Progress against 2017/18 Internal Audit Plan**

<i>Assignment</i>	<i>Budget days</i>	<i>Actual days</i>	<i>Planned start</i>	<i>Status</i>	<i>Assurance sought</i>	<i>Control Environment</i>	<i>Compliance</i>	<i>Org impact</i>	<i>Comments</i>
<b>Governance &amp; Counter Fraud</b>									
Cyber Security	12	0.1	Q2	Fieldwork underway					
<b>Key Corporate Policies &amp; Controls</b>									
Creditors	15		Q4						
Debtors	15		Q4						
Payroll	15		Q3						
Main Accounting System	5		Q3						
Contractor Health & Safety	12	8.5	Q1	Draft report issued					
Procurement Compliance	6		Q3	Planning					
Debt Management (Consultancy)	10	9.3	Q3	Draft report					
<b>Corporate Objective: Effective Processes – Effective Management, Partnership Working and High Quality Service Delivery</b>									
Benefits	15	15	Q2	Final report issued	To provide assurance that the key control framework in place addresses the risks associated with the	 Substantial	 Substantial	 Minor	Reported to G&A Committee in September 2017



<i>Assignment</i>	<i>Budget days</i>	<i>Actual days</i>	<i>Planned start</i>	<i>Status</i>	<i>Assurance sought</i>	<i>Control Environment</i>	<i>Compliance</i>	<i>Org impact</i>	<i>Comments</i>
					administration and payment of Housing Benefits.				
Taxi Fares (Consultancy)	5	4.9	Q1	<b>Consultancy report issued</b>	To provide independent advice and support on the review of the taxi fares.	<b>N/A</b>			Reported to G&A Committee in July 2017
<b>Corporate Objective: Improvements for the Community – Safe, Clean and Healthy</b>									
Safeguarding	18	17.1	Q2	<b>Fieldwork complete</b>					
Housing Options and Homelessness	15	10.3	Q2	<b>Fieldwork underway</b>					
Fire Safety	10	6.2	Q2	<b>Draft report issued</b>					
<b>Corporate Objective: Improvements for the Community – Prosperous and Sustainable</b>									
Local Plan Process	15	12.4	Q1	<b>Final report issued – Stage 1</b>	To provide assurance (throughout the project lifecycle) over the project management arrangements for the development of the Local Plan. This includes: governance and decision making; risk management; time management; procurement; and project resources.	 <b>Limited</b>	 <b>Limited</b>	 <b>Moderate</b>	See section 2.5

<i>Assignment</i>	<i>Budget days</i>	<i>Actual days</i>	<i>Planned start</i>	<i>Status</i>	<i>Assurance sought</i>	<i>Control Environment</i>	<i>Compliance</i>	<i>Org impact</i>	<i>Comments</i>
Planning Service – Use of Specialist Resources	10	16.6	Q1	<b>Final report issued</b>	To provide assurance over the utilisation and securing of the right level of specialist resources required to deliver an effective and efficient Planning Service. To also assess whether effective, efficient and consistent working practices are adopted across specialist resources in the Planning Services.	 <b>Satisfactory</b>	 <b>Satisfactory</b>	 <b>Minor</b>	See section 2.5
Disabled Facilities Grant	0	2.7	N/A	<b>Final report issued</b>	Certification of expenditure	 <b>Certified</b>			
<b>Total</b>	<b>178</b>	<b>103.1</b>							

<b>Other Support</b>	<i>Budget days</i>	<i>Actual days</i>	<i>Comments</i>
Advice & Assistance	2	0.4	
Committee Work, Support & Annual Report	15	6.2	
Recommendation Follow-Up and Client Meetings	10	3.1	
External Audit liaison	1	-	
Strategic Mgt & Audit Planning	5	-	

<b>Other Support</b>	<b>Budget days</b>	<b>Actual days</b>	<b>Comments</b>
NFI & AGS	2	0.2	
Unavoidable interruptions e.g. ICT interruptions / fire alarms etc.	-	-	
Management of the Internal Audit service	20	45.8	
<b>Total</b>	<b>55</b>	<b>15.7</b>	

**Table 2: Customer Satisfaction**

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client’s opinion of four key aspects of the assignment. The responses received in the year to date are set out below.

