



Governance & Audit Committee – 31 January 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 40.

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 40.
- 2.2 At the time of reporting, reports have been finalised for nine assignments and a further draft report is pending management responses. 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, no outcomes have been received from the Performance Clinic and, as such, no further updates can be provided at this point.

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 Implications for Our Customers

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)

Legal	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.				
Background Papers: None					
Person Originating Report: Rachel Ashley-Caunt, Head of Internal Audit, ☎ 07824 537900 ✉ rashley-caunt@rutland.gov.uk					
Date: 10 th January 2017					
CFO		MO		CX	



EAST NORTHAMPTONSHIRE COUNCIL
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE
JANUARY 2018



Date: 31st January 2018

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 nine audit assignments and a further draft report has been issued for management responses. Fieldwork is completed or underway on a further five assignments. As such, approximately 93% 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 days commissioned. 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 40, 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, four audit reports have been finalised. These are summarised as follows:

Contractor Health and Safety

Both East Northamptonshire Council (ENC) and their contractors have a duty to comply with the Health and Safety at Work Act 1974 to ensure, so far as is reasonably practicable, the health and safety of employees, other people at work on their site and members of the public. Internal Audit sought assurance over controls in place to ensure that organisations that ENC has a contract with, to provide services on its behalf, comply with health and safety legislation. The audit focussed on four contractors who provide services for grounds maintenance, waste management, leisure management and cleaning.

All four contractors reviewed by Internal Audit have been assigned Contract Managers and there are signed contracts in place outlining the roles of responsibilities of both parties regarding health and safety compliance. Guidance/procedure notes are not however in place for Contract Managers to support them in managing contractor performance of health and safety compliance. This has led to variable working practices across Contract Managers.

A review of contractual documents and records and policies provided by the contractors confirm that key health and safety controls are in place such as risk assessments, COSHH assessment, health and safety training, fire safety controls and electrical equipment testing. However these records are generally only checked during the pre-appointment stage and not routinely throughout the duration of the contract.

The Council carry out informal health and safety inspections on contractors and a formal inspection/audit plan is currently being developed in conjunction with the Safety and Resilience Partnership (NNSRP) so that findings and actions can be formally recorded and monitored.

The Council should also seek more assurances from contractors by requesting regular performance reports and copies of any internal health and safety inspections commissioned by the contractor.

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

Assurance Opinion		
Control Environment	Satisfactory	●
Compliance	Good	●
Organisational Impact	Moderate	●

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

Fire Safety

East Northamptonshire Council has a duty under the Regulatory Reform (Fire Safety) Order 2005 to manage fire safety within its buildings. In particular, the Council must reduce the risk of fire so far as is reasonably practicable and ensure appropriate procedures are in place to evacuate all persons safely. Internal Audit sought assurance that these duties were being exercised and that the Council has a process for checking that those housing providers who are used by the Council either for temporary accommodation or discharging their homelessness duty also have robust fire procedures in place.

Although this audit is focused on the Council's assets and housing responsibilities, there is recognition that local authorities also have a leadership role to play to promote fire safety in the wider community.

It is evident that health and safety has been identified as a corporate risk and is monitored through the corporate risk management framework and reported to the Governance and Audit Committee. Corporate Management Team and the Middle Managers Group also act as a forum to discuss any health and safety issues.

Prompt action was taken by the Council following the Grenfell fire to review fire safety arrangements at registered housing providers and temporary accommodation used by the Council. Local fire services were contacted to provide assurances on the safety of any temporary accommodation that is used and a fire safety survey was sent to all registered providers. Internal Audit confirmed appropriate action was taken where required and actions have been assigned to officers to follow up on any queries or concerns. Protocols however should be developed to ensure that the Council continues to seek assurances in the future.

Accountability for fire safety of council assets needs to be more clearly defined in policies and procedures so that risks are managed and controls are executed effectively. Fire safety risk assessments have not been completed or reviewed since 2015 and fire warden refresher training remains an area for improvement.

