



Audit & Standards Committee

To the Audit and Standards on Tuesday, 23 July 2024

Date of meeting: Wednesday, 31 July 2024

Time: 18:30 Please note start time.

Venue: The Council Chamber

The Symington Building, Adam and Eve Street, LE16 7AG

Members of the public can access a live broadcast of the meeting from the [Council website](#), and the meeting webpage. The meeting will also be open to the public.

Agenda

- 1 Election of Chair for 2024/25
- 2 Election of Vice Chair for 2024/25
- 3 Apologies for Absence
- 4 Declarations of Members' Interests
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- 8 Internal Audit Annual Report and Opinion 2023-24 71 - 90
- 9 Global Internal Audit Standards 91 - 96
- 10 Any Urgent Business
To be decided by the Chairman.

JOHN RICHARDSON
CHIEF EXECUTIVE AND HEAD OF PAID SERVICE
HARBOROUGH DISTRICT COUNCIL

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Circulate to: Jonathan Bateman - Member, Rose Forman - Member, David Gair - Member, Peter James - Member, Barbara Johnson - Member, Amanda Nunn - Member, Rosita Page - Member

Minutes of the Audit & Standards Committee

Location: Harborough Innovation Centre, Airfield Business Park, Leicester Road, Market Harborough, LE16 7WB



Date: 24th April 2024 commencing at 6.30pm

Present:

Councillors: Bateman, Finan, Forman, Gair (Chair), Johnson, Nunn (Vice Chair), Mrs Page.

Officers: K. Aitken – Business Planning Officer
R. Ashley-Caunt – Chief Internal Auditor
C. Bentley – Accounts Team Leader
H. Lillington – Director, Public Sector Audit, Grant Thornton UK LLP
C. Mason – Director of Finance & S.151 Officer
E. Newman – Democratic Services Officers
L. Parsons – Audit Senior Manager, Mazars LLP

1. Apologies for Absence

There were none.

2. Declarations of Members' Interests

There were none.

3. Minutes of the Audit and Standards Committee on 25th October 2023.

The minutes were proposed by Councillor Nunn, and seconded by Councillor Johnson. The panel agreed the minutes of the meeting on 25th October 2023 as an accurate record.

Cllr Forman entered the meeting at 18:35.

4. Corporate Risk and Opportunity Management - Quarter 3, 2023 24

The Business Planning Officer introduced the report. She highlighted that there has been a change agreed since the last report on how risks are presented. The report noted the 19 corporate risks on the Risk Register at the end of Quarter 3 of the 2023/24 year. She highlighted the amber risks were between 5 and 12.

The Chair then asked the committee for any questions or comments on the report.

It was asked to clarify was 'Numata' was, noted in the risk register as supplying ongoing training. It was clarified that this is a company that provides cyber security training for Council Officers.

It was asked what the council was doing to limit the risk associated with homelessness figures increasing. The increase in homelessness cases being received by the council is increasing, and consequently this is increasing the spend on temporary accommodation, hence the increase in risk. The major projects team is working alongside the housing team to review the homelessness need/temporary housing in the district.

It was questioned what was being done to mitigate the risk relating to CR21 detailed in the report, relating to the Local Plan. The officer reminded councillors that this report is as of the end of Quarter 3, so this risk considered the uncertainty regarding the decision on the Statement of Common Ground. It was clarified that since the end of Quarter 3, the risk has been reduced.

It was asked whether there a risk of not providing a Local Plan on time if commissioned reports from external sources aren't returned on time. When the risk register is updated for Quarter 4, there would be increased data on where the development process is. It was decided that the Business Planning Officer would go away to provide further detail on this.

Is the recruitment to support Emergency Planning on track? There has been an increase in the senior management on call rota, and the emergency

planning team has been increased. There has also been increased training for emergency planning across the council.

The committee noted the items contained within the Council's Corporate Risk and Opportunity Register (attached at Appendix A to this report).

5. Internal Audit Charter and Strategy

The Chief Internal Auditor introduced the next report. The report provided the Committee with the Internal Audit Charter and Strategy and sought the Committee's approval, in line with the Public Sector Internal Audit Standards. She noted that the charter remained the same as the previous year, with no amendments proposed.

The Chair then opened the committee for questions and comments on the report.

The report was proposed by Councillor Mrs Page and seconded by Councillor Johnson, and therefore,

It was **RESOLVED** that the Audit and Standards Committee approve the Internal Audit Charter and Strategy.

6. Internal Audit Plan 2024/25

The Chief Internal Auditor then introduced the next report. The report provided the Committee with a draft Internal Audit Plan for 2024/25. The Plan was developed based on the risk-based approach, using the corporate risk register and corporate plan. This was developed alongside the council's corporate management team.

The Chair then asked the committee for any questions or comments on the report.

It was asked whether there was a reserve list previously and what the criteria is for risks to be on the reserve list. The reserve list is always supplied alongside the Audit Plan. There are risks identified through the process that perhaps would not receive an added benefit from an audit, as other improvement works and projects may be going on that effect that risk. It may be the case that the risk has been recently audited, and there are other outstanding actions following from that process. Therefore, they are added to the reserve list.

Relating specifically to the audit of UKSPF grants, it was asked whether outcomes of the projects funded by the grants are reviewed by the audit process to ensure that the money is being spent in the appropriate way. It was highlighted that the audit's purpose was to identify that the money had been spent in an effective way, so this would ensure that the money was being spent on what it was originally proposed for.

It was also asked whether the audit would focus specifically on UKSPF grants, or other community grants allocated by the council. It was confirmed that for this particular audit, it would be focused solely on the UKSPF grants. There has been previous work on the community grants process in the recent past.

The report was proposed by Councillor Mrs Page and seconded by Councillor Finan, and therefore,

It was **RESOLVED** that the Audit and Standards Committee approves the Internal Audit Plan for 2024/25

7. Internal Audit - Progress and Performance Update

The Chief Internal Auditor introduced the report. The report included:

- The Audit Plan which included the status of all assignments.
- Any recommended amendments to the audit plan; one such amendment is noted in this report.
- Outcomes of finalised audit assignments.

The Chief Internal Auditor highlighted that in addition to performance, a report on outstanding actions arising from audit reports is also provided. She went on to outline the 26 outstanding actions that have not been implemented by the agreed implementation deadline; 14 of which are over 3 months over their implementation date and of "medium priority".

The Chair then asked the committee for any questions or comments.

It was asked what the process was if the recommendations made by the auditors aren't completed. This would include contacting the relevant officers, the audit team will chase updates, and officers will be required to provide evidence of completion. The audit team also provide regular updates on outstanding actions to the Corporate Management Team. Extensions can be granted through revising the target completion dates, but they are flagged as overdue.

The committee considered the Internal Audit Progress Report (Appendix A) and Overdue Recommendations (Appendix B) and commented as it considered necessary.

8. External Audit - HDC Audit progress report and sector updates

The Director of Resources and Section 151 Officer introduced the next report. He introduced the external auditor for the year 2023/24, Director, Public Service Audit from Grant Thornton UK LLP, who provided the Appendix to the report. The report from the external auditor provided an update on progress of the audit of the accounts, value for money and other items that they considered pertinent to brief Audit & Standards Committee members.

The Chair then asked the committee for any questions or comments on the report.

It was asked when the External Audit Plan would be made available. This would come to the next meeting of the Audit & Standards Committee.

It was also questioned that when the External Audit Plan is presented, would the S151 comments be kept as part of the format? It was confirmed that if there was a sector update provided by Grant Thornton for each report, the S151 officer will provide his comments.

The Audit progress report and sector update (Appendix 1) was considered by the committee and was commented on as it considered necessary.

9. Approval of the 2022/23 Annual Governance Statement and the Annual Financial Report

The Director of Resources and S151 Officer introduced the final report. He explained that the Council published the 2022/23 Annual Governance Statement (AGS) and Annual Financial Report (AFR) by the statutory deadline of 31 May 2023. The external auditors have conducted their audit over the following months and have now issued their Commentary on the Councils VFM Arrangements Report (VFM) and the Annual Completion Report (ACR). He highlighted that the delay in finalisation of the audit has primarily been due to several technical matters (infrastructure and pensions accounting). He also introduced the Audit Senior Manager from Mazars LLP, the external auditor for the year 2022/23 who discussed the report in further detail.

The Chair then asked the committee for any questions or comments on the report.

The report was proposed by Councillor Nunn and seconded by Cllr Finan. It was therefore, **RESOLVED** that the Audit and Standards Committee:

- Received the External Auditors Commentary on the Council's VFM Arrangements Report, and comment as they consider necessary.
- Received the External Auditors Audit Completion Report, and comment as they consider necessary.
- Received the 2022/23 Annual Governance Statement, duly signed by the Leader of the Council (as at the 31 March 2023) and Deputy Chief Executive.
- Noted the Draft Letter of Representation as authorised by the Director of Resources (& s.151 Officer).
- Approved the 2022/23 Annual Financial Report and give delegated powers to the Chairman of the Audit and Standards Committee and Director of Resources (& s.151 Officer) to authorise and sign the AFR on behalf of the Council subject to the auditors confirming an unqualified opinion on the AFR.

10. Any Urgent Business

There was no urgent business.

The meeting ended at 19:35.

