



**Internal Audit Update  
October 2023  
Harborough District Council**

## ***Introduction***

- 1.1 The North Northamptonshire Council Internal Audit service has been commissioned to provide 235 audit days to deliver the 2023/24 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.

## ***Performance***

### **2.1 Delivery of the Audit Plan for 2023/24**

Internal Audit has been set the objective of delivering at least 90% of the Internal Audit plans for 2023/24 to draft report stage by the end of March 2024.

At the date of writing, 62% of the audit plan has either been completed to at least draft report stage or is currently in progress.

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, five questionnaires have been completed in 2023/24. The feedback is summarised in **Table 2**.

### **2.4 Outstanding audit recommendations**

Since the last committee meeting, five agreed management actions have been closed. At the date of reporting, there are 17 agreed management actions that are due but yet to be confirmed as implemented. Of these, seven are of a 'medium' priority'.

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

## 2.5 Summary of audit findings

### Enforcement activity

An Enforcement Policy sets out an approach to enforcement which is transparent, accountable, proportionate, consistent and appropriately targeted. Its aim is to protect the safety of the public, their health and safety and the environment by ensuring statutory obligations are complied with. This is the Council's first audit on corporate enforcement and provides assurance over the Council's enforcement activity and compliance with its policies and regulations on taking enforcement action.

Enforcement activities take place across a number of service areas within the Council including planning, building control, regulatory services (licensing, parking, environmental health) and environmental services (e.g. fly tipping and waste). Internal audit confirmed that staff undertaking enforcement duties are suitably qualified to undertake their enforcement activities and officers maintain up to date records of their continued professional development.

The Council's published General Enforcement Policy is currently under review and is supported by individual regulatory function enforcement policies. Those relating to food safety, health and safety and taxi licensing are also due for review.

It is important to maintain adequate enforcement records to ensure documentary evidence is easily available; consistency is maintained across all enforcement areas; and any exposure to risk is reduced. Audit review identified that regulatory functions operate independently and whilst a sample of enforcement cases across the service areas had been dealt with in line with expected processes, they were not captured and/or recorded in a consistent manner and file structure. Specifically, it was not possible to obtain a report of all enforcement cases in licensing and environmental services as no case management system was in use to capture these records, and, as such, a random sample across the population could not be selected for audit testing in these service areas.

Working separately can hinder the sharing of best practice and knowledge across the regulatory service areas, limiting opportunities for improvement and innovation. Furthermore, a lack of a corporate approach can result in a fragmented regulatory landscape with different interpretations and enforcement practices across different areas. It is recommended that a Corporate Enforcement Group is set up to provide an opportunity for senior managers and employee representatives to work together to achieve and support consistent, consultative and collaborative enforcement across the Council.

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

Assurance Opinion		
<b>Control environment</b>	Moderate	●
<b>Compliance</b>	Moderate	●
<b>Organisational impact</b>	Low	●

## Managing major projects

Major projects that contribute towards the delivery of the Council's corporate objectives are managed through the Programme Board, which is chaired by the Interim Chief Executive. The Board reviews progress against the Programme Plan on a regular basis, with highlight reports submitted for individual projects that are included on the plan.

A revised Project Management Framework was implemented in November 2021.

The scope of the audit was to evaluate the Council's arrangements for ensuring that capital projects are implemented effectively, with costs and timescales of delivery being managed appropriately and projects delivering expected benefits.




Three projects were selected as follows for detailed testing:

- Cemetery extension
- Roman Way
- Welland Park toilet block\*

\*This was not classed as a major project but was selected for testing to provide a comparison of the controls in place for major projects as opposed to controls operated to deliver smaller projects.

In overall terms, the audit confirmed that the Council has in place an effective framework for managing major projects, although this remains under review and subject to ongoing refinements. Key to the overall project management framework is the governance role undertaken by the Programme Board, which meets regularly and receives comprehensive highlight reports on individual projects. Detailed review of the three projects named above has identified some areas where application of project management controls could be improved and these are expanded on in section 2 of this report and the Action Plan. The key issue commented on this report relates to the delays experienced in delivering the Roman Way project and phase two of the cemetery project.