Based upon the findings, the following assurance opinions are given over the management of the risks:

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

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

Safeguarding

Safeguarding, in its broadest sense, is defined as 'to protect from harm'. East Northamptonshire Council has a number of duties to safeguard children and vulnerable adults which also extends to domestic abuse, exploitation, radicalisation, forced marriage, trafficking and modern slavery. Early Help is part of a wider Safeguarding and Wellbeing system that ensures that children and their families receive the right help at the right time. It is a preventative approach to avoid the need to 'react' to more serious safeguarding issues or concerns. East Northamptonshire Council can play a key role in identifying such cases at the earliest opportunity and referring them quickly to the 'Early Help' services for support, reducing the need for drastic intervention methods at a later date. The purpose of this audit was to provide Members and management with assurance that the Council has adequate controls in place to ensure that the Council is fulfilling its responsibilities in these areas.

The Council works with Northamptonshire County Council, primarily, as well as other agencies, to ensure safeguarding is embedded within all services throughout the Council. Whilst appropriate information sharing arrangements are in place and there are sufficient controls to raise staff awareness of safeguarding issues the audit identified opportunities to further enhance the control framework. Following the restructure of the Northamptonshire Adults and Children's Safeguarding Boards there is now an opportunity for the Council to be represented at relevant sub-committees of the Board which will enhance procedures for disseminating information from and sharing information with the multi-agency safeguarding boards; it is advisable that senior officers ensure this takes place. It was also noted that whilst there are appropriate information sharing agreements to direct how information is shared that these are in need of updating. Data sharing also needs to be more explicitly addressed in the safeguarding policy and the Council's data protection policies. The audit also identified opportunities to enhance governance arrangements by allocating a lead member or committee responsibility for the Council's safeguarding arrangements.

East Northamptonshire Council has a duty to ensure that all Elected Members, staff, volunteers, taxi drivers, contracted and grant funded organisations comply with the Council's Safeguarding Policy and consider the welfare of all children, young people and vulnerable adults whilst undertaking all services and functions. The audit confirmed that the Council has robust safeguarding policies and an Early Help strategy in place that effectively direct the process for recording concerns and making referrals to the relevant agencies. The operational safeguarding officer has worked extensively to develop appropriate and effective organisational wide and service area specific training which targets all relevant staff, members and key third party contracting staff. It is also intended that the safeguarding training session will be delivered to Elected Members via Full Council in January 2018.

Two of the Council's key frontline services that involve regulated activity and high exposure to vulnerable families and adults have been outsourced (Housing and Leisure). The audit confirmed that both contracts contained sufficient clauses to ensure that the providers complied with the Council's safeguarding arrangements and fulfilled their responsibilities in respect of disclosure and barring checks. Document review also confirmed that both organisations had their own internal safeguarding policies and procedures in place which are

consistent with the Council’s safeguarding approach. Existing contract controls could be further enhanced by ensuring that procurement guidance and safeguarding training material prompt contracting officers to consider safeguarding issues right from the outset of the procurement process.

In terms of appropriate person checks of internal staff the Corporate Management Team have taken a cautious approach when determining the list of staff positions that should be subject to a DBS check. At the time of audit 34 staff had been subject to a ‘standard’ level DBS check. It is unlawful for an organisation to complete such checks if the post does not meet the criteria outlined in the Rehabilitation of Offenders Act (ROA) 1974 (Exceptions) Order 1975. In the opinion of internal audit, whilst there may be potential justification for five posts, all 34 posts are certainly questionable as to whether they meet the criteria and this should be assessed by the Council against DBS guidance.

In respect of appropriate person checks for private hire and Hackney carriage driver applicants; it was confirmed that enhanced DBS checks are being completed and the audit did not identify any significant gaps or areas of weakness in controls. There is a clear policy which outlines the Council’s DBS and taxi licence requirements that has been approved at Member level. Child Exploitation Training was introduced as a taxi licence requirement at the end of 2016, in line with best practice. Audit review confirmed that for a sample of applications processed since this date all had completed the training and passed the knowledge test which includes questions around Child Exploitation.

In respect of grant funded organisations the audit review confirmed that the Council has appropriate controls in place to ensure that safeguarding checks are carried out which are proportionate to the level of grant awarded and nature of the activities to which the funding relates.

The audit identified a number of good practices that have been shared with other local authorities in the LGSS internal audit partnership.

Based upon the findings, the following assurance opinions are given over the management of the risks:

Assurance Opinion		
Control Environment	Substantial	●
Compliance	Good	●
Organisational Impact	Minor	●

Internal Audit has made eight recommendations to further develop the control framework.

