Purpose of report
This report provides a copy of the Annual Report for 2019/20 which contains the Head of Internal Audit’s annual opinion on the Council's control environment and the basis for this opinion, for the Committee's attention.

Attachment:

1.0 Background

1.1 The Public Sector Internal Audit Standards (the Standards) require the Head of Internal Audit to provide an annual Internal Audit report and opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment) that can be used by the organisation to inform its Annual Governance Statement.

2.0 Internal Audit Opinion

2.1 Based upon the work undertaken by Internal Audit during 2019/20, the Head of Internal Audit’s overall opinion on the Council’s control environment is that Satisfactory Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation’s objectives and that controls are generally operating effectively in practice, with the exception of those highlighted within the report. No systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

2.2 Appendix A to this report provides a copy of the Annual Report which includes the Head of Internal Audit’s opinion on the Council’s control framework for 2019/20 and the basis for this opinion.

3.0 Internal Audit Performance

3.1 The report includes details of the delivery of the Internal Audit Plan for 2019/20 and achievement of the service’s performance indicators. The team has delivered 100% of the agreed assignments from the Internal Audit Plan for 2019/20. A summary of the key findings from each assignment is provided within the Annual Report.

3.2 Included within the report is the outcome of an assessment of the Internal Audit service against the Public Sector Internal Audit Standards. This concludes that the Internal Audit service operates in general conformance with the Standards. The Head of Internal Audit is able to confirm to the Committee the independence of the audit service and that it is the Head of Internal Audit's view that the coverage within the audit plan is sufficient to inform the annual opinion.

4.0 Equality and Diversity Implications

4.1 There are no equality and diversity implications arising from the report.
5.0 Legal Implications

There are no legal implications arising from the report.

6.0 Risk Management

There are no significant risks arising from the proposed recommendations in this report. The Annual Internal Audit Report provides an opinion over the Council’s governance, risk and control environment based upon work completed by the service and the report highlights any key findings relating to the management of identified risks and controls from the audit reviews.

7.0 Resource and Financial Implications

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

8.0 Constitutional Implications

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

9.0 Customer Service Implications

There are no customer service implications arising from the report.

10.0 Corporate Outcomes

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

The Committee is recommended to


(Reason – to review the performance of Internal Audit against the agreed plan and to note 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: 3rd June 2020

CFO 08/06/20

MO

CX 08/06/20
1. **Background**

1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion and supporting report that can be used by the organisation to inform its governance statement.

1.2 The Standards specify that the annual report must contain:
   - an Internal Audit opinion on the overall adequacy and effectiveness of the Council’s governance, risk and control framework (i.e. the control environment);
   - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
   - a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

2. **Head of Internal Audit Opinion 2019/20**

2.1 This report provides a summary of the work carried out by the Internal Audit service at East Northamptonshire Council during the financial year 2019/20 and the results of these assignments. Based upon the work undertaken during the year, the Head of Internal Audit’s overall opinion on the Council’s system of internal control is that:

   It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council’s control environment for 2019/20. Whilst, generally, the control environment in many key areas has been found to be operating well during the year, the overall opinion is impacted by an area of limited assurance identified in respect of asset management and delays in implementation of a number of recommendations relating to previously identified areas of limited assurance. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the overall opinion given in recent years.

**Governance**

During 2019/20, the Council’s governance arrangements have remained broadly consistent with previous years.

There are no significant governance issues that I wish to draw to the attention of the Council for inclusion in its Annual Governance Statement, based on the findings of Internal Audit work in 2019/20.

**Financial control**

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively with no significant control weaknesses identified by audit testing.
Risk management

Established structures and processes for identifying, assessing and managing risk remained consistent during 2019/20. The strategic risk register is reviewed by the Governance and Audit Committee on a quarterly basis.

Internal Audit work is targeted upon the Council’s key areas of risk and work completed in 2019/20 has assessed assurances in relation to controls in some of these areas.

Internal control

For the audits completed in 2019/20, 83% of the opinions given in relation to the control environment and compliance have been Good or Substantial Assurance and 87% at least Satisfactory Assurance.

Of the audits completed, one resulted in an organisational risk score of ‘Major’ and ‘Limited Assurance’ for both design and compliance with controls - this impacts upon the annual opinion on internal control. This related to the audit of Asset Management and a high priority action plan was agreed with management and is subject to ongoing work. Assurance can be taken from the actions implemented to address the risks and evidence that approximately 60% of actions due to have been completed at the end of March 2020 have been closed. Progress has also been made on a number of further actions which are yet to be fully completed.

