



Governance & Audit Committee – 25th November 2020

Internal Audit – Progress and Performance

Purpose of report

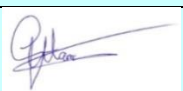
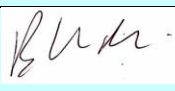
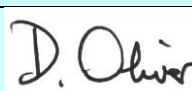
To provide Members with information on the progress made by Internal Audit on the delivery of the Annual Internal Audit Plan for 2020/21 and associated measures of performance.

Attachment:

Appendix A: Progress Report for 2020/21 to week 32

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 2020/21 Annual Audit Plan and support to the organisation.
1.2	The Public Sector Internal Audit Standards require periodic reporting to the 'Audit Committee', including the performance of Internal Audit against the agreed plan and any key findings regarding the council's risk management and control arrangements highlighted in the course of work completed.
2.0	Progress with the Annual Audit Plan
2.1	Appendix A provides information on the progress made on each of the audit assignments along with performance information for the Internal Audit service. In order to provide Members with the most current performance information the report analyses Internal Audit's performance to the end of week 32 (6 th November 2020).
2.2	Fieldwork is complete or underway on a number of audit assignments. At the time of reporting, 56% of the assignments are complete or in progress. This is despite the Internal Audit team ceasing work on any assignments which could pose any disruption to council services during quarters one and two of the financial year. Audit delivery has now recommenced in areas where it has been agreed with senior management that the fieldwork will not divert resource from key pandemic response roles and can be delivered remotely. Further details are shown in Appendix A to the report.
3.0	Important issues to consider
3.1	Details 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	Privacy Implications

6.1	There are no privacy implications arising from the report.
7.0	Health Implications
7.1	There are no health implications arising from the report.
8.0	Risk Management
8.1	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.
9.0	Resource and Financial Implications
9.1	There are no resource or financial implications arising from the report.
10.	Constitutional Implications
10.1	The report does not require any amendment to the Council's Constitution.
11.0	Customer Service Implications
11.1	There are no customer service implications arising from the report.
12.	Corporate Outcomes
12.1	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.
13.0	Recommendation
13.1	<p>The Committee is recommended to</p> <p>(1) Note the progress and performance of the Internal Audit service and the key findings from audits delivered during the period.</p> <p><i>(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)</i></p>

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: 6 th November 2020					
CFO 12/11/20		MO 12/11/10		CX 12/11/20	



EAST NORTHAMPTONSHIRE COUNCIL
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE
NOVEMBER 2020



Date: 25th November 2020

Introduction

- 1.1 LGSS provides the Internal Audit service for East Northamptonshire Council and has been commissioned to provide 230 days to deliver the 2020/21 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 2020/21 be delivered?

LGSS has been set the objective of delivering at least 90% of the Internal Audit plan for 2020/21 to draft report stage by the end of March 2021.

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 23, the team had been delivering 94% 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.

At the time of reporting, there are 37 audit recommendations which remain overdue for completion. Further details are provided in Tables 3 and 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, a two audit assignments have been completed – one of which related to a grant certification. The key findings of the audit assignment are as follows:

Building control

The Council's Building Control service is responsible for ensuring compliance with the Building Regulations 2010. Customers have a choice with regards to which building control body they would like to use on their project, as such, the Council's Building Control service must be able to demonstrate value for money, in order to maximise income.

The Building Control (Local Authority Charges) Regulations 2010 revoke and replace the Building (Local Authority Charges) Regulations 1998 and came into force on 1st April 2010. The Regulations authorise local authorities to fix their own charges in a scheme, based on the full recovery of their costs, for carrying out their main building control functions relating to building regulations.

The ENC Building Regulations and Building Control Charges were approved by Full Council on 2nd March 2020 and are published on the Council's website. The ENC charges and a method of establishing the building control charges have been devised in the Scheme for the Recovery of Building Regulation Charges and Associated Matters for the functions prescribed in The Building (Local Authority Charges) Regulations 2010. The Scheme explains that the charge for providing a chargeable function or chargeable advice is based on the principle of achieving full cost recovery.

