



Governance & Audit Committee – 24th July 2019

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 2019/20 and associated measures of performance.

Attachment:

Appendix A: Progress Report for 2019/20 to week 14.

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 2019/20 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 14 (28th June 2019).
- 2.2 At the time of reporting, one assignment has been completed. Fieldwork is complete or underway on 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 four actions had been completed. There are four overdue actions.

3.0 Important issues to consider

- 3.1 No areas of significant risk or control weaknesses have been identified in the work completed to date which would impact upon the Internal Audit opinion. 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 Privacy Impact Implications

- 5.1 There are privacy implications arising from the recommendations in this report.

6.0 Legal Implications

6.1 There are no legal implications arising from the report.

7.0 Risk Management

7.1 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.

8.0 Resource and Financial Implications

8.1 There are no resource or financial implications arising from the report.

9.0 Constitutional Implications

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

10.0 Customer Service Implications

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

11.0 Corporate Outcomes



11.1 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.

12.0 Recommendation

12.1 The Committee is recommended to

- (1) Note the progress and performance of the Internal Audit service 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: 5 th July 2019					
CFO 15/07/19		MO 15/07/19		CX	



EAST NORTHAMPTONSHIRE COUNCIL
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE

JULY 2019



Date: 24th July 2019

Introduction

- 1.1 LGSS provides the Internal Audit service for East Northamptonshire Council and has been commissioned to provide 230 days to deliver the 2019/20 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 audit team.

Performance

2.1 Will the Internal Audit Plan for 2019/20 be delivered?

LGSS has been set the objective of delivering at least 90% of the Internal Audit plan for 2019/20 to draft report stage by the end of March 2020.

At the time of reporting, work is either completed or underway on five audit assignments in the audit plan.

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 are summarised in Table 2.

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

As at week 14, the team had been delivering 95% productivity, against the target set of 90%.

2.5 Are audit recommendations being implemented in a timely manner?

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 updates provided in Table 3 demonstrate that four actions have been completed since the last update. There are currently a further four actions which were overdue for completion at the end of June 2019 –further details are provided in Table 4.

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?

During the financial year to date, one assignment has been completed and this related to certification of a grant claim for which no assurance opinion is assigned. The outcomes of all assurance assignments from the 2019/20 plan will be reported to the Governance and Audit Committee during the financial year.

2.6 Are any changes required to the 2019/20 audit plan?

The plan for 2019/20 was formally approved by the Governance and Audit Committee in March 2019. It was agreed that this plan would be subject to ongoing review throughout the financial year to ensure that it continues to focus upon the Council's key risks and makes the best use of the audit resources available.

No amendments to the plan have been proposed during the year to date. Potential use of the contingency days has, however, been considered and discussed with senior management and may include follow up work in relation to Cyber Security, following the outcome of the 2018/19 audit, and further work on Asset Management.

Table 1 - Progress against 2019/20 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									
Procurement compliance	8	-	Q4	Not started					
Key Corporate Policies & Controls									
Creditors	12	-	Q4	Not started					
Debtors	12	-	Q4	Not started					
Payroll	14	-	Q3	Not started					
Main accounting system	10	-	Q4	Not started					
Treasury management	12	-	Q4	Not started					
IT asset management	12	-	Q3	Not started					
Temporary staffing	12	-	Q2	Not started					
Unitary Council preparations – embedded assurance	10	-	TBC	Not started					

<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: Financial Stability									
Asset management	12	1.5	Q2	Fieldwork underway					
Corporate Objective: Customer Focused Services									
Waste contract management	10	-	Q2						
Disabled Facilities Grants (DFGs)	2	2	Q2	Memo issued	<i>To provide assurance over compliance with grant terms and conditions.</i>	n/a – grant claim			
Homelessness	12	2.8	Q1	Fieldwork underway					
Community safety and ASB	12	1.5	Q1	Fieldwork underway					
Corporate Objective: Regeneration & Economic Development									
Enterprise Centre – embedded assurance	12	2.8	Q1 – Q4	Fieldwork underway					
Contingency									
Contingency days	18	-							
Total	180	10.6							

<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>
-------------------	--------------------	--------------------	----------------------	---------------	-------------------------	----------------------------	-------------------	-------------------	-----------------

Other Support	<i>Budget days</i>	<i>Actual days</i>	<i>Comments</i>
Advice & Assistance	2	-	
Committee Work, Support & Annual Report	10	2.7	
Recommendation Follow-Up and Client Meetings	10	1	
External Audit liaison	1	0.5	
Strategic Mgt & Audit Planning	5	-	
NFI & AGS	2	1	
Unavoidable interruptions e.g. ICT interruptions / fire alarms etc.	-	-	
Management of the Internal Audit service	20	1.5	
Total	50	6.7	

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	-	-	3	-	-
Communication during Assignments	-	-	3	-	-
Quality of Reporting	-	-	3	-	-
Quality of Recommendations	-	-	3	-	-
Total	-	-	12	-	-

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
Actions due and implemented since last Committee meeting	-	-	3	50%	1	50%	4	50%
Actions due within last 3 months, but not implemented	-	-	-	-	1	50%	1	13%
Actions due over 3 months ago, but not implemented	1	50%	2	33%	-	-	3	37%
Totals	1	100%	5	100%	2	100%	8	100%

Table 4 – Actions overdue

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
General Data Protection Regulation (GDPR) 2018/19	High	Information asset register - The Council should identify what personal data it holds, and determine how it is processed, and such information should be held within the information asset register.	Delayed as a number of subject access and data subjects rights requests have had to take priority. It is expected this work will now be completed by the end of September 2019.	Data Protection Officer	31/03/2019	30/09/2019
General Data Protection Regulation (GDPR) 2018/19	Medium	Corporate data retention schedule – this should be produced and should be available to all staff. In addition, monitoring arrangements should be established to provide assurance that all Council records are held and disposed of in accordance with agreed policy and procedures, and the requirements of the GDPR.	Delayed as a number of subject access and data subjects rights requests have had to take priority. It is expected this work will now be completed by the end of September 2019.	Data Protection Officer	01/04/2019	30/09/2019
General Data Protection Regulation (GDPR) 2018/19	Medium	Comprehensive action log - should be in place to ensure that all actions requiring attention are monitored accordingly. The log should include a named responsible officer and a target date for the completion of each task.	Delayed as a number of subject access and data subjects rights requests have had to take priority. It is expected this work will now be completed by the end of September 2019.	Data Protection Officer	31/03/2019	30/09/2019
Procurement 2018/19	Low	Template for evidencing CMT approval to award the contract.	In progress.	Finance Manager	30/04/2019	TBC

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.