Harborough District Council

Report to the Audit & Standards Committee 31st July 2024



Title:	External Audit: Harborough District Council Audit Plan for year-ending 31 March 2024
Status:	Public
Key Decision:	No
Report Author:	Covering report: Clive Mason, Director of Resources (& S.151 Officer) Appendix 1 – Helen Lillington, Director, Public Sector Audit, Grant Thornton UK LLP
Portfolio Holder:	Cllr Mark Graves
Appendices:	Appendix A – Grant Thornton’s “Harborough District Council Audit Plan; year ending 31 March 2024” Appendix B – Questions on approach to adopting IFRS 16

Executive Summary

The Council's external auditor, Grant Thornton, will be undertaking the audit of the 2023/24 statements of accounts and other related statutory audit assessments; this will be their first year. Part of the audit process is for them to issue, and for this committee (as those charged with governance), to consider and comment on the auditors Audit Plan.

The Audit Plan itself addresses a wide range of matters; including the approach to engagement, risks, materiality, value for money and resourcing.

Recommendations

The committee considers and comments as it considers necessary on the Harborough District Council Audit Plan for the year ending 31 March 2024, as submitted by Grant Thornton UK LLP (Appendix A).

Reasons for Recommendations

To support the Audit and Standards Committee's role in ensuring good governance, strong financial management and an effective internal control environment.

1. Purpose of Report

- 1.1 To provide the Committee with the “Harborough District Council Audit Plan; year ending 31 March 2024” as submitted by its external auditor, Grant Thornton.

2. Background

External Audit

- 2.1. One of the primary roles of external audit is the external review of the Councils Annual Financial Report (AFR, also known as the Statement of Accounts) and the Annual Governance Statement. In the Autumn it is expected that the auditors will commence their audit of the 2023/24 AFR with reporting on their opinion and value for money statement hopefully in the new year. However, at the start of this audit process the external auditor has submitted to the Committee its Audit Plan to enable members to comment as they consider necessary.

3. Detail

- 3.1 The Audit Plan, (Appendix A) provides a comprehensive view of the external auditors considerations in respect of their proposed audit process. Below is some commentary on the main elements of the report

3.2 Introduction and Headlines (*page 6 to 7 of Appendix A, the audit plan*)

- 3.2.1 **Respective responsibilities**; the National Audit Office has issued a Code of Practice which summaries the responsibilities of auditors and audited bodies (the Council). These responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments.
- 3.2.2 **Scope of Audit**; the auditors are responsible for expressing an opinion on the Council and group’s financial statements that have been prepared by management with the oversight of this Committee. The aim being to consider if their sufficient arrangements in place in respect of value for money in the use of resources. The audit approach is based on the understanding of the Council’s business and risk.
- 3.2.3 **Significant risks**; in the main these are the management of override of controls, valuation of land and buildings, pension fund valuation and the implementation of a new financial system. These are common “risks” to all local authorities.
- 3.2.4 **Materiality**; the auditors have determined that at this stage in the audit planning cycle the materiality for the group is £560k, and £550k for the Council (representing 1.6% of prior year gross operating costs). The triviality level is £28k for the group, £27.5k for the Council (*Please also see page 14 of Appendix A, the audit plan*).
- 3.2.5 In respect of materiality, members should note that a new limit of £550k is 33.7% less than what the previous auditors, Mazars, had set (£830k, [see section 3 to the Audit Completion Report reported to the Committee in April 2024](#)). The auditors have determined that this “lower” materiality threshold is due to the following reasons:

- i. **Prior Year Accounts Remain Unsigned**, at the time of issue of the audit plan, the Council had not received the final signed 2022/23 Audited Annual Financial Statement from its previous auditor. At the time of drafting this report the Director of Resources can confirm that the accounts along with the Annual Governance Statement are awaiting signature by the auditor.
- ii. **New Financial System**, the auditor had wanted to start reviewing the cross-over balances earlier this year. However, due to resources within the Finance Team this was not possible. This work is now scheduled for early August 2024.
- iii. **Review of Predecessor Auditor**, when there is a change of auditor, the new auditor will want to review the predecessors audit files. All auditors have a slightly different approach to how an audit is conducted.

3.2.6 The auditor has confirmed that between the issue of the final audit plan and the start of the audit, materiality will be reviewed on an ongoing basis.

3.2.7 **Value of Money Arrangements**; this work has yet to commence but is anticipated to be completed in time for reporting to Committee in January 2025 (*Please also see page 16 of Appendix A, the audit plan*).

3.2.8 **Audit Logistics**; the audit of the accounts is expected to be completed by the end of October 2024. The audit scale fee is £136k; this being based on the principle of a good set of financial statement and working papers, with no significant matters arising (*Please also see page 18 and 19 of Appendix A, the audit plan*).

3.3 **Significant Risks Identified**

3.3.1 There are six significant risks identified by the auditor in respect of the Councils financial statements which are split between risks associated with only the Council and/or the Group (this being the inclusion of Harborough District Commercial Services Ltd, HDCS). In summary these risks are:

Council only

3.3.2 **Risk of fraud in revenue recognition and expenditure**; this is a risk regarding how the council recognises its revenue spend and is required to be addressed as part of auditing standards. However, the auditors have considered that at this time that satisfied that this is not a significant risk.

Council and Group

3.3.3 **Management over-ride of controls**; this risk relates to the Council changing its financial performance to meet external expectations. The auditors review a number of controls to ensure that changes are appropriate.

3.3.4 **Valuation of Land and Buildings**; the council holds onto a not insignificant property portfolio. This portfolio is values on a rolling basis and the auditors review this process to ensure that the values reported are fair.

- 3.3.5 **Valuation of the Pension Fund Net Liability;** the estimated pension net liability is significant. The auditors undertake a review to ensure that the amounts reported are fair.
- 3.3.6 **Data migration with new System Implementation;** the migration to a new finance system always brings with it added risk in respect of brought forward reserve balances and processes. The auditors will review various aspects of the migration.

Group only

- 3.3.7 **Valuation of Investment Property;** HDCS values its investment property on an annual basis. In a similar way to 3.3.4 above, the auditors will review to ensure that the values are fair.

3.4 IT Audit Strategy

- 3.4.1 The auditors will require an understanding of the Councils relevant information technology and infrastructure.

3.5 Audit Logistics and Team

- 3.5.1 There will be three main auditors involved with the leadership of the audit, and there will be a clearly defined and agreed audit timetable to ensure that the audit is delivered in a timely manner. The main requisites to achieve this are:

- Production of draft financial statements of good quality, including any Annual Report and Annual Governance Statement.
- Production of good quality working papers.
- Agreed data reports are made available at the start of the audit; duly reconciled.
- Staff are available as agreed.
- Audit queries are responded to promptly and adequately.

3.6 International Financial Reporting Standard 16 'Leases' and related disclosures

- 3.6.1 This is a new reporting standard that is to be implemented from April 2024. The Council does have a few leases but they are limited compared to those of other councils. The Councils initial assessment is that this change in accounting is not likely to be significant; however the council will undertake a review to determine its impact. The auditors will review what actions the council has taken and at Appendix B there is a summary of the draft responses to this review.

4. Implications of Decisions

- 4.1. **Corporate Priorities;** external audit provides assurance to the Council in respect of its financial governance and value for money, which directly supports the delivery of the Councils corporate priorities.
- 4.2. **Financial;** there are no direct financial implications arising from this report.
- 4.3. **Legal;** there are no direct legal implications arising from this report.

- 4.4. **Policy**; there are no direct policy implications arising from this report.
- 4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**; there are no direct environmental implications arising from this report.
- 4.6. **Risk Management**; there are no direct risk management implications arising from this report. However, members must not that the audit approach is “risk-based” and an effective internal audit service is one means by which the Council is able to effectively manage risk.
- 4.7. **Equalities Impact**; there are no direct equalities implications arising from the report.
- 4.8. **Data Protection**; there are no direct data protection implications arising from the report.
- 5. **Summary of Consultation and Outcome**
 - 5.1 The external auditor has consulted with the Councils s.151 in respect of audit planning and progress.
- 6. **Alternative Options Considered**
 - 6.1 No alternative options considered as none are appropriate.
- 7. **Background papers**
 - 7.1 None

Harborough District Council audit plan

Year ending 31 March 2024

Harborough District Council

14 July 2024

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

As your new auditor, in planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

As at the 31st May 2024, we had signed 136 audits for 2022/23, representing 65% of our local government population. We envisage achieving a 75% sign off rate by the end of September. This compares with a sign off rate for other firms at the end of May of 7% (18 audits). If the backstop is extended to the end of the year – we envisage this figure moving to 80% completion. We had signed off 81% of our 2021/22 audits by the end of May. We envisage achieving an 85% sign off rate by the end of September. Other firms had signed off 48% of audits by the end of May.

Audit year	Grant Thornton audits signed	Grant Thornton audits signed	Other firms
	Position as at end of May 2024 (%)	Forecast position end of Sep 2024 (%)	Position as at end of May 2024 (%)
2022-23	65	75	7
2021-22	81	85	48
2020-21	92	92	81

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Local context

The Council continues to operate in an uncertain and challenging environment, balancing service delivery against the impact of its decisions on the citizens of Harborough District Council staff and their families.

The Council approved the 23/24 Budget and Medium Term Financial Strategy (2024/25 to 2027/28) (MTFS) in February 2023. This demonstrates that the Council was in a surplus revenue budget position for the first two years of the MTFS and froze Council Tax for 2023/24. Using these reserves through the use of a financial sustainability reserve has enabled a balanced revenue budget to be set through to 2027/28.

