Internal Audit Update
March 2021

HARBOROUGH DISTRICT COUNCIL

Date: 4th March 2021

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 2020/21 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 and Standards 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 2020/21**

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

At the date of writing, two reports have been finalised and fieldwork is underway on a number of further assignments. Some amendments to the audit plan have been made in light of changes in the risk environment and availability of officers. These are set out as follows and have been agreed by the Chairman of the ~~Governance and~~ Audit and Standards Committee and the s151 Officer, under approved delegations:

- The planned audit of Asset Management has been postponed pending ongoing work on an Asset Management Plan. Officers advise that this is due for completion in 2021 and will then provide a basis for the audit work in 2021/22. The days allocated to this have been re-allocated to a review of a number of asset-related projects and lessons learnt arising from these;
- The planned audit of Customer Service Standards has been postponed on the basis that this audit would add little value at this time due to ongoing work to review customer service standards. This had been assessed as a lower risk audit and removal from the plan does not impact on the annual opinion. The days allocated are being applied to pro-active work supporting investigation support on business grants highlighted as potentially fraudulent and requiring independent review. There is one such grant currently under review; and
- No report is to be issued at this time on the Leisure project, pending ongoing work in this area. Internal Audit remain in contact with the project leads and available, as required, to review any progress made.

Work on some quarter 4 assignments (including Financial Systems and Procurement) has also been delayed due to officer availability within the service areas. This has been flagged with senior management and Internal Audit will endeavour to complete as much fieldwork as possible before 31st March once required evidence/data is provided by the service areas.

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**

Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, one questionnaire has been returned and the results are shown in table 2.

2.4 **Productivity**

As at the latest possible date for reporting purposes, current members of the audit team have been delivering 92% productivity against the target of 90%.

2.5 **Outstanding audit recommendations**

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

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

An analysis of the implementation of actions is provided in **Table 3.** Full details of all recommendations overdue for more than three months are provided in **Appendix B**.

2.6 **Summary of audit findings**

Copies of all Internal Audit reports are provided to the Chairman of the ~~Governance and~~ Audit and Standards Committee when finalised.

Since the last meeting of the ~~Governance and~~ Audit and Standards Committee, two reports have been finalised.

Development management

The audit confirmed that the Council has an appropriate process in place to receive, validate and determine planning applications in accordance with planning legislation. Sample testing of fifteen applications (five major and ten minor) confirmed that the systems in place to process them using the Uniform and Idox systems had been efficiently and effectively applied. The audit did however note a small number of instances where information recorded on Uniform and/or supporting evidence saved on Idox could be improved. Recommendations have been made to introduce random quality assurance checks on applications that have been determined; to compile procedure notes to provide local guidance on the use of the Uniform/Idox to demonstrate compliance with planning legislation and policy; and to add a prompt to the validation checklist to confirm that applications for officers or members are submitted for committee approval.

Applications were found to be validated and consulted on promptly and Decision Notices were signed off by officers with delegated responsibility for doing so and were all published on the Council's public website.

Sample testing confirmed that applications are not validated until the appropriate fee has been received and there was also evidence to demonstrate that complex fees are subject to checking and adjustment in appropriate cases. It was however noted that there is currently no process in place to reconcile planning fee income recorded in Uniform to income received in the finance system.

Performance against a standard set of planning Key Performance Indicators (KPIs) is recorded on the Council's performance management system (TENS), a number of which are also reported through to Cabinet. Standard reports are available on the Uniform system to produce the majority of data uploaded to TENS and reported to Cabinet. The audit confirmed that planning KPI targets are being consistently achieved in terms of target times for determining applications and limiting the number of decisions allowed on appeal. Customer satisfaction surveys are also sent out with every Decision Notice issued and the Auditor's review of a sample of returned surveys revealed a high level of customer satisfaction. There was also evidence available to demonstrate that committee overturns are monitored and performance is actively benchmarked against neighbouring Councils.

A total of six audit recommendations were made, half of which were of a 'low priority' reflecting that these relate to potential improvement, rather than addressing a risk. The other three 'medium priority' recommendation related to introducing quarterly quality checks, procedure notes and an income reconciliation process.

Internal Audit has given the following assurance opinions over the management of the associated risks:

Assurance Opinion		
Control environment	Good	🟢
Compliance	Good	🟢
Organisational impact	Minor	🟢

Planning enforcement

The Council has a local enforcement plan that was approved in 2018 and is currently being reviewed and updated to ensure it remains consistent with legislation and related national guidance. There are currently no operational procedure notes in place but the enforcement plan includes an outline of the enforcement process, clear prioritisation criteria and potential outcomes. Staff numbers are considered by officers to be broadly comparable with other Leicestershire Councils and there is no significant backlog of cases. All members of the team are suitably experienced and qualified and receive regular training and development. There are regular team meetings and case reviews and cases can only be closed after senior officer

review. Any formal enforcement action is subject to appropriate approval, although there is scope to review the scheme of delegation. Testing of a sample of cases confirmed a good level of compliance with established procedures and processes.

There are a range of customer service standards and performance indicators for the enforcement function. Performance monitoring could be improved by extending the range of performance indicators to provide a broader picture of service outcomes and improving the audit trail from reported performance to the underlying data sources. Monitoring of timeliness targets could also be improved by measuring performance based on the date complaints are received rather than the date they are registered.

