



**Internal Audit Update  
October 2024  
Harborough District Council**

## **1. Introduction**

- 1.1 The North Northamptonshire Council Internal Audit service has been commissioned to provide 235 audit days to deliver the 2024/25 Annual Audit Plan for Harborough District Council - and undertake other work commissioned by the Council, as required.
- 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.

## **2. Performance**

### **Delivery of the Audit Plan for 2024/25**

- 2.1 Internal Audit has been set the objective of delivering at least 90% of the Internal Audit plans for 2024/25 to draft report stage by the end of March 2025.
- 2.2 At the date of writing, 60% of the audit plan is either complete or in progress. The delivery remains on track for the year.
- 2.3 Progress on individual assignments is shown in **Table 1**.

### **Delivery within budget**

- 2.4 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.

### **Client satisfaction**

- 2.5 Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, two questionnaires have been completed in 2024/25. The feedback is summarised in **Table 2**.

### **Outstanding audit recommendations**

- 2.6 Since the last update, 14 agreed management actions have been closed. At the date of reporting, there are 23 agreed management actions that are due but yet to be confirmed as implemented. Of these, 16 are of a 'high' or 'medium' priority.
- 2.7 An analysis of the implementation of actions is provided in **Table 3**. Full details of all overdue 'high' and 'medium' priority recommendations are provided in **Appendix B**.

### **3. Audit findings**

#### **3.1 Housing allocations**

- 3.1.1 The 'Allocation of Accommodation: Guidance for Local Authorities in England' is the statutory guidance issued in 2012 to Local Authorities in England (Section 169 of the Housing Act 1996). Housing Authorities are required to have regard to it in exercising their functions under Part VI of the Housing Act 1996. Section 166A of the Housing Act 1996 provides that authorities must also have regard to their homelessness strategies when framing their allocations policy. The Council operates a choice-based lettings scheme, known as Harborough Homes for Registered Providers under a service level agreement.
- 3.1.2 This audit sought to provide assurance that the Council's Housing Allocations Policy has been reviewed and approved in line with legislative requirements, as well as providing assurance over the consistent and fair application of the policy and associated procedures, so that qualifying applicants are given an appropriate level of priority.
- 3.1.3 The Housing Allocation Policy, last updated in December 2020, is well-aligned with statutory guidance and is currently under review, ensuring that it remains current and responsive to changing needs and regulations. Whilst standard operating procedures are in place, they could be enhanced further by clearly specifying the evidence required for all housing application criteria and ensuring that these procedures align with customer correspondence, improving clarity and consistency for applicants.
- 3.1.4 Although refresher training is provided to staff, not all personnel including housing advisors responsible for processing applications from homeless individuals have completed this training. Additionally, sample testing of 25 applications revealed a small number of omissions and one case where an applicant was awarded Band 1 status despite declaring savings exceeding the £22k threshold.
- 3.1.5 The housing nominations process is robust and effectively managed. Sample testing of the process confirmed that shortlists are produced in line with Council policy and any bypass decisions are appropriately documented, ensuring transparency and accountability in the decision-making process.
- 3.1.6 The review and appeals process is well-controlled and documented, safeguarding the impartiality of outcomes. This ensures that all applicants have access to a fair and transparent mechanism for challenging decisions.
- 3.1.7 An ongoing annual review process of live housing applications has been successfully initiated, representing a proactive approach to maintaining the accuracy and relevance of applicant information. Additionally, feedback on previous applications has been published, providing valuable insights for housing applicants, empowering them to make more informed decisions regarding their housing options.

3.1.8 Based on the audit findings, Internal Audit has given the following assurance opinions over the management of the associated risks:

<b>Assurance Opinion</b>	
<b>Control environment</b>	Good (Green)
<b>Compliance</b>	Moderate (Amber)
<b>Organisational impact</b>	Low (Green)

**Table 1 - Progress against 2024/25 internal audit plan**

<b>Assignment</b>	<b>Assurance sought</b>	<b>Budget days</b>	<b>Planned start</b>	<b>Planned reporting</b>	<b>Status</b>	<b>Assurance rating</b>	<b>Comments</b>
<b>Corporate governance and counter fraud</b>							
Ethical governance	To provide assurance over the Council's suite of ethical governance policies and the effective communication and embedding of these in practice.	10	August 2024	September 2024	Postponed		Delayed to follow decision making audit and align with peer review outcomes
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.	5	February 2025	March 2025	Not started		
<b>Key corporate controls and policies</b>							
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. To include assessment against relevant elements of the CIPFA Financial Management Code.	30	January 2025	March 2025	Not started		
Budget setting	To provide assurance over the budget setting process to ensure compliance with best practice and alignment with capital programme.	12	April 2024	June 2024	<b>Final report issued</b>	Control environment: <b>Substantial</b> Compliance: <b>Substantial</b> Organisational impact: <b>Low</b>	Reported at Audit and Standards Committee – July 2024