There have been delays in finalising the audit for 2022/23, which has impacted on the timing of this audit plan. As a result, the outturn position for 2023/24 is available, which reports a revenue underspend of £1.06m, a variance of 8.5% to the approved budget. A key factor in the achievement of this surplus is due to additional investment income.

Other Local issues

You have indicated to us that you have changed your financial system from eFinancials to TechnologyOne during the year (with effect from 6 November 2023). We will audit the data migration for the system implemented along with the IT general controls.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Resources.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Resources Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Standards Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit and Standards Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Standards Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- We identified an other audit risk relating to the data migration to the new ledger, refer to page 4. Our IT auditors will review whether the Council's process for ensuring the data migration was complete and accurate.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Harborough District Council ('the Council') for those charged with governance.

Respective responsibilities

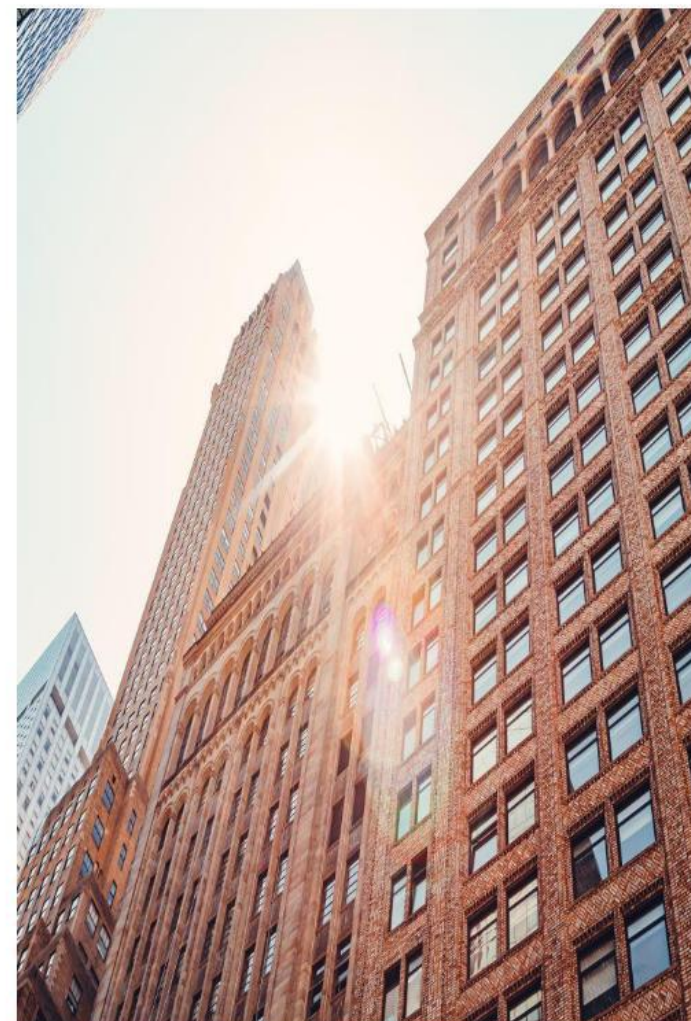
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings
- Pension fund valuation
- Implementation of a new financial system

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Harborough District Commercial Services. The valuation of Investment Properties is a significant risk at the group level.

Materiality

We have determined planning materiality to be £560k for the group and £550k for the Council, which equates to approximately 1.6% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £28k for group and £27.5k for the Council.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not yet commenced, we will update you separately once this has been concluded.

Audit logistics

Our initial planning work has been undertaken and our final visit will take place from October 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers. However, we are willing to work remotely as well to suit the operations of the Council.

Our proposed fee for the audit will be £135,595 for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure (Rebutted)	Council	<p>Under ISA (UK) 240, there is rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive and limited opportunity to manipulate revenue recognition • The culture and ethical frameworks of local authorities, including Harborough District Council mean that all forms of fraud are seen as unacceptable. <p>Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income.</p> <p>Having considered the risk of improper recognition of expenditure at Harborough District Council we are satisfied that this is not a significant risk for the same reasons as set out above.</p>	<p>We will continue to review revenue transactions as part of our audit ensuring that it remains appropriate to rebut the presumed risk of revenue recognition for the Council.</p> <p>We will continue to review material expenditure transactions as part of our audit. However we do not consider the risk of fraudulent expenditure as significant. We will still undertake audit procedures in this area, in particular;</p> <ul style="list-style-type: none"> • Update our understanding of the Council's business processes associated with accounting for expenditure and payables, and • Agree, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals; • Analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings (PPE)	Group and Council	<p>The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value at the financial statements date.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk. The risk will be pinpointed as part of our final accounts work, once we have understood the population of the asset revalued. We will report an updated risk assessment for valuation of land and buildings in our Audit Findings Report</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimates, the instructions issued to valuation experts and the scope of their work; • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write to the valuer to confirm the basis on which the valuations were carried out to ensure that the requirements of the CIPFA code are met; • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly; and • Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group and Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of the pension fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of investment property	Group only	<p>The subsidiary revalues its investment property on an annual basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the basis of consolidation of the subsidiary into the group accounts, focusing on the valuation basis used and alignment of accounting policies; and In the first instance, seek to rely on the work of the component auditor for this significant risk, by issuing group instructions. This will require a review of the component auditor files once they have completed their work on the subsidiary.
Data migration with new system implementation	Group and Council	Council migrated from eFinancials to TechnologyOne during the year. This presents complexity in the financial data and risk to the accuracy and completeness of data presented in the new system.	<p>We will:</p> <ul style="list-style-type: none"> Test the completeness and accuracy of the data migrated from eFinancials to TechnologyOne; Test the implementation of IT general controls around TechnologyOne using our IT specialist team; Test if the trial balance in eFinancials balances before data migration; Test that the trial balance in TechnologyOne balances after the data migration; Test if there have been any duplication of records.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Harborough District Council	Yes		<ul style="list-style-type: none"> Refer to pages 8 to 11 	Full scope audit performed by Grant Thornton UK LLP
Harborough District Commercial Services	No		<ul style="list-style-type: none"> Valuation of investment property 	<p>Full scope audit performed by Mazars for statutory purposes.</p> <p>As the work on investment property is arranged by the Council we will perform procedures on the valuation of investment property at the Council level.</p>

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality at the planning stage of our audit is £560k, which equates to approximately 1.6% of your gross expenditure for the prior period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes; and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> – We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £25k.
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit and Standards Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 [UK] 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 [UK] defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £28k for group and £27.5k for Council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.</p>

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

We plan to rely on the operation of application controls whether automated / IT dependent and will therefore carry out an extended ITGC assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have been operating effectively throughout the period.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
TechnologyOne	Financial reporting	Detailed ITGC assessment (design effectiveness only)
eFinancials	Financial reporting	Detailed ITGC assessment (design effectiveness only)
Capita	Income management system	Detailed ITGC assessment (design effectiveness only)
iTrent	Payroll	Detailed ITGC assessment (design effectiveness only)

In addition, due to the significant changes during the period, specifically the new system implementation additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
TechnologyOne	New system implementation	Post migration data completeness and accuracy; system functionality operating to design.	<ul style="list-style-type: none"> Obtain an understanding of the process used for new system implementation Audit of data migration activity and results

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Our planning work for 2023/24 is not yet complete, and we will update you separately once this has been concluded. We will continue to review your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Audit logistics and team



Reabetswe Mogotsi, In charge auditor

Key audit contact responsible for the day to day management and delivery of the audit work

Siobhan Barnard, Audit Manager

As manager, Siobhan will manage the audit process and work with officers and the audit team to ensure the smooth planning and delivery of the audit. She will oversee the on-site team and discuss any issues with you during the audit process as well as any questions that you may have throughout the year.

Helen Lillington, Key Audit Partner

Helen is the engagement leader, taking overall responsibility for ensuring we provide a high-quality service. She will work with Siobhan and the audit team to ensure we have fulfilled our responsibilities as your auditor and sign the audit opinion and auditor's annual report.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you. We are planning to provide these via inflo, and have provided access to your team on inflo to facilitate this;
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023, PSAA awarded a contract of audit for Harborough District Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2023/24 audit is £128,065.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>¹

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements;
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements; and
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023/24	
Harborough District Council Audit (Scale fee)	£128,065
ISA 315 (Not included in scale fee proposals)	£7,530
Total audit fees (excluding VAT)	£135,595

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the group and Council.

IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures;
- application of judgment and estimation;
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes; and
- systems to capture the process and maintain new lease data and for ongoing maintenance.

Planning enquiries

As part of our planning risk assessment procedures, we have an appendix to the audit plan which details our questions regarding the Council's approach to adopting IFRS 16 (Appendix A). We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx](#)
(publishing.service.gov.uk)

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Director of Resources (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Director of Resources to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Appendix A

Questions on approach to adopting IFRS 16

No	Question	Response
1	Has a process been developed to identify leases within the scope of IFRS 16? Please describe the process where such a process was developed.	
2	Has a process been developed to classify leases in accordance with IFRS 16? Please describe the process where such a process was developed.	
3	Has a process been developed to assess the application of the practical expedient in IFRS 16 (i.e. portfolio of leases approach)? Please describe the process where such a process was developed.	
4	Has a process been developed to make the disclosure required for the impact that IFRS 16 will have on the financial statements (for standards issued but not yet effective)? Please describe the process where such a process was developed.	
5	Has a project plan been developed for the transition to IFRS 16?	
6	Have calculations been made for the conversion of operating leases to the finance lease model with the accompanying right of use assets?	
7	Have the exempt leases and the reasons for their exemption been clearly documented?	
8	Has the impact that IFRS 16 will have (as to be disclosed for standards issued but not yet effective) been calculated?	

