



Governance & Audit Committee – 25th September 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 23.

1.0 Background

- 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 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 23 (6th September 2019).
- 2.2 At the time of reporting, two further assignments have been finalised. 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 two actions had been completed. There are 14 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.
- 3.2 At this point in the year, an amendment to the Audit Plan has been proposed following discussion with management. It is recommended that the embedded assurance work on Unitary Council preparations be deferred to 2020/21 and the ten days be reallocated to enable additional consultancy work on the Enterprise Centre (seven days) and additional testing on Asset Management (three days). Further detail is 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 the 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 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)

- (2) Approve an amendment to the Audit Plan for 2019/20 in deferring the audit of 'Unitary Council preparation' and reallocate the ten days to seven days of consultancy work on the Enterprise Centre and three additional days on Asset Management.

(Reason – to approve amendments to the Internal Audit plan in accordance with the Public Sector Internal Audit Standards and ensure that the scope of Internal Audit work is suitably focused on key risks and adding value)

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: 9 th September 2019					
CFO		MO 11/09/19		CX 11/09/19	



EAST NORTHAMPTONSHIRE COUNCIL
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE
SEPTEMBER 2019



Date: 25th September 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 eight audit assignments in the audit plan – representing 53% of planned assignments.

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 two actions have been completed since the last update. There are currently a further 14 actions which were overdue for completion at the end of August 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?**

Since the last committee meeting, two audit reports have been finalised. The key findings are as follows:

Homelessness

The proper, effective and efficient management of homelessness applications and compliance with the Council’s duties under the Homelessness Reduction Act 2017 supports the Council’s corporate outcomes of ‘Customer-Focused Services’, ‘Effective Partnership Working’ and ‘Good Value for Money’. A contract currently exists with Midland Heart, who are responsible for delivering the Council’s housing options service.

The Council’s housing allocation policy and homelessness strategy are sufficient in detail and consistent with the relevant legislation. Both documents have been reviewed and approved by the Policy and Resources Committee. All local authorities have a statutory duty to publish a homelessness and rough sleeping strategy by winter 2019, it is noted that a draft strategy has been approved for consultation by the Policy and Resources Committee at the time of reporting.

Documented operational procedure notes exist with regards to the relevant homelessness processes. Sample testing of homelessness cases identified that key controls had operated as intended in the majority of cases tested, and the Council is able to demonstrate compliance with the requirements of the Homelessness Reduction Act 2017. Whilst decisions in relation to homelessness applications are no longer independently reviewed and approved by the Council, compensating controls have been introduced by Midland Heart in order to mitigate the risks associated with this process. Supporting documentary evidence confirms that these controls are operating as intended.

Robust arrangements exist to maximise value for money and minimise the use of expensive temporary accommodation. Management recognise that record-keeping arrangements could be enhanced in this area and have communicated this requirement to Midland Heart at the time of reporting.

The additional government funding which has been provided to assist the Council in the delivery of its additional duties has been, and will be, allocated accordingly. Information on housing and homelessness is collated and made available to senior officers for review and performance monitoring; whilst statistical data is available via the Ministry of Housing, Communities and Local Government (MHCLG) live tables.

Based on the fieldwork completed, the following assurance opinions have been given by Internal Audit:

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

Community Safety and Anti-Social Behaviour

East Northamptonshire Council has a dedicated Community Safety Team who work in partnership with other agencies to reduce crime and anti-social behaviour (ASB) to improve the quality of life for all in Northamptonshire. Internal Audit sought to provide assurance over the effective management of this key risk for the Council, including monitoring, partnership working and initiatives.

ENC has adopted the county wide ASB Strategy which is now due for review by the County Board. The County wide ASB strategy states that it is essential that all partner agencies have a consistent and clear approach to tackling ASB, with the aim of achieving the joint vision. Along with the county wide strategy, ENC has also adopted the ASB Service Standards. ASB Service Standards outlining the Council's protocol for handling ASB complaints are available to residents on the Council's website. However, the service standards require review and updating. Once this is achieved officers need to ensure that ASB complaints are handled in line with the revised joint approach.

ASB complaints are recorded, monitored and managed through ECINS - a secure, cloud-based computer system that enables the police and partners to share information, regarding victims and offenders of anti-social behaviour. Internal Audit reviewed a sample of ASB complaints received since April 2019 and found all complaints were acknowledged and responded to in a timely manner and the multi-agency working was seen in all cases where applicable and had proved to be effective in resolving matters.

