



Internal Audit Update March 2022

HARBOROUGH DISTRICT COUNCIL

- 1.1 The internal audit service for Harborough District Council has been commissioned to provide 235 audit days to deliver the 2021/22 Annual Audit Plan and undertake other work commissioned by the Council.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the 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 2021/22

Internal Audit has been set the objective of delivering at least 90% of the Internal Audit plans for 2021/22 to draft report stage by the end of March 2022.

At the date of writing, a further report has been finalised and fieldwork is in advanced stages on a number of further assignments. The team remain on track to achieve the 90% target. 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, three questionnaires have 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 94% productivity against the target of 90%.

2.5 Outstanding audit recommendations

Since the last committee meeting, no further actions have been closed.

At the date of reporting, there are seven agreed management actions that are due but yet to be confirmed as implemented. Of these, two are of a 'medium priority'.

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

2.6 Summary of audit findings

Temporary accommodation

The Council's strategy for housing and the prevention of homelessness and rough sleeping 2019-2024 is clear, concise and consistent with the requirements of the relevant legislation and statutory guidance. The strategy had been approved by Council on 24th June 2019 and can be accessed via the Council's website.

Effective controls exist to confirm the eligibility of homeless households placed in temporary accommodation, with sample testing confirming 100% compliance in all cases tested. A collaborative decision-making process currently exists in relation to temporary accommodation placements. The independent review and approval of such decisions within the housing register and homelessness database would demonstrate that a separation of duties exists going forward.

Value for money is sought by utilising the Council's owned/leased property, where appropriate, prior to using bed and breakfast or hotel accommodation. Management agree that the introduction of a procurement strategy would aid the Council in forecasting and meeting demand for the coming year, and would provide a framework for ensuring robust procurement processes that maximise value for money – a recommendation has been agreed to this effect.

Sample testing confirmed that controls had operated as intended with regards to encouraging households to apply for housing benefit, with the relevant costs being recovered in all but one of the cases tested. Following this exception, the relevant invoices are now raised on a regular basis, throughout the duration of the placement. The utilisation of Council owned/leased property has exceeded original expectations during this financial year, resulting in a reduction in the use of bed and breakfast/hotel accommodation, and an increase in the level of housing benefit payments received, whereby the majority of the relevant costs can be recovered.

A valid Electrical Installation Condition Report (EICR) and Energy Performance Certificate (EPC) are held on file for all Council owned properties. Management recognise that such information (along with a valid Gas Safety Certificate) should be obtained for the relevant remaining temporary accommodation properties, in order to demonstrate compliance with the requirements of the Housing Health and Safety Rating System (HHSRS). Periodic, risk-based health and safety inspections by Council officers may further strengthen controls in this area.

Based on the audit findings, 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 2021/22 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	Ongoing	As required		
Risk management	To provide assurance over the Council's risk management framework and effective embedding of risk management across the organisation. Last audit in 2017 – usually cover three yearly.	8	13	Final report issued	Q1	Control environment: Substantial Compliance: Good Organisational risk: Minor	
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	22	Fieldwork underway	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	1	Planning	Q4		Last assignment to commence – planned for March 2022
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.	9	6	Fieldwork underway	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>
Budgetary control	To provide assurance over the Council's framework for setting, monitoring and managing budgets to support ongoing financial stability and delivery of savings.	10	9	Fieldwork complete	Q3		Report being drafted at time of reporting.
Payroll system (consultancy)	To provide consultancy support on the implementation of the new payroll system.	5	6	Final report issued	Q1	Consultancy review	
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	3	Fieldwork underway	Q1-Q4		Engagement with project delayed by officer availability – now progressing well.
Temporary accommodation	To provide assurance that the Council's placing of individuals in temporary accommodation is in line with national requirements and local policy and that recoverable monies are secured.	7	8	Final report issued	Q2	Control environment: Good Compliance: Good Organisational risk: Minor	See section 2.6
The Place: An enterprising, vibrant place.							
Planning fee income	To provide assurance over the recovery of monies due in relation to planning fees – including charging for all chargeable services, benchmarking to other authorities and informed projections in budget monitoring.	12	12	Fieldwork complete	Q2		Report being drafted at time of reporting.
Community grants	To provide assurance over the grant application and approval process, including counter fraud controls.	12	12	Final report issued	Q1	Control environment: Good Compliance: Satisfactory Organisational risk: Minor	

<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>
Growth projections	To provide assurance over the Council's effective use of data relating to growth in the district and its application in effective financial modelling such as business rates projections.	10	8	Fieldwork underway	Q3		Completion delayed until March 2022 due to availability of Revenues and Benefits partnership officers.
Your Council: innovative, proactive and efficient.							
Transformation programme (consultancy)	To provide consultancy support during the transformation of services and processes – to ensure key controls are considered in service redesign.	12	6	As required	As required		
Covid 19 recovery	To provide assurance over actions the Council is taking to move to business as usual and the project management supporting this, including review of the Council's response. To review changes in working practices/procedures and whether changes in key controls pose any additional risks to the organisation.	15	15	Final report issued	Q2	Control environment: Substantial Compliance: Good Organisational risk: Minor	
IT strategy	IT is central to, and essential for, the business of the Council. It is, therefore, important that a suitable and robust IT strategy, a system of IT governance and all necessary IT policies are in place to support this.	5	5	Final report issued	Q3	Control environment: Good Compliance: Good Organisational risk: Minor	
Other support							
National Fraud Initiative (NFI) data matching		10	8				
Client management and support - support and reporting to Audit 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.		35	31				

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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	17				
TOTAL		235	186	79%			

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	1	1	1	0
Communication during Assignments	1	1	1	0
Quality of Reporting	1	2	0	0
Quality of Recommendations	2	1	0	0
Total	5	5	2	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	-	-	-	-	-	-	-	-
Actions due within last 3 months, but not implemented	-	-	-	-	2	40%	2	29%
Actions due over 3 months ago, but not implemented	-	-	2	100%	3	60%	5	71%
Totals	0	-	2	100%	5	100%	7	100%

Limitations and responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Audit & 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 Audit & 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.