Questions on approach to adopting IFRS 16

No.	Question	Response
1	Has a process been developed to identify leases within the scope of IFRS 16? Please describe the process where such a process was developed.	We have obtained some template documents from our treasury advisors and plan to use as a basis for our work. Plan to identify by a combination of emails to budget holders and review of expenditure for 23/24 and 24/25 to date. As part of this will develop a process to identify new leases going forward.
2	Has a process been developed to classify leases in accordance with IFRS 16? Please describe the process where such a process was developed.	See response to Q1.
3	Has a process been developed to assess the application of the practical expedient in IFRS 16 (i.e. portfolio of leases approach)? Please describe the process where such a process was developed.	Leases will be considered on a case-by-case basis.
4	Has a process been developed to make the disclosure required for the impact that IFRS 16 will have on the financial statements (for standards issued but not yet effective). Please describe the process where such a process was developed.	Assessed by Head of Financial Services as unlikely to be material. Waste vehicles (potential embedded lease as part of waste contract) are not expected to be classified as a lease per preliminary work, other potential leases are expected to mostly fall within the low value items exemption or have a non-material impact.
5	Has a project plan been developed for the transition to IFRS 16.	We have a rough plan at this stage, see response to Q1.
6	Have calculations been made for the conversion of operating leases to the finance lease model with the accompanying right of use assets?	Not yet, assessed as unlikely to be material at this stage.
7	Have the exempt leases and the reasons for the exemption been clearly documented?	Not yet.
8	Has the impact that IFRS 16 will have (as to be disclosed for standards issued but not yet effective) been calculated?	As above, assessed as unlikely to be material. But plan to do before audit to evidence.

Harborough District Council

Report to the Audit & Standards Committee 31st July 2024



Title:	Internal Audit – progress and performance update
Status:	Public
Key Decision:	No
Report Author:	Rachel Ashley-Caunt, Chief Internal Auditor, North Northamptonshire Council
Portfolio Holder:	Cllr Mark Graves
Appendices:	Appendix A – Internal Audit Progress Report July 2024 Appendix B – Overdue Recommendations

Executive Summary

The Audit and Standards Committee is scheduled to meet four times a year, at each meeting Internal Audit reports its performance in respect of:

- **the audit plan**; the assignments for the first quarter of the financial year are progressing well;
- **any recommended amendments to the audit plan**; one addition to the plan is noted in this report; and
- **outcomes of finalised audit assignments**; which will be reported to the committee as the reports and action plans are agreed by officers.

In addition to performance, Internal Audit also reports on outstanding actions arising from audit reports. There are currently 35 actions that have not been implemented by the agreed implementation deadline; 27 of which are over 3 months over their implementation date and of “medium-priority”.

Recommendations

The committee considers the Internal Audit Progress Report (Appendix A) and Overdue Recommendations (Appendix B) and comments as necessary.

Reasons for Recommendations

To support the Audit and Standards Committee’s role in ensuring good governance, strong financial management and an effective internal control environment. Additionally, to oversee the independence, objectivity, performance, and professionalism of internal audit.

1. Purpose of Report

- 1.1 To update Members on progress against the 2024/25 internal audit plan, key findings of audits completed and status of outstanding recommendations.

2. Background

Internal Audit

- 2.1. The Council's internal audit service is provided, under delegation, by North Northamptonshire Council. The Audit and Standards Committee (ASC) agreed a new delegation at the meeting held on 2nd February 2022 (link to report [here](#)). They are commissioned to provide 235 days to deliver the 2024/25 Annual Audit Plan, which was approved by ASC on the 24th April 2024 (link to report [here](#)).

3. Detail

- 3.1 The following paragraphs summarise the main items covered within the Internal Audit Progress Report (**Appendix 1**) and provide commentary in respect of overdue recommendations (**Appendix 2**).

Internal Audit Progress 2024/25

3.2 Audit Plan

- 3.2.1 The Internal Audit team are delivering against the audit plan that was approved in April 2024 and all assignments scheduled for the first quarter of the financial year are underway.
- 3.2.2 The Chief Internal Auditor has confirmed that the Audit Plan is on target to be achieved within the allocated 235 days.

3.3 Customer Satisfaction

- 3.3.1 Two customer feedback questionnaires have been returned so far this financial year and are summarised in Appendix A.

Outstanding Recommendations.

- 3.4 Since the last report to committee, 5 actions have been implemented and 25 remain overdue. Of the 25 unimplemented actions:
- 1 "high priority" and 19 "medium priority" actions are over three months since their implementation date;
 - 7 "medium priority" actions were due to have been completed within the last 3 months. All "high priority" and "medium priority" overdue actions are detailed in **Appendix 2**.

4. Implications of Decisions

- 4.1. **Corporate Priorities**; internal audit provides assurance to the Council in respect of internal control and other governance issues, which directly supports the delivery of the Councils corporate priorities.
- 4.2. **Financial**; there are no direct financial implications arising from this report.
- 4.3. **Legal**; there are no direct legal implications arising from this report.
- 4.4. **Policy**; there are no direct policy implications arising from this report.
- 4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**; there are no direct environmental implications arising from this report.
- 4.6. **Risk Management**; there are no direct risk management implications arising from this report. However, members must not that the audit approach is “risk-based” and an effective internal audit service is one means by which the Council is able to effectively manage risk.
- 4.7. **Equalities Impact**; there are no direct equalities implications arising from the report.
- 4.8. **Data Protection**; there are no direct data protection implications arising from the report.
- 5. **Summary of Consultation and Outcome**
 - 5.1 The Chief Internal Auditor has consulted with the Councils s.151 in respect of performance and senior managers for individual audit assignments. The Audit and Standards Committee were consulted in respect of preparing the 2024/25 Audit Plan and approved the plan in April 2024.
- 6. **Alternative Options Considered**
 - 6.1 No alternative options considered as none are appropriate.
- 7. **Background papers**
 - 7.1 None



**Internal Audit Update
July 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, 27% 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 1st April 2024, 5 agreed management actions have been closed. At the date of reporting, there are 35 agreed management actions that are due but yet to be confirmed as implemented. Of these, 20 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 Financial system key controls 2023/24

- 3.1.1 The Council operates several systems designed to ensure that transactions are recorded in a timely, accurate and complete manner, free from fraud or error. These systems are often referred to as 'Key' or 'Fundamental' financial systems. The Section 151 Officer is required to include a note in the Council's annual financial statements that confirms he has kept proper accounting records. This audit supports the S151 Officer in exercising his duty and seeks to provide assurance over key financial controls. These controls underpin the effective delivery of all services and therefore support all corporate priorities.
- 3.1.2 During 2023/24 a new finance system has been implemented which incorporates a number of these key systems, including the main accounting system (general ledger), creditor payments (accounts payable) and sundry debtors (accounts receivable). Given that the new system was implemented relatively recently (November 2023), it was agreed with management that the audit would focus on walkthrough testing to assess control design as full compliance testing was considered impractical at this stage. Consequently, no compliance assurance rating has been given as part of this audit.
- 3.1.3 Based on the audit findings, good assurance was provided over the migration of data and balances to the new system. As part of the implementation process, officers stated that priority was given to ensuring that effective controls and process were operational in respect of the creditors system and audit testing confirmed this to be the case. Other controls were scheduled for development in the post-implementation stage and this has placed further restrictions on the scope of the audit. Specifically, bank reconciliations, control account reconciliations, clearance of suspense accounts and sundry debtor processes (billing and recovery) all remained in development at the time of audit. Consequently, full testing was not possible in these areas. Continued management focus and staff resources are required to ensure all processes and controls are implemented as soon as possible. Further work is also required to ensure a complete and accurate set of procedure notes are in place covering all aspects of the new system.
- 3.1.4 Based on the audit findings, Internal Audit has given the following assurance opinions over the management of the associated risks:

Assurance Opinion	
Control environment	Moderate (Amber)
Organisational impact	Medium (Amber)

3.2 Decision making and delegations 2023/24

- 3.2.1 The Council operates executive arrangements of a Leader and Cabinet model as prescribed in the Local Government and Public Involvement in Health Act 2007 whereby the Leader of the Council is appointed for a 4-year term (subject to certain

restrictions) and then determines the executive arrangements of the Council, including delegation to Cabinet Members, Committees and Officers. The non-executive roles are, in summary, regulatory, constitutional and personnel-related matters. This role is undertaken by various Committees appointed by the Council and by Officers in accordance with terms of reference and delegations set by the Council.