The Council shows effective joint working with other agencies to tackle and reduce anti-social behaviour. However, there is scope for greater engagement with the community.

There are no performance indicators in place to monitor how the Council deals with ASB complaints. Officers should develop a service level performance indicator to monitor how ASB complaints are handled and ensure performance against this indicator is regularly reported to Management.

Based on the fieldwork completed, the following assurance opinions have been given by Internal Audit:

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

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.

Following discussion with management, it is proposed that the days allocated to embedded assurance work for Unitary Council preparations be deferred to 2020/2021 and that these ten days be reallocated to:

- additional consultancy work on the Enterprise Centre (seven days) – to support key decision making by providing independent challenge; and
- to enable further work on the Asset Management audit (three days) – to enable site visits and in depth review of key risk areas.

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	Planning					
IT asset management	12	-	Q3	Not started					
Temporary staffing	12	2	Q2	Fieldwork underway					
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	11	Q2	Fieldwork complete					
Corporate Objective: Customer Focused Services									
Waste contract management	10	1.3	Q2	Fieldwork underway					
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	12	Q1	Final report issued	<i>To provide assurance over the management of homelessness applications and compliance with the Council's duties under the Homelessness Reduction Act 2017.</i>	Substantial ●	Substantial ●	Minor ●	See section 2.5
Community safety and ASB	12	11	Q1	Final report issued	<i>To provide assurance over the effective management of community safety and ASB - including monitoring, partnership working and initiatives.</i>	Good ●	Good ●	Minor ●	See section 2.5
Corporate Objective: Regeneration & Economic Development									
Enterprise Centre – embedded assurance	12	14.7	Q1 – Q4	Draft report issued					
Contingency									

<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>
Contingency days	18	-							
Total	180	54							

Other Support	<i>Budget days</i>	<i>Actual days</i>	<i>Comments</i>
Advice & Assistance	2	0.2	
Committee Work, Support & Annual Report	10	4.1	
Recommendation Follow-Up and Client Meetings	10	2.2	
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	4.1	
Total	50	12.1	

The Auditor's Opinion

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended either no, or only minor, errors have been detected.
Good ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		
Level		Definition
Major		The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor		The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

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	-	2	2	1	-
Communication during Assignments	-	1	4	-	-
Quality of Reporting	-	2	3	-	-
Quality of Recommendations	2	-	3	-	-
Total	2	5	12	1	-

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	-	-	1	11%	1	50%	2	13%
Actions due within last 3 months, but not implemented	4	80%	6	67%	1	50%	11	69%
Actions due over 3 months ago, but not implemented	1	20%	2	22%	-	-	3	18%
Totals	5	100%	9	100%	2	100%	16	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
Enforcement action in Environmental Services	Medium	The following actions should be taken to address the issues identified during the audit: <ul style="list-style-type: none"> • Legal notices should be recorded within one register to enhance consistency / operational efficiency; • All cells should be populated within the notices register; • the relevant errors / irregularities identified should be investigated / 	In progress Waste Manager to send evidence to Audit.	Waste Services Manager	28/06/2019	TBC

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
		<p>resolved accordingly;</p> <ul style="list-style-type: none"> An investigation number should be allocated to all cases (including the five cases detailed); and Supporting documentation should be retained on file to support all PI figures reported moving forward. 				
General Data Protection Regulation (GDPR) 2018/19	Low	<p>All relevant policies should be reviewed and updated accordingly and details of this should be communicated to all staff. Following this, a formal sign-off process should exist to provide assurance that all employees have read and understood the relevant published policies.</p> <p>In addition, the data protection policy should be made available to all staff and procedures in relation to data protection should include version control and document change history.</p>	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	30/06/2019	30/09/2019
General Data Protection Regulation (GDPR) 2018/19	Medium	The Council should review and update / produce all service area privacy notices in accordance with the requirements of the GDPR and ensure that they are accessible to all service users.	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	30/06/2019	30/09/2019
Cyber Security 2018/19	High / Medium	There are currently eight recommendations arising from this audit which are now due for implementation. These are being followed up as part of the ongoing work in this area and are being monitored by the dedicated working party.	N/A – monitored individually by working party	ICT Manager	Various	-

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.