Debt Management – Consultancy review




A review of recent Internal Audit assignments and key findings in relation to debt recovery identified that the control environment had substantially operated as intended; and although




some minor errors were detected, management had taken appropriate action, and all recommendations had been implemented at the time of the review.








Benchmarking of the Council's debt recovery rates with those of a sample of other district councils identified several areas of best practice at East Northamptonshire Council (ENC), particularly with regards to the level of outstanding debts. Statistical analysis of the Department for Communities and Local Government (DCLG) live tables identified that the Council's collection rates (council tax / business rates) had slightly exceeded the national average during 2016/17. Benchmarking did however, identify that the Council had the highest level of write-offs in relation to council tax, when compared with those of a sample of other district councils.

A review of the approaches undertaken by higher performing authorities in relation to debt recovery; and their approach to managing the social / equalities impact of debt recovery; identified several areas of best practice; some of which may support the Council with regards to maximising debt recovery in the future.

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>
Governance & Counter Fraud									
Cyber Security	12	0.1	Q2	Fieldwork underway					
Key Corporate Policies & Controls									
Creditors	15	4.6	Q4	Fieldwork underway					
Debtors	15		Q4						
Payroll	15	4.1	Q3	Fieldwork underway					
Main Accounting System	5	0.84	Q3	Fieldwork underway					
Contractor Health & Safety	12	9.7	Q1	Final report issued	To provide assurance over controls in place to ensure that organisations that ENC has a contract with, to provide services on its behalf, comply with health and safety legislation.	 Satisfactory	 Good	 Moderate	See section 2.5
Procurement Compliance	6	0.61	Q3	Fieldwork underway					
Debt Management (Consultancy)	10	10	Q3	Consultancy report issued	Consultancy review designed to complement previous audit work on debtors and proactively identify any further opportunities for improvement across all debt recovery areas.	N/A			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>
Corporate Objective: Effective Processes – Effective Management, Partnership Working and High Quality Service Delivery									
Benefits	15	15	Q2	Final report issued	To provide assurance that the key control framework in place addresses the risks associated with the administration and payment of Housing Benefits.	 Substantial	 Substantial	 Minor	Reported to G&A Committee in September 2017
Taxi Fares (Consultancy)	5	4.9	Q1	Consultancy report issued	To provide independent advice and support on the review of the taxi fares.	N/A			Reported to G&A Committee in July 2017
Corporate Objective: Improvements for the Community – Safe, Clean and Healthy									
Safeguarding	18	21.9	Q2	Final report issued	To provide assurance that the Council has adequate controls in place to ensure that it is fulfilling its responsibilities and duties to safeguard children and vulnerable adults.	 Substantial	 Good	 Minor	See section 2.5
Housing Options and Homelessness	15	15.8	Q2	Draft report issued					
Fire Safety	10	7.2	Q2	Final report issued	To provide assurance that statutory duties under the Regulatory Reform (Fire Safety) Order 2005 were being exercised and that the Council has a process for checking that those housing providers who are used by the Council either for temporary accommodation or discharging their homelessness duty also have robust fire procedures in place.	 Satisfactory	 Satisfactory	 Moderate	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>
Corporate Objective: Improvements for the Community – Prosperous and Sustainable									
Local Plan Process	15	12.6	Q1	Final report issued – Stage 1	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.	 Limited	 Limited	 Moderate	Reported to G&A Committee in November 2017
Planning Service – Use of Specialist Resources	10	16.6	Q1	Final report issued	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.	 Satisfactory	 Satisfactory	 Minor	Reported to G&A Committee in November 2017
Disabled Facilities Grant	0	2.7	N/A	Final report issued	Certification of expenditure	 Certified			
Total	178	126.7							

Other Support	Budget days	Actual days	Comments
Advice & Assistance	2	0.5	
Committee Work, Support & Annual Report	15	8.7	
Recommendation Follow-Up and Client Meetings	10	4.5	
External Audit liaison	1	-	
Strategic Mgt & Audit Planning	5	0.5	
NFI & AGS	2	0.2	
Unavoidable interruptions e.g. ICT interruptions / fire alarms etc.	-	-	
Management of the Internal Audit service	20	9.9	
Total	55	24.3	

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.

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

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.