Action plans have been agreed to address areas of weakness in all audited areas. Of the recommended actions agreed in 2019/20, and due for implementation, 82% had been completed in a timely manner during the year. It is, however, noted that a number of recommendations remain outstanding from previous years’ audit reports and these are subject to ongoing review. The implementation of actions in relation to cyber security, in particular, remains ongoing and Internal Audit is working closely with the service area to monitor and support progress.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

2.2 The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments within the risk-based Internal Audit plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management’s progress in respect of addressing any control weaknesses and has acknowledged any gaps in assurances. A summary of Audit opinions is shown in Table 1.
Table 1 – Summary of audit opinions 2019/20:

<table>
<thead>
<tr>
<th>Area</th>
<th>Substantial</th>
<th>Good</th>
<th>Satisfactory</th>
<th>Limited</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Governance &amp; Counter Fraud</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate &amp; Cross Cutting</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Delivery of Corporate Objectives – customer focused services</td>
<td>3</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Delivery of Corporate Objectives – regeneration and economic development</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td><strong>12</strong></td>
<td><strong>1</strong></td>
<td><strong>3</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

**Summary**

| 2018/19 outcomes – for comparison         | 29%         | 35%  | 24%          | 12%     | 0% |

3. **Review of audit coverage**

**Audit opinion on individual audits**

3.1 The Committee is reminded that the following assurance opinions have been assigned during 2019/20:

Table 2 – Assurance categories:

<table>
<thead>
<tr>
<th>Level of Assurance</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial</td>
<td>There are minimal control weaknesses that present very low risk to the control environment. The control environment has substantially operated as intended with either no, or only minor, errors detected.</td>
</tr>
<tr>
<td>Good</td>
<td>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.</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>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.</td>
</tr>
</tbody>
</table>
### Level of Assurance Definition

**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.

3.2 Audit reports issued in 2019/20, other than those relating to consultancy support, resulted in the provision of one of the above audit opinions. All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans.

**Summary of audit work**

3.3 Table 3 details the assurance levels resulting from all audits undertaken in 2019/20 and the date of the Committee meeting at which a summary of the report was presented.

**Table 3 – Summary of audit opinions 2019/20:**

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Design of Control Environment</th>
<th>Compliance</th>
<th>Organisational Impact</th>
<th>Committee Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>Substantial assurance</td>
<td>Substantial assurance</td>
<td>Minor</td>
<td>June 2020</td>
</tr>
<tr>
<td>Creditors</td>
<td>Substantial assurance</td>
<td>Substantial assurance</td>
<td>Minor</td>
<td>June 2020</td>
</tr>
<tr>
<td>Payroll</td>
<td>Substantial assurance</td>
<td>Good assurance</td>
<td>Minor</td>
<td>June 2020</td>
</tr>
<tr>
<td>Main accounting</td>
<td>Substantial assurance</td>
<td>Good assurance</td>
<td>Minor</td>
<td>May 2020</td>
</tr>
<tr>
<td>Treasury management</td>
<td>Substantial assurance</td>
<td>Good assurance</td>
<td>Minor</td>
<td>November 2019</td>
</tr>
<tr>
<td><strong>Governance &amp; Counter Fraud</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement compliance</td>
<td>Good assurance</td>
<td>Good assurance</td>
<td>Minor</td>
<td>June 2020</td>
</tr>
<tr>
<td>Audit Area</td>
<td>Design of Control Environment</td>
<td>Compliance</td>
<td>Organisational Impact</td>
<td>Committee Date</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------</td>
<td>-------------------</td>
<td>-----------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Corporate &amp; Cross Cutting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset management</td>
<td>Limited assurance</td>
<td>Limited assurance</td>
<td>Major</td>
<td>January 2020</td>
</tr>
<tr>
<td>Temporary workers</td>
<td>Limited assurance</td>
<td>Satisfactory assurance</td>
<td>Moderate</td>
<td>May 2020</td>
</tr>
<tr>
<td>IT Asset management</td>
<td>Fieldwork could not be concluded due to impact of Covid 19 in March 2020. This will resume in 2020/21 and an assurance opinion will be given upon completion.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Delivery of Corporate Objectives – Customer focused services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste contract management</td>
<td>Substantial assurance</td>
<td>Good assurance</td>
<td>Minor</td>
<td>November 2019</td>
</tr>
<tr>
<td>Homelessness Reduction Act</td>
<td>Substantial assurance</td>
<td>Substantial assurance</td>
<td>Minor</td>
<td>September 2019</td>
</tr>
<tr>
<td>compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community safety and anti-social</td>
<td>Good assurance</td>
<td>Good assurance</td>
<td>Minor</td>
<td>September 2019</td>
</tr>
<tr>
<td>behaviour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Delivery of Corporate Objectives – Regeneration and economic development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Centre – embedded assurance</td>
<td>Good assurance</td>
<td>Good assurance</td>
<td>Minor</td>
<td>November 2019</td>
</tr>
</tbody>
</table>