- 3.2.2 The audit was carried out to provide assurance that controls are in place to ensure compliance with the Council's Constitutional arrangements for decision making and appropriate recorded use of delegations, which can be accessed via the Council's website.
- 3.2.3 The Council has extensive decision-making guidance available to Officers via SharePoint and a clear definition of a 'key decision'. Audit testing, however, noted some areas where expected controls were not consistently evidenced such as timely publication of minutes to reflect key decisions taken and some gaps in record keeping for delegated decisions. In 100% of cases tested, it was confirmed that delegated decisions had been taken in line with the Constitution and had been published, but in some instances, there was a lack of complete audit trail to track a delegated decision throughout the process. There is scope to make some guidance more succinct and user friendly, to ensure, for example, consistent completion of Written Record of Decision forms and New Business Items Forms.
- 3.2.4 Training provision for both Officers and Members is an area where further work could increase confidence in the decision-making process and reflect on areas highlighted within this audit.
- 3.2.5 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 (Green)
Compliance	Good (Green)
Organisational impact	Low (Green)

3.3 Procurement compliance 2023/24

- 3.3.1 To ensure compliance with legal and regulatory requirements in respect of competition, transparency and value for money when procuring goods, works or services the Council has developed a set of Contract Procedure Rules (CPRs) and Statement of Required Practice for Procurement (SORP) which form part of the Council's Constitution and can be accessed via the website. It is understood that there had been no changes to these documents within 2023/24. This audit was carried out to provide assurance that approved rules and practices are being complied with.
- 3.3.2 In April 2023, the Council commenced partnership working with Welland Procurement Unit (WPU). Areas of support included specialist procurement

provision, guidance for contract awards over £50k and access to contract register software (ProContract) to be used by both Council and WPU staff.

- 3.3.3 To comply with the Local Government Transparency Code, all expenditure over £500 is published on the Council's website, together with the contract register. Comparisons of all suppliers with whom the Council had incurred expenditure in excess of £40k identified discrepancies where spend could not be matched to a register entry. Sample testing confirmed that the published version of the contract register was incomplete, with only three contracts added to the register during 2023/24. WPU confirmed that training on contract register maintenance had been provided to Council staff, however, there had been an oversight in handover and allocation of some tasks.
- 3.3.4 Detailed compliance testing was carried out on a sample of six new contracts. Of these, three contract awards were selected from the published contract register and three had been identified by WPU, given the gaps in the register noted above. The compliance testing conducted found that four contract awards were evidenced as compliant with CPRs and SORP requirements. Of the remaining cases, one related to agency staff spend where a recommendation from the 2022/23 procurement audit remains outstanding, so no further recommendation has been raised. For the other case tested, it was noted that the contract commenced prior to completion of the formal contract documentation.
- 3.3.5 Given the changes in procurement support arrangements, and the audit findings, it is recommended that further training and awareness is provided for Council managers. This should ensure roles and responsibilities are clearly understood - including retention of evidence and when to engage with WPU.
- 3.3.6 Based on the audit findings, Internal Audit has given the following assurance opinions over the management of the associated risks:

Assurance Opinion	
Control environment	Moderate (Amber)
Compliance	Moderate (Amber)
Organisational impact	Medium (Amber)

3.4 Budget setting 2024/25

- 3.4.1 Budget setting is a fundamental part of the Council's internal control framework and directly supports the Council's corporate objective of ensuring sound financial management and sustainable communities.
- 3.4.2 The 2024/25 budget and Medium Term Financial Strategy (MTFS) received approval by Council on 26th February 2024. This shows net revenue expenditure of £15.3 million for 2024/25 and a net contribution to reserves of £2.6 million. Forecasts from 2025/26 onwards show a potential deficit from 2026/27 indicating a need to identify savings of £5.9 million across the period of the MTFS, subject to significant uncertainties regarding future government funding and inflation levels. The capital

strategy and five-year capital programme shows forecast spending of £30 million consisting of a broad range of capital investments, including leisure improvement works, environmental projects, infrastructure and disabled facilities grants. Capital works are funded primarily from borrowing (internal), grants, capital receipts, developer contributions and earmarked reserves.

3.4.3 Based on the audit findings, there is a sound system of controls in place for effective budget setting and financial planning. Whilst there are no written procedures, suitable guidance and support is in place and roles are well established and understood. All budget assumptions and principles are soundly based and clearly established at an early stage of the budget setting process and there is a clear and effective approach to review of fees and charges. Management of financial sustainability is supported by a robust five-year medium term financial plan which is linked to the Council's corporate objectives and includes a clear assessment of risks and sensitivities. The Council has an approved risk-based policy on balances and reserves, including a specified minimum working balance of 20% of net expenditure. Revenue and capital budgets are fully integrated and plans are in place to strengthen arrangements for development of the capital programme from 2025/26. There is a clear and structured approach to the development of growth and savings plans with all budgets and service proposals being subject to effective review, scrutiny and approval by senior managers and Members. The Chief Finance Officer has provided a clear statement on the robustness of the 2024/25 estimates and adequacy of reserves, as required by the relevant legislation.

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

Assurance Opinion	
Control environment	Substantial (Green)
Compliance	Substantial (Green)
Organisational impact	Low (Green)

4. ***Review of the audit plan coverage***

4.1 During the financial year, the audit plan must remain subject to ongoing review to ensure it continues to focus on the Council's key risks and adds value. During the year to date, one additional audit has been proposed for audit coverage in relation to housing allocations. It is proposed that 12 days for this additional assignment be added to the annual audit plan. There are no planned assignments which the Chief Internal Auditor and management consider can be removed from the plan at this time. The plan will remain under regular review during the year.

Table 1 - Progress against 2024/25 internal audit plan

Assignment	Assurance sought	Budget days	Planned start	Planned reporting	Status	Assurance rating	Comments
Corporate governance and counter fraud							
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	Not started		
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		
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. 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	Final report issued	Control environment: Substantial Compliance: Substantial Organisational impact: Low	See section 3.4
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	Not started		

Assignment	Assurance sought	Budget days	Planned start	Planned reporting	Status	Assurance rating	Comments
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	Not started		
Corporate objective: Healthy lives							
Housing strategy	To provide assurances on arrangements in place for governance and delivery of the strategy.	10	February 2025	March 2025	Not started		
Corporate objective: Place and community							
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	Fieldwork underway		
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	Fieldwork underway		Additional review – 12 days
UK Shared Prosperity Fund	To provide assurance over the effective application of grant monies and compliance with terms.	8	July 2024	September 2024	Not started		

Assignment	Assurance sought	Budget days	Planned start	Planned reporting	Status	Assurance rating	Comments
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	Not started		
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	Not started		
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	Not started		
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		
Corporate objective: Environment and sustainability							
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	Not started		

<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>
Other support							
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					
Total		235					

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 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.
Good	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.
Moderate	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.
Limited	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.
No	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
High	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.
Medium	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.
Low	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.

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

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	1	50%	4	14%	-	-	5	13%
Actions due within last 3 months, but <u>not implemented</u>	-	-	7	23%	1	13%	8	20%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	1	50%	19	63%	7	87%	27	67%
Totals	2	100%	30	100%	8	100%	40	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.

Appendix B: Overdue audit actions (high and medium priority)

Audit	Officer Responsible	Grade	Target Date	Finding Description	Recommendation	Agreed Action	Latest update from officers
Financial Systems Key Controls 2022-23	Head of Financial Services	High	31/03/2024	Debt recovery	A specific project should be established to ensure recovery action in respect of overdue debts is brought up to date and that sufficient resources are in place to maintain recovery action going forward. All cases with dispute codes should be periodically reviewed to ensure that appropriate action is being taken to resolve any outstanding issues and resume recovery action as soon as possible. Priority should be given to collecting the larger outstanding debts, particularly those in relation to HIC deferred rents, outstanding section 106 payments and the remaining property charges due from Leicestershire County Council.	Noted, the new finance system will enable automatic reminders to be sent which will make the process much smoother going forward. During July and August, a catchup exercise on the outstanding reminder letters is being undertaken.	March 2024: still working on sundry debts post go -live (also ties into the bank reconciliation project) - once this work is concluded for 31st March 2024 we will begin debt recovery and review of sundry debt arrears for 2024/25 onwards.
Temporary Accommodation 2021-22	Community Partnerships Service Manager	Medium	30/09/2022	Procurement strategy.	<p>A procurement strategy should be produced in accordance with the relevant legislation and statutory guidance. Management may wish to consolidate the procurement strategy with the Council's temporary accommodation placements protocol – an example document has been shared with management.</p> <p>The strategy should be agreed with the Council's Commissioning Service Manager and approved by Cabinet, after which, it should be communicated to the relevant staff and applied accordingly going forward.</p>	Support the recommendation which will be actioned by the Senior Housing Advisor.	April 2024: the work is continuing with a strategy coming after the current project is completed by the end of 2024 - there is not going to be a meaningful update on this task until October 2024.

Partnerships and shared services 2022-23	Director Finance & S.151 Officer	Medium	30/06/2023	Business continuity.	<p>Update the partnership register to include a column to indicate whether the service is considered business critical and, if so, for the relevant service manager to record whether a suitable and up-to-date business continuity plan is in place for the partnership.</p> <p>Ensure that the business continuity plan for the revenues and benefits partnership is reviewed, updated and uploaded to the Resilience Direct system and that the payroll Business Continuity Plan (BCP) reflects the new partnership.</p>	Partnership Register to be updated to reflect recommendation.	July 2024: HoS tasked to update the partnerships register. The audit rests around the completion of the partnership register was discussed by CMT/SLT in May 2024. Currently being updated now and likely to be incorporated into Pentana.
ICT Asset Management 2022-23	Head of ICT	Medium	30/06/2023	ICT Software Asset Register.	<p>A corporate central register for all software applications and licenses is to be developed and implemented. This Register should contain key fields, such as:</p> <ul style="list-style-type: none"> •Software information; •Licensing information; •Renewal dates; •Department owner; •Support contact information; and •Purchase information. <p>The Register should be reviewed regularly for accuracy by the relevant service area.</p>	An output from the Business Applications workstream of the ICT Transformation Programme is a software register including the key fields listed. This data will be imported into the same system used for Hardware asset management.	April 2024: evidence of completion not available. Work remains in progress.
Partnerships and shared services 2022-23	Director Finance & S.151 Officer	Medium	31/07/2023	Partnership policy.	<p>When the current strategic management review has been completed, the Council should review and update its partnership and shared services policy. The updated policy should clearly distinguish between different types of partnership and set out more clearly the relative governance, performance and risk management arrangements for each. It should include a clear evaluation and gateway approval process for any proposals to enter into significant new operational partnership or shared service arrangements.</p>	The Council's governance arrangements are currently being reviewed. The development of a partnership policy will be included as part of that overall review.	July 2024: HoS tasked to update the partnerships register. The audit rests around the completion of the partnership register was discussed by CMT/SLT in May 2024. Currently being updated now and likely to be incorporated into Pentana.

