



HARBOROUGH DISTRICT COUNCIL

INTERNAL AUDIT UPDATE

SEPTEMBER 2017



Date: 20<sup>th</sup> September 2017

## ***Introduction***

- 1.1 LGSS provides the internal audit service for Harborough District Council and has been commissioned to provide 235 audit days to deliver the 2017/18 Annual Audit Plan and undertake other work commissioned by the Council.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Governance and Audit Committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Consortium.

## ***Performance***

### **2.1 Delivery of the Audit Plan for 2017/18**

LGSS has been set the objective of delivering at least 90% of the Internal Audit plans for 2017/18 to draft report stage by the end of March 2018.

At the date of writing 29% of the plan is at report stage - three have been finalised and one is currently in draft awaiting a management response. Fieldwork is underway on a further four assignments (29%) and the Audit Planning Record has been issued for one other assignment which will commence once agreed by management.

Progress on individual assignments is shown in **Table 1**.

### **2.2 Delivery within budget**

Internal Audit is on target to deliver the audit plan within the 235 days budget. Any overruns on individual assignments are managed within the overall budget.

### **2.3 Client satisfaction**

No customer satisfaction questionnaires have been returned so far this year.

### **2.4 Productivity**

As at the latest possible date for reporting purposes, current members of the audit team have been delivering 93% productivity against the target of 90%.

### **2.5 Outstanding audit recommendations**

Since the last Governance and Audit Committee meeting, five actions arising from Internal Audit reports have been implemented.

At the date of reporting, there are 25 agreed management actions which are due but yet to be confirmed as implemented.

An analysis of the implementation of actions is provided in **Table 2**. Full details of all high and medium priority recommendations overdue for more than three months are provided in **Appendix B**.

## 2.6 **Emerging issues**

Copies of all Internal Audit reports are provided to the Chairman of the Governance and Audit Committee when finalised and presented to the next available committee meeting.

Since the last Governance and Audit Committee meeting, three Internal Audit reports have been finalised. A full copy of all audit reports is provided in **Appendix C**. No significant weaknesses in the control environment have been identified by Internal Audit.

**Table 1 - Progress against 2017/18 Internal Audit Plan**

<b>Assignment</b>	<b>Assurance sought</b>	<b>Budget days</b>	<b>Actual days</b>	<b>Status</b>	<b>Planned start</b>	<b>Assurance Rating</b>	<b>Comments</b>
<b>Governance and Counter Fraud</b>							
Counter Fraud & Ethical Governance	Review of the Council's counter fraud arrangements and compliance with best practice in relation to fraud prevention and detection and ethical governance (including whistleblowing, gifts & hospitality and declaration of officer interests). To include review of Local Code of Governance. To provide independent, objective assurance on these areas and support annual opinion.	11	1.4	Fieldwork underway	N/A		
Data Management & CCTV	To provide assurance over the Council's procedures and controls to ensure data is held, handled and disposed of in a secure manner and in compliance with the Data Protection Act and any data loss incidents are suitably reported and acted upon. To include a review of the management of the Council's CCTV network and compliance with regulations.	22	4.0	Fieldwork underway	N/A		
Pro-active Counter Fraud work	To support the Council's management in embedding and publicising the Counter Fraud policies and procedures - awareness campaigns/review of policies/pro-active cyber security work, as required.	5	0	Not started	TBA		
<b>Key Corporate Controls and Policies</b>							
Financial System Key Controls	To provide assurance over the design and compliance with key controls within the Council's financial systems. Undertaken on an annual basis, with a cyclical approach to testing. To provide s151 assurances.	30	0	Not started	Q4		