3.4 Outlined in Appendix 1 is a summary of each of the audits completed during the year. All reports in Table 3 have been finalised. The Committee should note that the majority of these findings have previously been reported as part of the defined cycle of progress update reports provided to the Governance and Audit Committee.

3.5 As noted, the audit of Asset Management highlighted weaknesses which required urgent action by management. Assurance has been provided that a detailed action plan was agreed and is being implemented to ensure the organisation’s controls in this area. This will be subject to ongoing Internal Audit review and follow up work in 2020/21.

**Implementation of Internal Audit recommendations**

3.6 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented.
Internal Audit traces follow up action on a monthly basis and provides a summary to the Governance and Audit Committee.

3.7 Details of the implementation rate for audit recommendations made during 2019/20 are provided in Table 4.

**Table 4 - Implementation of audit recommendations from 2019/20 reports:**

<table>
<thead>
<tr>
<th>Category 'High' recommendations</th>
<th>Category 'Medium' recommendations</th>
<th>Category 'Low' recommendations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreed and implemented</td>
<td>6</td>
<td>3</td>
<td>9 (18%)</td>
</tr>
<tr>
<td>Agreed and not yet due for implementation</td>
<td>5</td>
<td>16</td>
<td>32 (64%)</td>
</tr>
<tr>
<td>Agreed and due within last 3 months, but not implemented</td>
<td>2</td>
<td>5</td>
<td>7 (14%)</td>
</tr>
<tr>
<td>Agreed and due over 3 months ago, but not implemented</td>
<td>-</td>
<td>3</td>
<td>2 (4%)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>13</td>
<td>27</td>
<td>50 (100%)</td>
</tr>
</tbody>
</table>
3.8 The level of implementation is reported to the Governance and Audit Committee throughout the year.

3.9 In addition to the action which remains outstanding from a 2019/20 audit report, a further 37 actions remain outstanding and overdue from previous years’ audit reports. A summary of all overdue recommendations is provided in Table 5.

Table 5 - Summary of overdue recommendations as at 31st March 2020

<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Audit year</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Over 3 months</td>
<td>Under 3 months</td>
<td>Over 3 months</td>
</tr>
<tr>
<td>Asset Management</td>
<td>19/20</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Community Safety and ASB</td>
<td>19/20</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Waste Contract Management</td>
<td>19/20</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Business Continuity and Emergency Planning</td>
<td>18/19</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cyber Security</td>
<td>18/19</td>
<td>11</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>Enforcement Action in Environmental Services</td>
<td>18/19</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Information Governance and GDPR Compliance</td>
<td>18/19</td>
<td>1</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Local Plan Process - Embedded Assurance</td>
<td>18/19</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>14</td>
<td>2</td>
<td>25</td>
</tr>
</tbody>
</table>

Wider sources of assurance

3.10 In addition to the work delivered by Internal Audit, the annual opinion is also informed by appropriate sources of assurance such as regulatory reports and inspections/certifications. It is noted that the Council does not currently hold Public Sector Network (PSN) accreditation and work on this is underway. This will further support the ongoing work on the cyber security action plan but limits the assurance which can be given in relation to the associated risk at this time.
4. **Internal Audit performance**

**Internal Audit contribution**

4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support, advice and insight to assist the Council in new areas of work or to pro-actively review and improve the control framework.