Partnerships and shared services 2022-23	Director Finance & S.151 Officer	Medium	31/07/2023	Officer responsibilities.	Ensure that ongoing responsibility for review and update of the partnership policy and partnership register is formally allocated to a member of staff following the departure of the Community Partnerships Manager. In addition, a member of CMT should be nominated as the accountable officer for all matters in relation to partnerships and shared services following update of the policy (R1).	The Partnership Policy will rest with the Director of Resources (&s.151 officer). Operationally this will be immediate, but will be embedded as part of the wider review of governance (and respective delegations).	July 2024: HoS tasked to update the partnerships register. The audit rests around the completion of the partnership register was discussed by CMT/SLT in May 2024. Currently being updated now and likely to be incorporated into Pentana.
Partnerships and shared services 2022-23	Director Finance & S.151 Officer	Medium	31/07/2023	Partnership register.	Update the partnership and shared services register to include additional information as follows: <ul style="list-style-type: none"> •details of the annual financial and/or resource commitment provided by the Council; •key performance measures, outcomes or savings targets; •for service delivery partnerships, date of last review/update of the partnership agreement; •future expiry, review or break clause dates. 	Agreed	July 2024: HoS tasked to update the partnerships register. The audit rests around the completion of the partnership register was discussed by CMT/SLT in May 2024. Currently being updated now and likely to be incorporated into Pentana.

Partnerships and shared services 2022-23	Director Finance & S.151 Officer	Medium	31/07/2023	Review and update the parking partnership agreements and revenues and benefits agreement.	Review and update the various agreements and SLAs making up the parking partnership to ensure they remain fit for purpose and reflect any changes in relevant legal or regulatory requirements. Review and update the Revenues and Benefits partnership (LRBP) agreement, which expired in April 2021.	General - Current partnerships will be reviewed and establish agreement review dates, with the register duly updated. LRBP - The Monitoring Officer for the LRBP (Hinckley & Bosworth DC) has recognised that the current agreement has expired but partners would continue to work "to the agreement" pending a new one being developed/put in place for the move to a sole/single employer. Parking - To be updated as part of the review of all partnership arrangements.	July 2024: HoS tasked to update the partnerships register. The audit rests around the completion of the partnership register was discussed by CMT/SLT in May 2024. Currently being updated now and likely to be incorporated into Pentana.
Procurement 2022-23	Director - Finance	Medium	29/09/2023	Agency staff expenditure recording and procurement.	Undertake a review of agency staff procurement arrangements to ensure all contract managers are aware of the procurement requirements and responsibilities in accordance with the Council's SORP, including record keeping. The review should determine the causes of the current discrepancies with outcomes of this review collated into an action plan with clear actions assigned to members of staff and a suitable time frame to complete them. Follow up action would ensure that actions were reviewed, and non-compliance could be escalated.	A review of interim staff procurement arrangements to be undertaken. This may require the development of new procedures.	May 2024: In discussion with Welland Partnership to sort out a procedure.

Partnerships and shared services 2022-23	Director Finance & S.151 Officer	Medium	31/10/2023	VFM review.	Develop a schedule of rolling reviews for service delivery partnerships and shared services so that all arrangements are reviewed over a period of 5 years. Reviews should be timed to coincide with any relevant provisions in the respective agreements (e.g. notice periods, exit or break clauses). Reviews should consider whether the arrangement continues to deliver the expected benefits, remains consistent with the Council's corporate objectives and delivers value for money based on objective criteria (e.g. benchmarking against alternative options). The partnership register could be adapted to record the date of the next review to act as a trigger to carry out the necessary work.	To be completed as part of the review of the partnership policy/register review.	July 2024: HoS tasked to update the partnerships register. The audit rests around the completion of the partnership register was discussed by CMT/SLT in May 2024. Currently being updated now and likely to be incorporated into Pentana.
Enforcement activity 2023-24	Interim Head of Legal Services and Deputy Monitoring Officer	Medium	31/10/2023	Corporate Enforcement Group	<p>A Corporate Enforcement Group or similar would provide an opportunity for senior managers and employee representatives to work together to achieve and support consistent, consultative and collaborative enforcement across the Council.</p> <p>The Group could provide a forum in which officers can share and access the knowledge and expertise that exists across the Council, as well as maximising economies of scale when purchasing enforcement equipment and training. It would also provide opportunity to consult with colleagues on policy and procedural matters relating to the investigation and enforcement of non-compliances with relevant legislation, whichever Council service they are located within</p>	Agreed	July 2024: We are working towards this recommendation which has slipped due to capacity in the legal team. We are in the process of recruiting a new legal team. In the meantime, we can confirm the relevant Heads of Service have been contacted on 08.07.2024 in relation to setting up a Corporate Enforcement Group. We will update further in August 2024.

Enforcement activity 2023-24	Head of Service Development Management	Medium	31/10/2023	Planning Enforcement Register	To update the Council's website with the most recent Planning Enforcement Register of Issued Notices.	Agreed. This will be reviewed and updated	June 2024: The HDC Corporate Systems Administrator has done some Uniform work that may achieve getting Enforcement records displayed online. This work is in progress, but has yet to be live tested.
Enforcement activity 2023-24	Interim Head of Legal Services and Deputy Monitoring Officer	Medium	30/11/2023	Prosecution Files	Develop a corporate prosecution file template for enforcement officers to use. This will ensure consistency and standardisation in the way cases are documented and organised and would provide assurance that that all necessary elements have been considered.	Agreed	July 2024 : We are working towards this recommendation which has slipped due to capacity in the legal team. We are in the process of recruiting a new legal team. In the meantime, we are looking at support to develop the prosecution file template, dependant on the outcome of upcoming Lawyer interviews. We will update further in August 2024.
Financial Systems Key Controls 2022-23	Head of Financial Services	Medium	31/12/2023	Debt management policy	As recommended in 2020/21, the corporate debt policy should be updated to ensure Appendix 3 (write-offs) is fully complete and consistent with the Council's constitution. The policy and any associated procedure notes should specify the officer responsible for the policy/procedure and include version control information and expected date of the next review.	Noted – will be scheduled to look at post the finance system go live in September 2023.	March 2024: To be updated at the next constitutional review.

Financial Systems Key Controls 2022-23	Head of Financial Services	Medium	31/12/2023	Debt recovery performance.	Review and update the target for sundry debt arrears to a more realistic level. Given the current high level of outstanding debt, it is also recommended that the KPI should be escalated to CMT for closer monitoring and control..l.	The work noted above should reduce the levels of debt to back in line with target. Suggest is we review the targets once bedded into new system so for Qtr. 3 onwards.	March 2024: still working on sundry debts post go-live (also ties into the bank reconciliation project) - once this work is concluded for 31st March 2024 we will begin debt recovery and review of sundry debt arrears for 2024/25 onwards.
Managing Major Projects 2022-23	Michael Curtis	Medium	31/12/2023	Benefits tracking	Set a target date for developing a combined benefits tracker that is reported regularly to the Programme Board. Include training to key officer on the requirement to develop and include measurable benefits in project documentation.	Programme Manager to include benefits in CMT Programme Board reports. Project Management Skills training for Service Managers.	June 2024: Project Officers have commenced work to document benefits for their allocated projects within the Programme. Once this has been completed later in 2024 it will be incorporated into Programme Board reporting for the whole programme.