A benchmarking exercise has been undertaken to compare and contrast the Council's Building Control income received against those of a sample of other local authorities within the LGSS client base. The income received from building control service seems to compare well with neighbouring authorities. However, it was noted that ENC's service has made a deficit in the last two years based on chargeable costs. It is anticipated that the transfer to the Unitary council in April 2021 will provide new opportunities for building control with an opportunity to reduce overheads considerably. Officers are also considering some adjustments for 2020/21 to ensure a better budget outcome.

Sample testing of 16 building control applications was carried out to provide assurance over compliance with the current building control application processing. The testing covered building notice, full plan and regularisation applications. Sample testing identified 100% compliance with key controls in all the relevant cases.

Performance monitoring and/or reporting does currently exist within the Council's Building Control service. Building Control is included in the quarterly / annual collection of information relating to Key Performance Indicators and the Risk Register.

A clear, robust and independent complaints procedure exists, and it is understood that no complaints had been received in relation to the Building Control service in 2020.

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	

Table 1 - Progress against 2020/21 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	0.5	Q4	Planning					
Payroll	14	-	Q4	Not started					
Main accounting system	12	-	Q4	Not started					
Cyber security - follow up	12	3	Q3	Not started					
Absence management	10	10	Q2	Fieldwork complete					
Establishment control	7	6	Q2	Draft report issued					
Local taxation	15	-	Q3	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>
GDPR - follow up	7	1	Q2	Fieldwork underway					
Human Resources SLA (consultancy)	10	0.5	Q3	Planning					
Corporate Objective: Financial Stability									
Asset management – follow up	12	-	Q2/3	Planning					
Corporate Objective: Customer Focused Services									
Building control	12	12	Q1	Final report issued	To provide assurance over the efficient and effective delivery of the service, supported by benchmarking against other authorities where appropriate.	Good assurance	Good assurance	Minor	See section 2.5
Contractor Health & Safety	12	10	Q3	Fieldwork complete					
Corporate Objective: Regeneration & Economic Development									
Enterprise Centre – embedded assurance	12	4.2	Q1 – Q4	Final report issued – June 20	To provide assurance over the post delivery stage of the project.	Substantial assurance	Substantial assurance	Minor	Reported in September 2020
Contingency									
Unitary council preparations	11	-	TBC	As required					

<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>
Disabled facilities grant	2	3	Q2	Complete	Verification sent to NCC	N/A			
Covid 19 – pro-active support and advice	-	6.5		As required					
Total	180	57							

Other Support	<i>Budget days</i>	<i>Actual days</i>	<i>Comments</i>
Advice & Assistance	2	1	
Committee Work, Support & Annual Report	10	4.5	
Recommendation Follow-Up and Client Meetings	10	5.2	
External Audit liaison	1	-	
Strategic Mgt & Audit Planning	5	0.5	
NFI & AGS	2	1	
Unavoidable interruptions e.g. ICT interruptions / fire alarms etc.	-	-	
Management of the Internal Audit service	20	8	
Total	50	20.2	

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	-	-	1	-	-
Communication during Assignments	-	-	1	-	-
Quality of Reporting	-	1	-	-	-
Quality of Recommendations	-	-	1	-	-
Total	-	1	3	-	-

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	5%	1	17%	2	5%
Actions due within last 3 months, but not implemented	-	-	2	9%	-	-	2	5%
Actions due over 3 months ago, but not implemented	11	100%	19	86%	5	83%	35	90%
Totals	11	100%	22	100%	6	100%	39	100%

Table 4 – Actions overdue

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
Cyber Security 2018/19	High / Medium	There are currently 16 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.	N/A – monitored via separate reporting	ICT Manager	Various	
Community Safety and ASB 2020/21	Medium	Ensure Community Safety Officers receive enforcement training to be fully equipped with knowledge in dealing with cases involving enforcement actions.	Specific training opportunities had to be postponed due to Covid but will be taken up if available going forward towards reorganisation. This is an area identified in the FN programme for community safety.	Community Partnerships Manager	30/09/2019	TBC
Business continuity 2018/19	High	An exercise in recovery of data from back-ups should be performed to provide assurance that the plan is deliverable and mitigating arrangements are fit for purpose.	To take place after new network and firewall in place and PSN submission has been made. Unplanned tests have not seen any data loss. A DR test needs to be planned backed up by the Disaster recovery plan	ICT Manager	31/10/2019	Not provided
Community Safety and ASB 2020/21	Low	Once the North Northamptonshire CSP plan is developed it should be made available on the ENC website.	The target date for approving the new North Northamptonshire Community Safety	Community Partnerships Manager	30/11/2019	30/09/2020