**Delivery of 2019/20 Audit Plan**

4.2 The team has delivered **100%** of the agreed audit assignments within the Audit Plan for 2019/20.

**Internal Audit contribution in wider areas**

4.3 Key additional areas of Internal Audit contribution to the Council in 2019/20 are set out in Table 6:

Table 6 – Internal Audit contribution

<table>
<thead>
<tr>
<th>Area of Activity</th>
<th>Benefit to the Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining good working relationships with External Audit to ensure most effective coverage and avoiding duplication if possible.</td>
<td>Reduce audit burden, saving costs.</td>
</tr>
<tr>
<td>Facilitating a fraud awareness week campaign in November 2019.</td>
<td>Raising the awareness of staff in relation to fraud risks and embedding a zero tolerance culture to fraud and corruption.</td>
</tr>
<tr>
<td>Sharing of best practice and solutions adopted at other authorities.</td>
<td>Benefit from insight into tried and tested solution and good practice examples to strengthen controls and efficiencies.</td>
</tr>
<tr>
<td>Presence at East Northamptonshire Council offices.</td>
<td>Assistance with ad-hoc queries, building working relationships and raising the profile of Internal Audit.</td>
</tr>
<tr>
<td>Acting as a point of contact for whistleblowing referrals.</td>
<td>Providing an independent point of contact for reporting concerns and providing a professional investigation service at short notice when required, to ensure concerns are dealt with in accordance with best practice and suitably logged.</td>
</tr>
<tr>
<td>Supporting and advising upon fact-finding</td>
<td>Sharing of knowledge of good practice and</td>
</tr>
<tr>
<td>Area of Activity</td>
<td>Benefit to the Council</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>investigations, as required.</td>
<td>independent insight and challenge.</td>
</tr>
</tbody>
</table>

Performance Indicators

4.4 Internal Audit maintains several key performance indicators (KPIs) to enable ongoing monitoring by senior management and the Governance and Audit Committee. Outturns against these indicators in relation to work delivered for East Northamptonshire Council are provided in Table 7:
Table 7 – Internal Audit KPIs 2019/20

<table>
<thead>
<tr>
<th>Indicator description</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery of the agreed annual Internal Audit Plan</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>(note: one assignment to be concluded in 2020/21, as agreed, due to pressures of Covid 19)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delivery of the agreed annual Internal Audit Plan by end of March 2020</td>
<td>90%</td>
<td>79%</td>
</tr>
<tr>
<td>(note: impact of Covid 19 in March 2020)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Feedback – rating on a scale of 1 to 4 (average) – where: 4 = Outstanding, 3 = Good, 2 = Satisfactory and 1 = Poor)</td>
<td>3.1</td>
<td>3.3</td>
</tr>
</tbody>
</table>

5. **Professional Standards**

5.1 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013 and were further updated in March 2017. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

5.2 The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

5.3 A detailed self-assessment against the latest PSIAS has been completed by the Head of Internal Audit, a copy of which can be provided as required. The outcome of the assessment was that the Internal Audit service is operating in general conformance with the Standards.
### Appendix 1: Summary of Internal Audit Work Undertaken for 2019/20

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Design</th>
<th>Assurance Rating</th>
<th>Area Reviewed</th>
<th>Basis for Assurance Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors</td>
<td>Substantial assurance</td>
<td>Substantial assurance</td>
<td>Minor</td>
<td>To provide assurance over key controls in relation to debt recovery and management information in relation to debt management.</td>
</tr>
</tbody>
</table>

The debtors function at East Northamptonshire Council (ENC) is delivered through the EnCor Financial Services team, which is shared with Corby Borough Council. The function’s primary objectives are the timely issue of accurate debtor invoices for all sundry income owed to the Council and to ensure the prompt collection and recovery of such income. The audit was designed to provide assurance that the invoicing, debt recovery and income processing systems and procedures are adequately controlled and in accordance with approved policies and procedures.

The sundry debtors procedural guidance is comprehensive and supports consistency and the exercising of key controls. Sample testing of the raising of invoices, credit notes, changes to standing data and processing of income to correct codes / invoices all provided evidence of efficient, effective procedures and consistent compliance with key controls and Council policy. Record keeping could be strengthened by ensuring that all supporting documentation and emails are filed on the network drive.