Enforcement activity 2023-24	Interim Head of Legal Services and Deputy Monitoring Officer (Julie Young)	Medium	31/01/2024	Enforcement Training Plan	<p>Review the training needs of enforcement officers across Council services and implement a Council wide enforcement activity training plan.</p> <p>Develop relationships with other Local Authorities to maximise opportunities for joint training and development sessions and cost reductions.</p>	Agreed	<p>July 2024 : We are working towards this recommendation which has slipped due to capacity in the legal team. We are in the process of recruiting a new legal team. In the meantime, we can confirm the relevant Heads of Service have been contacted on 08.07.2024 in relation training needs within their respective service areas. We will update further in August 2024.</p>
Financial Systems Key Controls 2022-23	Head of Financial Services	Medium	31/03/2024	Timely completion and review of bank reconciliations.	<p>Ensure that all bank reconciliations are completed and reviewed in a timely manner. The name of preparer and reviewer and date of preparation and review should be completed in all cases as evidence of this.</p>	<p>One the new finance system is in place, due to go live in September 2023, then we are hoping the bank reconciliations will be back in house and produced in a more timely manner. In the new system we have simplified the processes to streamline and assist with the timeliness. There will be a period of bedding in and training once new system goes live in September hence the implementation date of March 24 for completion.</p>	<p>June 2024: 2023/24 reconciliations completed. For 2024/25 onwards we will be aiming to achieve this recommendation.</p>

Financial Systems Key Controls 2022-23	Head of Financial Services	Medium	31/03/2024	Timely resolution of bank reconciliation discrepancies.	Officers should ensure that adequate resources are allocated to the investigation and resolution of the differences recorded in the 2022/23 reconciliations and ensure that these are cleared as part of the year-end closure process. Going forward, all differences and unidentified balances should be investigated and resolved prior to the following month's reconciliation, wherever possible, and the bulk write-off of unresolved items avoided.	Agreed, As part of the new system the bank reconciliation processes will be simplified and streamlined, this will therefore help with the resolution of discrepancies.	June 2024: 2023/24 reconciliations completed. For 2024/25 onwards we will be aiming to achieve this recommendation.
Enforcement activity 2023-24	Interim Head of Legal Services and Deputy Monitoring Officer	Medium	31/03/2024	Enforcement Policies	<p>A holistic review of all the Council's enforcement policies should take place to ensure they are all aligned, up to date and there are no duplications.</p> <p>Consideration should be given to developing one single Corporate Enforcement Policy that has a number of supplementary schedules that set out the approach to dealing with specific regulatory areas rather than separate policies. This would simplify the administrative process and promote consistency and clarity in policy implementation.</p> <p>The policy should have a named owner to ensure accountability and responsibility for the policy's implementation and maintenance.</p> <p>Both issue date and review date should be recorded on the policy to provide a reference point for when the policy was created and to ensure the policy is regularly reviewed.</p>	Agreed	<p>July 2024: The Council's generic enforcement policy has been updated based on the recommendation. The draft document has been shared with relevant officers for comment (email from Head of Regulatory Services dated 01.07.2024). We will update further in August 2024.</p>

Harborough District Council

Report to the Audit & Standards Committee 31st July 2024



Title:	Internal Audit Annual Report and Opinion 2023/24
Status:	Public
Key Decision:	No
Report Author:	Rachel Ashley-Caunt, Chief Internal Auditor, North Northamptonshire Council
Portfolio Holder:	Cllr Mark Graves
Appendices:	Appendix A – Internal Audit Annual Report 2023/24

Executive Summary

The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, which should provide a reasonable level of assurance, subject to any inherent limitations and taking into account other sources of assurance, as appropriate.

This report provides the Chief Internal Auditor's opinion for 2023/24 and details the basis for this opinion. The opinion is of 'moderate' assurance and limitations to the opinion are detailed within the report.

Recommendations

The committee considers the Annual Internal Audit Report for 2023/24 (Appendix A) and comments as necessary.

Reasons for Recommendations

To support the Audit and Standards Committee's role in ensuring good governance, strong financial management and an effective internal control environment. Additionally, to oversee the independence, objectivity, performance, and professionalism of internal audit.

1. Purpose of Report

- 1.1 To provide the Committee with the Annual Internal Audit Report and Opinion for 2023/24. This should inform the Council's Annual Governance Statement for the year.

2. Background

Internal Audit

- 2.1. The Council's internal audit service is provided, under delegation, by North Northamptonshire Council. The service operates in accordance with the Public Sector Internal Audit Standards.

3. Detail

- 3.1 The report (Appendix A) provides the full opinion and report for 2023/24. The key elements of the report include:

3.2 Internal Audit findings

- 3.2.1 The Internal Audit team give an opinion for each assurance assignment completed. The opinion is given in three areas – the design of the control environment, compliance with controls and organisational impact. The opinions given for all audit assignments completed in 2023/24 are provided within Appendix A and inform the overall assurance opinion for 2023/24.
- 3.2.2 The outcomes of audit assignments have been reported to the Audit and Standards Committee during the year, as completed, and are provided as an overall summary in the annual report. All audit opinions given during 2023/24 were of at least Moderate Assurance.

3.3 Implementation of agreed audit actions

- 3.3.1 Where Internal Audit identify an area of weakness in control design or compliance, a recommendation is made and an action agreed with management to address this. The implementation of those agreed actions is then tracked by Internal Audit. The level of implementation of these actions informs the annual assurance opinion. During 2023/24, 54% of actions due were completed in the year.

3.4 Other sources of assurance

- 3.4.1 The Chief Internal Auditor has taken third party assurances from the internal audit report issued by the Leicestershire Revenues and Benefits service for 2023/24. This is reflected within the annual report.

3.5 Performance

- 3.5.1 The annual report also includes a reflection on the performance of the internal audit service during 2023/24. This includes delivery of the internal audit plan, areas of added

value and compliance with the Public Sector Internal Audit Standards – including improvement plans.

4. Implications of Decisions

- 4.1. **Corporate Priorities**; internal audit provides assurance to the Council in respect of internal control and other governance issues, which directly supports the delivery of the Councils corporate priorities.
- 4.2. **Financial**; there are no direct financial implications arising from this report. However, members will note that in Appendix A, Section 2 (Chief Internal Auditor Opinion 2023/24), this refers to an outstanding housing benefit overpayment debt of £715k. The Leicestershire Revenues & Benefits Partnership (LRBP) have provided some context to this, which is attached as Appendix B. Following the review by the LRBP, there may be future costs associated with recovery that LRBP partners may have to contribute to; such recovery will of course be subject to a VfM/Cost-Benefit assessment.
- 4.3. **Legal**; there are no direct legal implications arising from this report.
- 4.4. **Policy**; there are no direct policy implications arising from this report.
- 4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**; there are no direct environmental implications arising from this report.
- 4.6. **Risk Management**; there are no direct risk management implications arising from this report. However, members must not that the audit approach is “risk-based” and an effective internal audit service is one means by which the Council is able to effectively manage risk.
- 4.7. **Equalities Impact**; there are no direct equalities implications arising from the report.
- 4.8. **Data Protection**; there are no direct data protection implications arising from the report.

5. Summary of Consultation and Outcome

- 5.1 The Chief Internal Auditor has consulted with the Councils s.151 in respect of performance and senior managers for individual audit assignments.

6. Alternative Options Considered

- 6.1 No alternative options considered as none are appropriate.

7. Background papers

- 7.1 None



Annual Internal Audit Report and Opinion 2023/24

1. Introduction and context

- 1.1 This report outlines the audit work carried out by the Internal Audit Service for the year ended 31st March 2024.
- 1.2 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, compliance and governance processes.
- 1.3 Internal audit is a statutory requirement for local authorities, in accordance with:
 - Section 151 of the Local Government Act 1972 – which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs; and
 - The Accounts and Audit Regulations 2018 (England) – which state that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.4 The Council's internal audit service has been delegated to North Northamptonshire Council and is led by the Chief Internal Auditor, employed by North Northamptonshire Council. Internal audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, Corporate Leadership Team (which includes the Section 151 Officer), and the Chair of the Audit and Standards Committee. Internal auditors have no direct operational responsibility or authority over any of the activities audited and the Internal Audit Charter sets out how independence and objectivity is maintained and evidenced.
- 1.5 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1 and takes into account other sources of assurance, as appropriate. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.6 As such, the Annual Report contains:
 - the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
 - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - a statement on the extent of conformance with the Standards.

2. Chief Internal Auditor Opinion 2023/24

2.1 Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion on the Council's system of internal control is set out below:

I am satisfied that sufficient internal audit work has been undertaken to inform an opinion on the adequacy and effectiveness of governance, risk management and internal control for 2023/24. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Moderate Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2023/24 – see definition of assurance opinions in section 4.1 of this report. This control environment comprises of the system of internal control, governance arrangements and risk management. Any limitations over this opinion are detailed and explained further below.

Financial control

During 2023/24 a new finance system has been implemented which incorporates a number of key financial controls, including the main accounting system (general ledger), creditor payments (accounts payable) and sundry debtors (accounts receivable). Given that the new system was implemented in November 2023, it was agreed with management that the 2023/24 internal audit coverage would focus on walkthrough testing to assess control design in the new system, as full compliance testing was considered impractical at this stage. Consequently, no compliance assurance rating was given as part of the 2023/24 audit coverage for key financial systems and no opinion can be given at this time.

Based on the audit findings, good assurance was provided over the migration of data and balances to the new system. As part of the implementation process, officers stated that priority was given to ensuring that effective controls and process were operational in respect of the creditors system and audit testing confirmed this to be the case. Other controls were scheduled for development in the post-implementation stage and this placed further restrictions on the scope of the audit. Specifically, bank reconciliations, control account reconciliations, clearance of suspense accounts and sundry debtor processes (billing and recovery) all remained in development at the time of audit. Consequently, full testing was not possible in these areas. Continued management focus and staff resources are required to ensure all processes and controls are implemented as soon as possible. Further work is also required to ensure a complete and accurate set of procedure notes are in place covering all aspects of the new system.

A report from the internal auditors for Leicestershire Revenues and Benefits Partnership for 2023/24 has been provided. The report provides 'moderate' assurance over controls for administering housing benefit and local council tax support. The audit report provides third party assurance over the controls for processing and paying claims, in accordance with partnership policies. The priority area highlighted for improvement was in relation to overpayment recovery - with £715,844.58 of the overpayment balance relating to

Harborough District Council debts. Assurances will be sought in relation to action taken to recover overpayments during 2024/25.