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
		Publication of the plan will assist in promoting public understanding of partnership working.	Partnership plan is 22 October 2020. An update on progress will be included at 30.09.20.			
Local Plan process 2020/21	Medium	Quality standards should be set and effective quality assurance mechanisms should be in place to review and report quality.	Meeting to be arranged with Corporate Support team to discuss design of appropriate and measurable quality standards in addition to existing quarterly performance monitoring indicators.	Head of Planning Services	30/11/2019	Not provided
Waste contract 2020/21	Medium	Review contract performance monitoring arrangements to ensure consistency of targets with corporate KPIs	New end date suggested - 31/12/2020 - annual review will be complete by then.	Waste Services Manager	31/01/2020	31/12/2020
Asset Management 2019/20	High	A record must be produced and maintained of all properties and should feature the following: <ul style="list-style-type: none"> • Inspections to be completed; • Frequency of inspections; • Last date performed; • Outcomes/results; • Records of all actions arising, works orders and completion of actions (reviewed and signed off by a manager). This must record all inspections.	Corby support now not taking place due to COVID 19 Records up to date for all aspects of statutory compliance for operational buildings. The work on records regarding commercial buildings underway now an interim PMQS in in post. The O&M Manual for the Enterprise Centre is complete and a copy with FM. The impact on the target date for the non operational buildings is to move this back to 31 March 2021.	Facilities Manager	31/03/2020	31/03/2021

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
Asset Management 2019/20	Medium	An accessibility audit should be performed on all Council buildings.	To be undertaken once OTP in finished and to align with move toward NN Council – 28 Feb 2021	Facilities Manager	31/03/2020	31/12/2020
Asset Management 2019/20	Medium	Fire warden training	Not possible with COVID and reduced work force in office - senior FW training planned for fewer staff (6-10) to ensure appropriate skills/ knowledge levels on site – to be planned for early in the new year to align with move toward NN Council – 31 January 2021	Facilities Manager	31/03/2020	31/12/2021
Asset Management 2019/20	Medium	Money laundering checks	Money laundering / identity checks for the Enterprise Centre are in place and will be developed for other commercial property as part of the review process once an interim resource is in place. The impact on the target date is to move this back to 31 March 2021.	Facilities Manager	31/03/2020	31/03/2021
Asset Management 2019/20	Medium	Performance management	Corby support now not taking place due to COVID 19. Some initial discussion as part of the One Public Estate work programme and some ad hoc work undertaken on an as and when basis as required. The work to review is underway	Head of Economic and Commercial Development	31/07/2020	31/03/2021

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
			now interim PMQS in place. The impact on the target date is to move this back to 31 March 2021.			
Asset Management 2019/20	Medium	An Asset Management Plan should be developed – even if this is a high level plan to March 2021, given the impending unitary council changes.	Delayed due to Corby position and COVID – new suggested target 31 Jan 21 (maybe sooner depending on resources and workloads with COVID).	Head of Economic and Commercial Development	30/09/2020	31/01/2021
Main Accounting System 2019/20	High	The bank reconciliation should be completed, independently reviewed and approved on a monthly basis. Following the review process, a standard, brief statement should be provided above the signature to clarify and confirm what the reviewer is confirming has been checked (i.e. accuracy, completeness and consistency with source documentation). In addition, unreconciled items and unrepresented cheques exceeding a six month period should be investigated and cleared promptly.	Finance have been undertaking a complete and thorough review of the reconciliation process. As 2019/20 accounting period is still open we have begun with April 2019. This review began w/c 28 September, currently on December with a unreconciled difference £8k. Finance expect to complete the review to March 2020 by the end of November at which point there will be a clear understanding of the 2019/20 position. The entire process is manual and so does take time. For 2020/21 the reconciliation of receipts and payments is up to date. The unrepresented cheques will follow on from the	Finance Services Manager	31/03/2020	31/12/2020