Debt recovery sample testing indicates that the Exchequer team are proactively monitoring the level of debt and are working well with the service areas in pursuit of outstanding balances. Again, record keeping
<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Assurance Rating</th>
<th>Area Reviewed</th>
<th>Basis for Assurance Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Design</td>
<td>Compliance</td>
<td>Org Impact</td>
</tr>
<tr>
<td>Creditors</td>
<td>Substantial assurance</td>
<td>Substantial assurance</td>
<td>Minor</td>
</tr>
<tr>
<td></td>
<td>To provide assurance over key controls in relation to order of goods and services and the issuing of payments.</td>
<td>The creditors function is delivered through the Encor Financial Services team, which is shared with Corby Borough Council. The primary objective of the function is to deliver prompt and accurate payments to approved creditors, but only after goods and services have been delivered to required specifications.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Documented procedure notes are available to the relevant officers to enable them to fulfil their creditor responsibilities effectively and efficiently. An appropriate separation of duties exists between key tasks, such as creating and amending supplier standing data; processing an invoice; and processing a payment. Compliance testing of a sample of new suppliers and amendments to supplier standing data, confirmed that key controls were operating as intended.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit Assignment</td>
<td>Assurance Rating</td>
<td>Area Reviewed</td>
<td>Basis for Assurance Opinion</td>
</tr>
<tr>
<td>------------------</td>
<td>------------------</td>
<td>--------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td>Design</td>
<td></td>
<td>Invoices are processed effectively and efficiently and a list of authorised signatories is maintained; compliance testing confirmed that all purchases had been approved in accordance with authorised limits. It is understood that BACS is promoted as the preferred method of payment to all suppliers in order to improve efficiency and reduce the risk of cheque fraud. Sample testing of 10 BACS payments confirmed 100% compliance with key controls tested.</td>
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<td></td>
<td>Compliance</td>
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<td>Robust procedures exist to ensure that the correct bank account details are obtained for council tax and business rates refunds prior to processing for payment by BACS, and compliance testing confirmed that key controls are operating as intended. It is also noted that the Council has been proactive in exploring National Fraud Initiative (NFI) duplicate invoice matches during the financial year to date.</td>
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<td></td>
<td>Org Impact</td>
<td></td>
<td>Internal Audit are unable to provide assurance with regards to the creditors reconciliation process, as it is not known whether the relevant system issues which have been highlighted during the audit, have been investigated and / or resolved at the time of reporting.</td>
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<td>The Council aims to pay all invoices within 30 days, and has agreed a performance target of 100% of invoices to be paid within this timeframe. This target has been</td>
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<td>Audit Assignment</td>
<td>Assurance Rating</td>
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<tr>
<td>Payroll</td>
<td>Substantial</td>
<td>To provide assurance over key controls operating to ensure access to payroll data is restricted to authorised personnel; payroll payments to employees are accurate, timely and secure; payments made to HMRC are accurate and timely; and the payroll data is recorded accurately in the financial system.</td>
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<td></td>
<td>assurance</td>
<td></td>
<td>The payroll function for East Northamptonshire Council (ENC) is administered by the Payroll team at Corby Borough Council (CBC) on a service contract basis. Robust controls must exist and must be consistently exercised to ensure that access to payroll data is restricted to authorised personnel; payroll payments to employees are accurate, timely and secure; payments made to HMRC are accurate and timely; and the payroll data is recorded accurately in the financial system. The Council operates a combined HR and payroll system (iTrent), a review of which identified that access is restricted to appropriate officers in accordance with their role and responsibilities, and an appropriate separation of duties exists for all key stages of the payroll process. Robust controls exist with regards to employee deductions and sample testing confirmed that key controls had operated as intended in all cases tested. Compliance testing of a sample of changes to employee standing data and temporary payments confirmed that all had been properly approved and agreed to the relevant employee’s payslip on the iTrent system. Compliance testing of a sample of new starters confirmed that key controls had operated as intended and contractual terms and conditions had been agreed by the employee in all cases tested. For leavers, a</td>
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<td>standard leaver form had been completed and submitted by HR in all relevant cases tested and final salary payments were found to be accurate. The Council’s payroll is processed on a monthly basis and sample testing of exception reports, the BACS payment run process and payments to HMRC confirmed that key controls had operated as intended in all cases tested. It is understood that an establishment audit process has recently been introduced, as such, family trees will be reviewed and signed off by the relevant line manager during quarterly HR meetings, in order to provide assurance that the establishment list is accurate and up to date. Internal Audit testing confirmed that payroll reconciliations were complete and accurate, but were not always prepared or reviewed in a timely manner.</td>
</tr>
<tr>
<td>Main accounting</td>
<td>Substantial assurance</td>
<td>Substantial assurance</td>
<td>To provide assurance over controls in place to ensure the Council’s financial statements are produced accurately and promptly. This includes access to the financial systems, Creation of general ledger codes; journals; bank reconciliations; and suspense accounts.</td>