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

Assurance Opinion		
<b>Control environment</b>	Good	
<b>Compliance</b>	Moderate	
<b>Organisational impact</b>	Medium	

**Table 1 - Progress against 2023/24 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>							
National Fraud Initiative (NFI) support	To provide support in the oversight of data uploads and investigation of data matches.	15	As required	As required	In progress		
Decision making and delegations	To provide assurance over compliance with updated Constitutional arrangements for decision making and appropriate, recorded use of delegations.	12	October 2023	December 2023	Not started		Management postponed to Q4
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	January 2024	March 2024	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.	30	January 2024	March 2024	Not started		
Cyber security	To provide assurance over the Council's preventative, detective and responsive controls to manage the risks of a cyber attack.	12	August 2023	October 2023	Fieldwork underway		
Information governance	To provide assurance over the Council's management of risks associated with data security and compliance with regulatory requirements. To include coverage on data retention.	12	September 2023	October 2023	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>
Managing major projects	To review the Council's procedures for managing major projects and assess compliance with key controls in ensuring projects are delivered on time, within budget and in accordance with Council policies, procedures and delegated decision making powers.	-	2022/23	2022/23	Final report	Control environment: <b>Good</b> Compliance: <b>Moderate</b> Organisational impact: <b>Medium</b>	See section 2.5
<b>Corporate objective: Healthy lives</b>							
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	Ongoing throughout year	Aligned with project	Fieldwork underway		
<b>Corporate objective: Place and community</b>							
Environmental services contract procurement	To provide assurance over the process for the award of this key, high value contract and delivery against the Council's project management framework. To adopt an embedded assurance approach.	15	Ongoing throughout year	Aligned with project	Not started		
Homelessness and temporary accommodation	To provide assurance over the Council's compliant handling of homelessness applications and ensuring value for money and policy compliance in the provision of temporary accommodation.	12	July 2023	September 2023	Draft report issued		
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.	15	Ongoing throughout year	Aligned with project	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>
<b>Corporate objective: Environment and sustainability</b>							
Climate emergency action plan	The Council has adopted a climate emergency action plan and agreed that it should form part of the Corporate Plan. As such, assurance will be sought that the Council is delivering against its commitments and the specified 'future actions'.	10	September 2023	October 2023	Planning		
<b>Corporate objective: Economy</b>							
Enforcement policy compliance	To provide assurance over the Council's enforcement activity and compliance with its policies and regulations on taking enforcement action. To include activity on Private Sector Housing (and implications of latest regulations) and empty homes. Coverage to include enforcement plans, policies, protocols and procedures; enforcement officer training and guidance; and enforcement policy compliance.	18	April 2023	July 2023	Final report issued	Control environment: <b>Moderate</b> Compliance: <b>Moderate</b> Organisational impact: <b>Low</b>	See section 2.5
<b>Other support</b>							
Contingency (note – used for grant claim verification work)		3					
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					
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	-	3	2	-	-
Communication during Assignments	1	3	1	-	-
Quality of Reporting	-	2	3	-	-
Quality of Recommendations	-	1	4	-	-
<b>Total</b>	<b>1</b>	<b>9</b>	<b>10</b>	<b>-</b>	<b>-</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	1	100%	3	30%	1	9%	5	23%
Actions due within last 3 months, but <b>not implemented</b>	-	-	4	40%	1	9%	5	23%
Actions due <u>over 3 months</u> ago, but <b>not implemented</b>	-	-	3	30%	9	82%	12	54%
<b>Totals</b>	<b>1</b>	<b>100%</b>	<b>10</b>	<b>100%</b>	<b>11</b>	<b>100%</b>	<b>22</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.