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
			2019/20 review. Finance expect to have the updated reconciliation sign off and review control in place by December 2020.			
Temporary staffing 2019/20	Medium	Managers should be reminded of the requirement to ensure that a formal induction process is completed for all temporary workers. This should include completion and signing of the induction checklist, fire induction and health and safety induction.	To be completed by 10/07/20 - On hub Agency Induction checklist	HR Manager	31/03/2020	10/07/2020
Temporary staffing 2019/20	Medium	The approval process that works well for permanent posts through the CMT should be extended to include approval to utilise temporary workers on occasions when permanent appointments have not been possible. Approval through the CMT for temporary cover for sickness and other long term absences should also be included. All approvals to engage temporary workers should include a specified period, so that re-approval is necessary if temporary cover arrangements are extended beyond this date.	Partial completed - agreed at CMT - new process to be put in place but delayed due to situation - to be rolled out by Sept 20	HR Manager	31/03/2020	30/09/2020
Main Accounting System 2019/20	Medium	Sample checking of journals should be undertaken on a quarterly basis and the Group Accountant should receive an email to confirm that this process has been completed accordingly.	Due to some recent ICT system issues between Corby and ENC ICT systems this work is still ongoing has not yet been completed. It is still planned that electronic authorisation will be in place by 31 December 2020.	Finance Services Manager	31/03/2020	31/12/2020
Temporary staffing 2019/20	Medium	A central record should be maintained to demonstrate that the IR35 status of all temporary	No update received	HR Manager	31/03/2020	

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
		workers has been confirmed. This should be supported by retained copies of HMRC IR35 assessment checklists that are identifiable to individuals/posts.				
Temporary staffing 2019/20	Medium	Clear guidance should be issued to managers on the steps to be taken to satisfy AWR if engagements that were initially due to finish before 12 weeks are extended beyond that period.	Further guidance to be issued and put on Hub by end of July. Agency spreadsheet is set up.	HR Manager	31/03/2020	31/07/2020
Temporary staffing 2019/20	Low	The Council should ensure that all managers are aware of the change in procedures to ensure that temporary workers cannot access the Council's IT systems until they have signed a compliance statement in respect of IT security and data protection policies.	Currently in discussion that this needs to be carried out, HR believe this should be carried out at the Agency.	ICT Manager	30/04/2020	TBC
Temporary staffing 2019/20	Low	The Council should ensure that all managers are aware of the change in procedures to ensure that temporary workers cannot access the Council's IT systems until they have signed a compliance statement in respect of IT security and data protection policies.	Currently in discussion that this needs to be carried out, HR believe this should be carried out at the Agency.	ICT Manager	30/04/2020	TBC
Enforcement action in Environmental Services 2018/19	Low	Documented operational procedure notes.	Health Protection - Updated procedures have been published which are in line with those across the county and there are no material changes. COMPLETE Waste Services - Work is ongoing and now part of the wider Unitary transformation. Policy gap	Health Protection Manager	30/04/20	30/04/2021

Audit Title and Year	Priority	Issue / Outstanding Action	Latest update	Officer Responsible	Original Date	Revised Date(s)
			<p>analysis complete and Standard Operating Procedures are being developed as part of the county wide enforcement group activities - NEW END DATE SUGGESTED 30/04/2021</p> <p>Environmental Protection and Housing - Work is ongoing through LGR working with North Northants. Some quick processes improvements were made in terms of housing processes agreed jointly with the North councils the rest will be picked up through LGR - NEW END DATE SUGGESTED 30/04/2021</p>			
Procurement 2019/20	Medium	<p>Officers need to ensure that any contracts over £25k that are entered into as a result of an approved exemption are included on the Council's Contracts register and the contract award notice published on Contracts Finder.</p> <p>Further information should be added to the procurement toolkit and/or CPRs to specify the requirement to publish contract award notices following an exemption.</p>	Updated CPRs and toolkit drafted and shared with management for agreement.	Head of Procurement	30/09/2020	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.