All enforcement cases and related documentation are recorded using the Idox Uniform system and appropriate arrangements are in place to ensure compliance with data protection and confidentiality requirements. All members of the enforcement team have a working knowledge of the Uniform system and there is a nominated system champion. It is noted that there has been no refresher training in recent years and some aspects of the system are not yet being used to their full potential. Formal enforcement notices are based on national models and testing of a sample of cases confirmed compliance with all statutory and regulatory requirements in respect of format, content and time limits. The outcome of any enforcement appeals is circulated within the team to ensure any lessons are learned. Public access to the enforcement register and related documents could be improved.

A total of eight audit recommendations were made, all except one were of a 'low priority' reflecting that these relate to potential improvement, rather than addressing a risk. The one 'medium priority' recommendation related to reviewing service performance indicators with a view to adding and monitoring indicators that provide a broader picture of service performance and include output/outcome measures as well as workload and input measures.

Internal Audit has given the following assurance opinions over the management of the associated risks:

Assurance Opinion		
Control environment	Good	🟢
Compliance	Good	🟢
Organisational impact	Minor	🟢

Table 1 - Progress against 2020/21 internal audit plan

Assignment	Assurance sought	Budget days	Actual days	Status	Planned start	Assurance rating	Comments
Corporate governance and counter fraud							
Counter fraud and governance arrangements (consultancy)	To provide ongoing support on the Council's proactive counter fraud work and Code of Corporate Governance.	5	4	In progress	As required	Not applicable	
Ethics and equalities	To provide assurance over the Council's ethical governance arrangements and compliance with regulations and good practice for equalities.	10	2	In progress	Q2		
Key corporate controls and policies							
Key financial 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 inform external audit work and provide s151 assurances.	30	12	In progress	Q4		
Asset management	To provide assurance over the safe and effective management of the Council's property assets and to confirm that controls are being effectively exercised in relation to leased properties (including Grow On Space).	15	6	Postponed	Q3		Days being re-applied to a review of asset projects.
Procurement compliance	To test compliance with Contract Procedure Rules and the Statement of Required Practice on the procurement of goods and services across the Council. To inform annual assurance opinion on value for money and counter fraud.	8	2	In progress	Q4		

Assignment	Assurance sought	Budget days	Actual days	Status	Planned start	Assurance rating	Comments
Payroll system (consultancy)	To provide consultancy support on the implementation of the new payroll system.	10	1	As required	As required		
The People: A healthy, inclusive and engaged community.							
Leisure services – embedded assurance review	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	2	In progress	Q1-Q4		
The Place: An enterprising, vibrant place.							
Grow on space – embedded assurance review	To provide assurance over the management of this project, including risk management, governance and procurement/contract management.	15	9	**Draft report issued**	Q1-Q4		
Development management	To provide assurance over the effective delivery of development management services – including the speed and quality of decision making and compliance with regulatory requirements.	15	15	**Final report issued**	Q3	Controls: Good Compliance: Good Impact: Minor	See para 2.6 above.
Planning enforcement	To provide assurance over the management of planning enforcement in the district including a review of performance measures, the Local Enforcement Plan and effective use of the Uniform system.	15	15	**Final report issued**	Q3	Controls: Good Compliance: Good Impact: Minor	See para 2.6 above.
S106 contributions	To provide assurance over the controls operating for the agreement of s106 contributions and recovery of the monies when due. To follow up on progress made since the audit in 2016/17 in strengthening monitoring controls.	12	11	**Draft report issued**	Q3		

Assignment	Assurance sought	Budget days	Actual days	Status	Planned start	Assurance rating	Comments
Your Council: innovative, proactive and efficient.							
Smarter Services programme (consultancy)	To provide consultancy support during the transformation of services and processes – to ensure key controls are considered in service redesign.	12	7	As required	As required		
IT programme management	To provide assurance over the management of the Council's IT projects. To include a review of a sample of key projects and compliance with effective project management controls to support the timely and efficient implementation of the programme.	10	9	**Draft report issued**	Q3		
Customer service standards	To provide assurance over consistency of customer service standards across a sample of areas of the Council and Customer Services.	10	-	Postponed	Q4		
Other support							
Special investigation / fraud prevention support		-	5				
Client management and support - support and reporting to ~~Governance and~~ Audit and Standards Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.		33	26				
Audit management - development and management of the Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.		20	14				
TOTAL		**235**	**140**	**60%**			

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
Substantial 🟢	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.
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 (CSQ) to each client with whom there was a significant engagement during the assignment. 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	Outstanding	Good	Satisfactory	Poor
Design of Assignment	0	1	0	0
Communication during Assignments	0	1	0	0
Quality of Reporting	0	1	0	0
Quality of Recommendations	0	1	0	0
Total	**0**	**4**	**0**	**0**

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	0	-	1	50%	4	67%	**5**	**63%**
Actions due within last 3 months, but **not implemented**	0	-	0	-	0	-	**0**	**-**
Actions due **over 3 months** ago, but **not implemented**	0	-	1	50%	2	33%	**3**	**37%**
Totals	**0**	**-**	**2**	**100%**	**6**	**100%**	**8**	**100%**

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 and Standards 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 and Standards 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.