<b>Assignment</b>	<b>Assurance sought</b>	<b>Budget days</b>	<b>Planned start</b>	<b>Planned reporting</b>	<b>Status</b>	<b>Assurance rating</b>	<b>Comments</b>
IT Transformation Programme	To provide assurances over the delivery of the transformation programme - including a move to cloud-based hosting.	12	August 2024	October 2024	Potential amendment to plan		Recommendation to postpone and replace with Cyber Security coverage
Traded services	To provide assurance over compliance with expected controls and regulations for managing traded services including managing surplus/deficit balances.	14	October 2024	December 2024	Planning		
<b>Corporate objective: Healthy lives</b>							
Housing strategy	To provide assurances on arrangements in place for governance and delivery of the strategy.	10	February 2025	March 2025	Not started		
<b>Corporate objective: Place and community</b>							
Private sector housing	To provide assurance over the controls in place for private sector housing in light of latest regulatory requirements and good practice. To include coverage on illegal evictions, the new Empty Property Strategy. enforcement of damp and mould action plans and compliance with the Housing Health and Safety Rating System.	15	June 2024	August 2024	Draft report		
Housing allocations	To provide assurance that the Council's Housing Allocation's Policy has been reviewed and approved in line with legislative requirements, as well as providing assurance over the consistent and fair application of the housing allocation policy and procedures, so that qualifying applicants are given an appropriate level of priority.	-	July 2024	August 2024	Final report issued	Control environment: <b>Good</b> Compliance: <b>Moderate</b> Organisational impact: <b>Low</b>	See section 3.1
UK Shared Prosperity Fund	To provide assurance over the effective application of grant monies and compliance with terms.	8	July 2024	September 2024	Fieldwork underway		

<b>Assignment</b>	<b>Assurance sought</b>	<b>Budget days</b>	<b>Planned start</b>	<b>Planned reporting</b>	<b>Status</b>	<b>Assurance rating</b>	<b>Comments</b>
Environmental Services and Waste Programme	To provide assurance over the programme of waste related activities and projects. An area with a number of risks to manage (including changes in regulations, contract re-procurement, fleet management, ongoing contract management and partnership working) with notable capital and revenue spend.	18	August 2024	October 2024	Fieldwork underway		
Building control partnership	To seek assurances over how well the Building Control partnership is delivering against expected benefits. Area of increasing risk scoring on the register and financial pressures forecast for the Council.	8	November 2024	January 2025	Planning		
S106 monitoring	To provide assurance over the collection of s106 monies due, based on monitoring of trigger points, and the accounting for the timely use of those monies, in line with the s106 agreements.	15	November 2024	January 2025	Planning		
Local plan development project	To provide assurance over the delivery of this key project to support a timely, quality outcome which is suitably informed and delivered in line with the Council's project management framework. To adopt an embedded assurance approach.	12	Ongoing throughout year	Aligned with project	Engaged with project		
<b>Corporate objective: Environment and sustainability</b>							
Community and environmental grants	Budget for 2024/25 includes a significant amount of spend on grants for community groups, parish councils (£1m) and for allocation by ward members (£5k). To provide assurance over the awarding of grants, compliance with terms/reporting requirements to ensure value for money and consistent application of criteria/eligibility.	10	October 2024	November 2024	Fieldwork underway		

<i>Assignment</i>	<i>Assurance sought</i>	<i>Budget days</i>	<i>Planned start</i>	<i>Planned reporting</i>	<i>Status</i>	<i>Assurance rating</i>	<i>Comments</i>
<b>Other support</b>							
Client management and support - support and reporting to 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.		35					
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					
<b>Total</b>		<b>235</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 is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
<b>Good</b>	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
<b>Moderate</b>	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
<b>Limited</b>	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
<b>No</b>	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational impact	
Level	Definition
<b>High</b>	The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
<b>Medium</b>	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
<b>Low</b>	The weaknesses identified during the review have left the Council open to low risk. This may have a low 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 on four key aspects of the assignment. The responses received in the year to date are set out below.

<b>Aspects of Audit Assignments</b>	<b>Not applicable</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of Assignment	-	1	1	-	-
Communication during Assignments	-	2	-	-	-
Quality of Reporting	-	2	-	-	-
Quality of Recommendations	-	2	-	-	-
<b>Total</b>	-	<b>7</b>	<b>1</b>	-	-

**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 <b>implemented</b> since last committee meeting	-	-	12	44%	2	22%	<b>14</b>	<b>38%</b>
Actions due within last 3 months, but <b>not implemented</b>	-	-	3	12%	1	11%	<b>4</b>	<b>11%</b>
Actions due <b>over 3 months</b> ago, but <b>not implemented</b>	1	100%	12	44%	6	67%	<b>19</b>	<b>51%</b>
<b>Totals</b>	<b>1</b>	<b>100%</b>	<b>27</b>	<b>100%</b>	<b>9</b>	<b>100%</b>	<b>37</b>	<b>100%</b>

## ***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.