<i>Assignment</i>	<i>Assurance sought</i>	<i>Budget days</i>	<i>Actual days</i>	<i>Status</i>	<i>Planned start</i>	<i>Assurance Rating</i>	<i>Comments</i>
Business Continuity Management and IT Disaster Recovery	To review the Council's business continuity arrangements and plans for in house IT Disaster Recovery. To provide assurance that in the event of an unplanned incident/cyber-attack, the Council could maintain an appropriate level of continuous service delivery, minimise costs and damage and whether plans would be accessible and fit for purpose to re-establish normal service levels.	15	0	Not started	Q4		
Procurement Compliance	To provide assurance over compliance with Contract Procedure Rules on the procurement of goods and services across the Council. To inform annual assurance opinion in relation to value for money and counter fraud.	7	0	Not started	Q3		
Health and Safety	To provide assurance that the Council, as an employer, is operating in accordance with health and safety regulations and legislative requirements.	12	13.8	Draft report	N/A		
<b>Corporate Objective: To provide public services which are effective and deliver value for money</b>							
Data Quality	To review whether the data collected to monitor the performance of the Council is suitably targeted and meaningful and to provide assurance over whether the data reported is complete, accurate and reliable.	15	18.0	<b>Final report issued</b>	N/A	Environment: Good Compliance: Satisfactory Impact: Minor	See appendix C(i)
Absence Management – Follow up	To follow up on implementation of the actions agreed to address the weaknesses in the control framework identified by the Internal Audit review in 2016/17. To provide assurance over the embedding of improvements and the effectiveness in practice.	7	0	Not started	Q4		

<i>Assignment</i>	<i>Assurance sought</i>	<i>Budget days</i>	<i>Actual days</i>	<i>Status</i>	<i>Planned start</i>	<i>Assurance Rating</i>	<i>Comments</i>
<b>Corporate Objective: To support the vulnerable in the community where they live</b>							
Housing Options and Homelessness	To provide assurance that there are adequate processes and controls in place to ensure that housing and homelessness applications are treated in accordance with established local policies and national legislation.	15	16.7	<b>Final report issued</b>	N/A	Environment: Good Compliance: Substantial Impact: Minor	See appendix C(ii)
Lifeline Service (consultancy)	To provide independent consultancy work to support the options appraisal and decision making process on the future of the service in 2017.	10	1.3	Fieldwork underway	N/A		
<b>Corporate Objective: Working with communities to develop places in which to live and be happy</b>							
Leisure Services Project	To engage with the project and issue reports at key stages – including assurance over the management of risks, consultation and communications, procurement, use of resources and plans and governance and decision making.	15	0.1	Awaiting sign-off of planning record.	N/A		
Local Plan Project	To continue to engage with, and review, the project throughout the key stages of its lifecycle. To provide assurance over the effective management of the project and its risks and the actions being taken to ensure challenging milestones are delivered. Work commenced in 2016/17.	12	0.7	Fieldwork underway	N/A		
Constitutional Planning Delegations	To provide independent assurance over the number of cases affected by recent issues identified with compliance with delegations on planning decisions and compliance with other delegations within the Planning service, on a sample basis.	5	6.1	Final memo issued	N/A	N/A – this was a data validation audit rather than a controls assurance audit.	

<i>Assignment</i>	<i>Assurance sought</i>	<i>Budget days</i>	<i>Actual days</i>	<i>Status</i>	<i>Planned start</i>	<i>Assurance Rating</i>	<i>Comments</i>
<b>Other support</b>							
Client Management and Support		33	5.8				
Consortium Management		21	5.2				
<b>TOTAL</b>		<b>235</b>	<b>73.1</b>	<b>31%</b>			

## Notes

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
<b>Substantial</b>	●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
<b>Good</b>	●	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.
<b>Satisfactory</b>	●	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.
<b>Limited</b>	●	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.
<b>No</b>	●	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
<b>Major</b>	●	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.
<b>Moderate</b>	●	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.
<b>Minor</b>	●	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: 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 <b>implemented</b> since last Committee meeting	0	-	5	29%	1	8%	<b>6</b>	<b>19%</b>
Actions due within last 3 months, but <b>not implemented</b>	0	-	0	-	4	31%	<b>4</b>	<b>13%</b>
Actions due <b>over 3 months</b> ago, but <b>not implemented</b>	1	100%	12	71%	8	61%	<b>21</b>	<b>68%</b>
<b>Totals</b>	<b>1</b>	<b>100%</b>	<b>17</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>31</b>	<b>100%</b>

## ***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 & 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 the consortium 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 & 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.