<b>Aspects of Audit Assignments</b>	<b>N/A</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of Assignment	-	-	6	-	-
Communication during Assignments	-	2	5	-	-
Quality of Reporting	-	-	6	-	-
Quality of Recommendations	-	-	6	-	-
<b>Total</b>	<b>0</b>	<b>2</b>	<b>23</b>	<b>0</b>	<b>0</b>

**Table 3 - Implementation of Audit Recommendations**

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
<b>Actions due and implemented since last Committee meeting</b>	1	100%	2	25%	4	57%	7	44%
<b>Actions due within last 3 months, but not implemented</b>	-	-	1	12%	1	14%	2	12%
<b>Actions due over 3 months ago, but not implemented</b>	-	-	5	63%	2	29%	7	44%
<b>Totals</b>	1	-	8	100%	7	100%	16	100%

**Table 4 – Overdue actions**

Audit Title and Year	Priority	Issue / Outstanding Action	Reason for Revised Implementation Timescale (provided from performance clinic report)	Officer Responsible	Original Date	Revised Date(s)
Corporate Counter Fraud 2014/15	Medium	Monitoring Officer develops refresher training to keep employees aware of Counter Fraud arrangements	The Counter Fraud CIPFA Assessment was completed in April 2017, and highlighted areas of good practice across the Council. There were also some gaps highlighted which will form the basis of a new action plan to take forward. An e-learning solution has also been identified but has not yet been purchased or rolled out. It is planned that this is done during the 2017/18 financial year.	Executive Director	30/06/2015	31/03/2018
S106 2016/17	Medium	Make arrangements to ensure that the s106 monitoring responsibilities could be covered in staff absence	This is in relation to building up resilience within the team to ensure that these responsibilities are covered by more than one person. A Planning Technician has been identified to be trained in this area. However, this officer has been required to assist in other priority team work over the summer period. The training is now due to commence and this action will be completed by 22/12/2017.	Head of Planning Services	31/10/2016	22/12/2017
Fixed Assets 2015/16	Medium	Up to date Asset Management Plan	This work has been delayed for various reasons, particularly the Council's decision to focus on commercial and economic development. The new Head of Service commenced this role in May 2017 and is reviewing the strategy with a newly appointed Facilities Manager with a view to producing a report for Policy and Resources Committee to	Head of Commercial and Economic Development	01/10/2016	31/12/2017

Audit Title and Year	Priority	Issue / Outstanding Action	Reason for Revised Implementation Timescale (provided from performance clinic report)	Officer Responsible	Original Date	Revised Date(s)
			consider on 4 December 2017.			
IT Service Desk, Software, Licensing and Asset Management 2015/16	Low	Publishing SLA timescales	This is now being included within the ICT Strategy programme of work. Revised date of 31/03/2018	Head of ICT	29/02/2017	31/03/2018
Health & Safety 2016/17	Low	Finalisation and implementation of audit plan	To be discussed at CMT on 14/11/17. Feedback from CMT - A report is being prepared and will be considered by CMT prior to sign off.	NNSRP Manager	30/09/2016	01/04/2018
S106 Agreements 2016/17	Medium	Head of Planning Services to formally schedule the review of the current Developer Contributions SPD.	First meeting has taken place, awaiting government decision on CIL. Next meeting before Christmas.	Head of Planning Services	31/03/2017	31/12/2017
Absence Management 2016/17	Medium	Up to date staff management policy	This is now part of a full review of the Staff Management Policy which is a more extensive review than originally agreed. Timescale for completion brought forward but need to allow for consultation and approval. Due to be submitted to Personnel Sub Committee for approval on 14 May 2018.	HR Manager	31/07/2017	14/05/2018
Procurement 2016/17	Low	Review of contracts register	Staff recommended to review register again - completed. Updates to the register have been completed.  Finance Manager to carry out check and confirm.	Finance Manager	30/09/2017	31/03/2018
Procurement	Medium	Formalise the arrangements	Joint procurement is progressing with	Waste Services	30/09/2017	01/04/2018

Audit Title and Year	Priority	Issue / Outstanding Action	Reason for Revised Implementation Timescale (provided from performance clinic report)	Officer Responsible	Original Date	Revised Date(s)
2016/17		regarding the Disposal of Green Waste	Borough Council of Wellingborough	Manager		



## ***Limitations and Responsibilities***

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

LGSS Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Governance and Audit Committee subject to the limitations outlined below.

### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention. As a consequence, the Governance and Audit Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

### ***Internal Control***

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

### ***Future Periods***

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This 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, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***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 or 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 endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.