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<tr>
<td></td>
<td>Minor</td>
<td></td>
<td>The maintenance of accurate and complete records on the main accounting system (Civica Financials) is central to the Council’s overall framework of financial control. The effective operation of controls to maintain accurate records is pivotal in ensuring the annual financial statements are produced accurately and promptly. Robust controls exist for granting and removing access to the Council’s main accounting system and quarterly system access reviews are undertaken by EnCor Financial Services to provide assurance that user access</td>
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<td>Audit Assignment</td>
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<td>Design</td>
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<tr>
<td>Treasury management</td>
<td>Substantial assurance</td>
<td>To provide assurance that:</td>
<td>The treasury management function is delivered in house by the Treasury Management Accountant. The Council’s Treasury Management Strategy Statement (TMSS) and Capital Strategy for 2019/20 were approved by Council on 4th March 2019, and the majority of matters detailed are consistent with the requirements of the CIPFA Code of Practice 2017, the CIPFA Prudential Code 2017, the MHCLG Guidance on MRP 2018 and the MHCLG Guidance on Local Government Investments 2018. The Council is required to receive and approve, as a minimum, three main treasury management reports each year in accordance with the key recommendations of the CIPFA Code of Practice 2017. It is noted that whilst the Council have received two such reports, in addition to quarterly performance reports, they did not receive a copy of the 2018/19 annual report which was presented to the Finance and Performance Sub-Committee on 7th May 2019.</td>
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<tr>
<td></td>
<td>Good assurance</td>
<td>- The treasury management function is conducted in line with statutory and regulatory requirements and best practice guidance;</td>
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<td></td>
<td>Minor</td>
<td>- Investments are appropriately safeguarded;</td>
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<td>- Transactions and records are complete, accurate and timely;</td>
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<td>- Returns on investments are managed appropriately; and</td>
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<td>- The treasury management function is resilient.</td>
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<td>All officers involved in the treasury management function have appropriate qualifications and experience relevant to their role, and the Council has appointed external treasury management advisors to provide advice and guidance with regards to minimising costs of</td>
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| Design           | Compliance       |               | borrowing and maximising returns on investments. The need to borrow is kept under constant review and whilst there was no need to borrow at the time of audit, it was noted that the Council may need to borrow later in the financial year, as approved by Council on 4th March 2019. The Council’s investment priorities are security first, liquidity second, followed by return, and the forecast outturn position at the time of audit for 2019/20 was a surplus of £47k, which exceeds the original income target by 45%.
|                  | Org Impact       |               | A review of 14 treasury management investments identified that whilst key controls had operated as intended in the majority of cases tested, an appropriate audit trail was not always held on file to demonstrate the decision-making process which had taken place. It is noted that the Council has appropriate fidelity insurance cover in place for officers engaged in treasury management activities.
<p>|                  |                  |               | Sample testing of two treasury management investment reconciliations identified that both had been signed by an independent officer; some areas of improvement were identified with regards to the audit trails in place for returns on investments. |</p>
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<th>Audit Assignment</th>
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<th>Basis for Assurance Opinion</th>
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<tbody>
<tr>
<td>Governance &amp; Counter Fraud</td>
<td>Design</td>
<td>Compliance</td>
<td>Org Impact</td>
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<tr>
<td>Procurement compliance</td>
<td>Minor</td>
<td>The Council’s Contract Procedure Rules (CPRs) are designed to ensure probity and value for money when procuring goods, works or services that meet the needs of local residents and comply with legal and regulatory requirements. This audit was carried out to provide assurance over compliance with the Council’s CPRs to ensure contracts are procured in a fair and transparent manner and achieve value for money.</td>
<td>The Council’s Contract Procedure Rules (CPRs) are designed to ensure probity and value for money when procuring goods, works or services that meet the needs of local residents and comply with legal and regulatory requirements. The Council’s CPRs are included within the Council’s Constitution and were last reviewed and approved in December 2019. The CPRs are supported by detailed, practical guidance available in the Procurement Toolkit. This is a comprehensive guide of each stage of the procurement cycle, including all the latest procurement templates and forms. This audit was carried out to provide assurance over compliance with the current CPRs to ensure contracts are procured in a fair and transparent manner and achieve value for money. The testing covered all of the key procurement thresholds. Testing confirmed that controls had been exercised to achieve and evidence value for money and compliance with the CPR requirements was achieved in most cases. The contract register is published quarterly on the Council’s website in accordance with the Local</td>
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<td>Government Transparency Code together with all expenditure over £500. Review of expenditure reports for 2019/20 identified three suppliers with spend of over £50k that was not recorded on the contracts register. Subsequently these were added to the contracts register.</td>
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**Corporate & Cross Cutting**

**Asset management**

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<thead>
<tr>
<th>Limited assurance</th>
<th>Limited assurance</th>
<th>Major</th>
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<tbody>
<tr>
<td>To provide assurance over the management of the Council’s assets and delivery of maintenance/management plans.</td>
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The Council has a range of responsibilities in relation to the ongoing maintenance and inspection of its corporate buildings, in order to ensure these comply with relevant legislation and standards and align with its duty of care to staff and users of the buildings. In addition, the Council must manage the risks arising from the management of its wider portfolio of properties and seek to maximise income to be generated from these to support front line services. There are many aspects of property management which are required if the assets are going to be maintained properly and the landlord/tenant relationship is to remain effective.

The audit has highlighted a number of risks across the Council’s asset management framework which require urgent action – in relation to both statutory compliance across the Council’s buildings and estate management.
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<th>Basis for Assurance Opinion</th>
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<td></td>
<td>Design</td>
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<td>Due to a lack of evidence held by the Council, Internal Audit is unable to provide assurance over the Council’s compliance with statutory inspection regimes including those for gas, electricity, fire safety and water safety. Officers have identified a number of areas for improvement in recent times and work has been underway to address a number of crucial gaps in the framework, such as the commissioning of legionella, Radon and asbestos surveys and a fire risk assessment. However, the record keeping remains inadequate to support and enable effective monitoring of issues identified by the surveys and to provide necessary assurances. There is no up-to-date asset management plan nor mechanical and electrical list and officers do not hold information in relation to many key assets or any inspections relating to these. Where evidence of an inspection/audit has been provided, these have raised a number of high priority issues requiring urgent action but there is no evidence of these findings feeding into any prioritised, monitored action plans and no evidence of remedial works taking place. Walk arounds performed during the audit identified a number of risks which had been identified during inspections over a number of years, with no action having been taken to address these since the inspections. It is noted that the</td>
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<td>Council does not currently have an estate management function and, as such, it is understood that the responsibilities associated with estate management have diverted resources from the facilities management team.</td>
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<td>In relation to the property portfolio, record keeping requires improvement to ensure tenancies are reflected in the central register and 83% of let properties have no current lease in place. There is no evidence of active property management in relation to the business units held with no rent reviews, no marketing of vacant units and no renewing of leases upon expiry. There have been no stock inspections nor visits to the units and evidence was found of at least one unit being sublet without the Council’s agreement. Where a unit has a lease in place, the terms are so variable that there is a lack of consistency between properties and a failure to include key clauses such as prohibiting structural changes, which incur significant costs to the Council to rectify upon the termination of the lease. This reflects the lack of a dedicated estates management function, as noted above.</td>
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<td>Audit Assignment</td>
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<tr>
<td>Temporary workers</td>
<td>Limited assurance</td>
<td>To provide assurance over the Council’s processes for appointing temporary staff, including compliance with Council policies, statutory requirements and the achievement of proper value for money.</td>
<td>The amount historically spent on temporary workers has not been material, but more recently the impending move to unitary authorities in Northamptonshire has contributed to more staff vacancies arising and greater difficulty in recruiting permanent replacements. This has contributed to increased expenditure during 2018/19 and into 19/20 on temporary workers. The total spend on temporary workers was £411,124 in 2018/19 and was standing at £438,252 in 2019/20 (to October 2019).</td>
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<td>Satisfactory assurance</td>
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<td>There are currently no formal procedures in place to regulate the process for engaging temporary workers. As there is no central involvement in engaging such workers from the HR department, appointing managers are responsible for ensuring that recognised best practice is followed. The results of audit testing on a sample of 15 temporary workers (12 agency, 3 contractors) from IT (7), Planning &amp; Development (6) and Resources/Economic and Commercial Development (2) highlighted mixed results, with some engagements supported by a reasonable level of evidence to demonstrate that expected controls had been applied, whilst such evidence was less available in other instances. In all cases, evidence to support the selection and engagement process was not readily available and</td>
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<td>Audit Assignment Design</td>
<td>Assurance Rating Compliance</td>
<td>Area Reviewed</td>
<td>Basis for Assurance Opinion</td>
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required appointing managers to search through emails and files to provide documentation requested by the auditor. Common areas of risk highlighted by audit testing included:

- Lack of evidence to demonstrate that the decision to engage temporary workers is subject to formal, prior approval at an appropriate level within the organisation.
- Lack of evidence to demonstrate that workers held appropriate qualifications, had clearance to work in the UK and were supported by adequate references from previous roles.
- Gaps in evidence to demonstrate that relevant legislation, such as HMRC IR35 rules and Agency Worker Regulations had been complied with.
- Gaps in evidence to demonstrate that temporary workers had received a formal induction.
- Failure to comply with Contract Procedure Rules when appointing contractors to fill temporary roles.
- Lack of a formal tendering process to appoint and agree formal contracts with employment agencies.

In conclusion, this audit has highlighted the requirement for the Council to compile and implement
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<tr>
<td>Design</td>
<td>Compliance</td>
<td>Org Impact</td>
<td>documented procedures that give guidance to appointing managers on the controls that need to be applied when engaging temporary workers.</td>
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**Delivery of Corporate Objectives – customer focused services**

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<tr>
<th>Waste contract management</th>
<th>Substantial assurance</th>
<th>Good assurance</th>
<th>Minor</th>
<th>To provide assurance over the effective management of this key contract, following award in 2018.</th>
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<td>The model of service delivery adopted by the Council includes the engagement of external contractors to provide a range of services to the public. Effective management of those contracts is critical to achievement of the Council’s objectives. The Council’s waste management contract includes waste collection, recycling, street cleaning and associated services. The contract was awarded to FCC Environment Services (UK) Limited in early 2018 and commenced on 1st August 2018 for a period of seven years.</td>
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<td>Appropriate arrangements are in place to ensure that services are delivered in accordance with the overall contract specification. Waste collection and street cleaning is a high profile customer facing service such that any significant performance issues would soon become evident. In addition, corporate performance indicators (PIs) include a range of waste services measures that are regularly monitored and reported. Contractual service standards and targets are also in place, although these are not routinely monitored and there are some inconsistencies with the corporate measures.</td>
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<td>Homelessness Reduction Act compliance</td>
<td>Substantial assurance Substantial assurance Minor</td>
<td>To provide assurance over the management of homelessness applications and compliance with the Council’s duties under the Homelessness Reduction Act 2017.</td>
<td>Arrangements for ensuring ongoing compliance with statutory, regulatory and contractual insurance requirements are currently being developed. Budget monitoring and invoice checking and payment arrangements are sound. However, there was an error in the calculation of unit rates for one area of service at the commencement of the contract. Consequently, there has been an overpayment of approximately £10k identified by Internal Audit that needs to be recovered from the contractor. Annual price adjustment calculations for 2019 are currently in progress and will be completed when the relevant indices are finalised. Independent checking of the final calculations should be recorded and retained. 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</td>
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<td>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-</td>
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<td></td>
<td>Design</td>
<td>Compliance</td>
<td>Org Impact</td>
<td>To provide assurance over the effective management of this key risk for the Council, including monitoring, partnership working and initiatives.</td>
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<tr>
<td>Community safety and ASB</td>
<td>Good assurance</td>
<td>Good assurance</td>
<td>Minor</td>
<td>The 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. 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</td>
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<td></td>
<td>Design</td>
<td>Compliance</td>
<td>Org Impact</td>
<td>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</td>
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<td></td>
<td>Design</td>
<td>Compliance</td>
<td>Org Impact</td>
<td>regularly reported to Management.</td>
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<tr>
<td>Delivery of Corporate Objectives – customer focused services</td>
<td>Good assurance</td>
<td>Good assurance</td>
<td>Minor To provide assurance over project management arrangements for the delivery stage of this key project.</td>
<td>At the time of audit it was evident that the project was being well managed and that appropriate governance arrangements were in place or being developed. There had been some slippage in the appointment of the design team due to the need to review funding options following the unsuccessful ERDF bid. However, funding arrangements had recently been approved by the Council and the project was back on track. Action needed to be taken to ensure that internal staff resource requirements were clearly specified and that project governance arrangements were fully documented and evidenced - for example, documenting the benefits realisation process, development of the procurement strategy, preparation of a risk register and establishing the project reporting format. A communications plan also needed to be developed now that the project had resumed following the recent funding decision.</td>
</tr>
<tr>
<td>Enterprise centre (embedded assurance stage 2)</td>
<td>Good assurance</td>
<td>Good assurance</td>
<td>Minor</td>
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