Risk management

The Council's structures and processes for identifying, assessing and managing risk have remained generally consistent during 2023/24. The Internal Audit plan was risk based and informed by the Council's risk management framework and reporting.

Internal control

For the audits completed by the Internal Audit service in 2023/24 and finalised at the time of reporting, 100% of the opinions given in relation to the control environment and compliance have been of at least Moderate Assurance.

An area of limitation on the assurance opinion for 2023/24 currently relates to cyber security. Audit coverage has been progressing in this area during 2023/24 but remains ongoing at the time of reporting – as such, an assurance opinion cannot yet be provided. An interim report has been issued to management whilst further sources of assurance are gathered by the IT service and an assurance opinion will be given once remaining work is concluded.

Of the agreed management actions due for implementation during 2023/24, 54% had been completed during the year.

There have been no incidences during 2023/24 where the internal audit team have highlighted a fundamental risk or weakness and management have sought to accept the risk, rather than agree an appropriate action.

Internal Audit has not been made aware of any further significant governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 2.2 The basis for this opinion is derived from an assessment of the individual opinions arising from assignments undertaken throughout the year from the risk-based Internal Audit plan. Assurances from other sources have also been taken into consideration, where appropriate.
- 2.3 The assessment has taken account of the relative materiality of areas highlighted for improvement and management's progress in addressing any control weaknesses.

3. Summary of findings

- 3.1 All final reports have agreed action plans, dates and responsible officers, where required. The audit opinions arising from the work of Internal Audit are summarised in Table 1, split by assurance area.

Table 1 – Summary of audit opinions 2023/24:

Area	Substantial	Good	Moderate	Limited	No
Financial systems	-	-	1	-	-
Key corporate controls and policies	-	4	4	-	-
Corporate objective: Healthy lives	-	2	-	-	-
Corporate objective: Place and community	-	3	1	-	-
Corporate objective: Environment and sustainability	-	-	2	-	-
Corporate objective: Economy	-	-	2	-	-
Total	-	9	10	-	-
Summary	-	47%	53%	-	-
Summary (2022/23) for comparison	6%	50%	44%	-	-

- 3.2 The Internal Audit team's work has been targeted upon areas of identified risk and has sought to support service areas in identifying and prioritising areas for improvement.

4. Review of audit coverage

Audit opinion on individual audits

- 4.1 The Committee is reminded that the following assurance opinions were assigned during 2023/24, in accordance with the Internal Audit Charter:

Table 2 – Assurance categories:

Level of Assurance	Design of control environment definition	Compliance definition
Substantial	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.
Good	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.
Moderate	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.
Limited	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.
No	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.

- 4.2 All individual reports represented in this Annual Report are final reports. As such, the findings have been agreed with management, together with the accompanying action plans.

Summary of audit work

- 4.3 Table 3 details the assurance levels resulting from all audits undertaken in 2023/24 and the date of the Committee meeting at which the outcome of the audit was presented.

- 4.4 All completed assignments have been delivered in accordance with the agreed audit planning records and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of finalised audit opinions 2023/24:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Financial systems				
Financial system key controls	Moderate (Amber)	-	Medium (Amber)	July 2024
Key corporate controls and policies				
Managing major projects	Good (Green)	Moderate (Amber)	Medium (Amber)	October 2023
Information governance	Good (Green)	Moderate (Amber)	Medium (Amber)	April 2024
Procurement compliance	Moderate (Amber)	Moderate (Amber)	Medium (Amber)	July 2024
Decision making and delegations	Good (Green)	Good (Green)	Low (Green)	July 2024
Corporate objective: Healthy lives				
Leisure services project – embedded assurance	Good (Green)	Good (Green)	Low (Green)	April 2024
Corporate objective: Place and community				
Homelessness and temporary accommodation	Moderate (Amber)	Good (Green)	Medium (Amber)	April 2024
Local Plan development project	Good (Green)	Good (Green)	Low (Green)	April 2024
Corporate objective: Environment and sustainability				
Climate emergency action plan	Moderate (Amber)	Moderate (Amber)	Medium (Amber)	April 2024
Corporate objective: Economy				
Enforcement policy compliance	Moderate (Amber)	Moderate (Amber)	Low (Green)	October 2023

- 4.5 Audit outcomes have been reported to the Audit and Standards Committee during the 2023/24 financial year.

Implementation of agreed management actions

- 4.6 Internal Audit follow up on progress made against all agreed actions arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action on a regular basis and report updates at every Audit and Standards Committee meeting.
- 4.7 A total of 30 agreed actions have been implemented by officers during 2023/24, which represents 54% of the actions which were due for implementation.
- 4.8 Details of the implementation rate for the agreed management actions during 2023/24 are provided in Table 4, as at 31st March 2024.

Table 4 - Implementation of agreed management actions due in 2023/24:

	'High' priority	'Medium' priority	'Low' priority	Total
Agreed and implemented	1	22	7	30 (54%)
Agreed and due within last 3 months , but not implemented	1	4	-	5 (9%)
Agreed and due over 3 months ago , but not implemented	-	14	7	21 (37%)
Total	2	40	14	56
Agreed and not yet due for implementation	1	7	-	8

Other sources of assurance

- 4.9 The Council's revenues and benefits service is delegated to Leicestershire Revenues and Benefits Partnership. As such, third party assurances are sought from the partnership's internal auditor in relation to the controls within these systems. An audit

report for 2023/24 has been received in respect of the partnership. The report gives a 'Moderate' opinion over the controls in place for housing benefit and local council tax support claims. Sample sizes were generally of 10 or less and it is not confirmed as to the proportion which related to Harborough District Council transactions.

- 4.10 The report provides positive assurance, based on sample testing, in relation to accurate processing of claims in line with the Partnerships policies and procedures. The audit also reported accurate payments were being made in line with the Benefits Officer's assessment for a sample of claimants. The audit highlighted, however, cases where claimants were no longer receiving benefits and consistent action was not being taken to reduce overpayment arrears. The total balance of outstanding debt in respect of such overpayments was £2,994,037.83 as at April 2024, of which £715,844.58 related to Harborough District Council debts. Assurances will be sought in relation to action taken in the areas for improvement during 2024/25.

5. Performance

- 5.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and Members via its programme of work and also offers constructive support and advice to assist the Council in new areas of work.
- 5.2 Since 1st April 2022, the Council's internal audit service has been delegated to North Northamptonshire Council. During this year, a number of successful recruitment campaigns have resulted in the appointment of auditors from a variety of backgrounds which will serve to strengthen the depth and breadth of the team. The team have built effective working relationships with service areas and seek to continue to build upon the positive feedback and reputation built to date.
- 5.3 The Internal Audit service has issued draft or final reports on 100% of the agreed assignments from the 2023/24 Audit Plan. The initial planned audit of the environmental services contract procurement was postponed, to align with the procurement process, and will be included in future audit coverage.
- 5.4 In order to seek feedback on the quality of the internal audit work, customer satisfaction surveys are issued following the conclusion of audit assignments. The feedback received on audits delivered during the 2023/24 year is summarised in table. Of the feedback received 100% rated the elements of the service as either 'good' or 'outstanding'.

Table 5 – Customer satisfaction survey results

Aspects of audit assignments	Outstanding	Good	Satisfactory	Poor	Not applicable
Design of assignment	3	4	-	-	-
Communication during assignments	5	1	-	-	1
Quality of reporting	4	3	-	-	-
Quality of recommendations	3	4	-	-	-

Internal Audit contribution in wider areas

- 5.5 Key additional areas of Internal Audit contribution to the Council in 2023/24 are set out in Table 6:

Table 6 – Internal Audit contribution

Area of Activity	Benefit to the Council
Ad hoc advice and assistance.	Assistance with ad-hoc queries and advice. Raising the profile of Internal

Area of Activity	Benefit to the Council
	Audit with service leads to increase the effectiveness of the service.
Sharing advice and fraud alerts.	Pro-active counter fraud support and learning from other authorities.
Maintaining a fraud reporting mailbox to enable concerns to be raised directly with Internal Audit.	Supporting the Council in its Counter Fraud strategy and reinforcing a zero-tolerance culture.
Support for the development on new processes and systems - providing “critical friend” advice to ensure that effective controls are built in at the outset.	Supporting the Council to strengthen its control environment at the earliest opportunity.
Maintaining good working relationships with External Audit.	Maximising value of audit resources.

Professional Standards

- 5.6 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 5.7 The objectives of the PSIAS are to:
- Define the nature of internal auditing within the UK public sector;
 - Set basic principles for carrying out internal audit in the UK public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 5.8 Since 1st April 2022, the Internal Audit service has been delegated to North Northamptonshire Council and a Quality and Improvement Plan is overseen by the current Chief Internal Auditor to support ongoing development, in line with the Standards. Assessment against the Standards will be embedded in the delivery of the service and ongoing development work. An external assessment must be completed at least every five years and the timing of the first external assessment will be agreed with the S151 Officer and Chair of the Audit and Standards Committee. The Institute of Internal Auditors have produced new Global Internal Audit Standards which will apply from January 2025 and this needs to be considered in setting a timing for the external assessment.

- 5.9 A self-assessment by the Chief Internal Auditor confirms that the service is operating in general conformance with the Standards. The Quality and Improvement Plan for the Internal Audit team for the year ahead includes aligning processes with the new Global Internal Audit Standards and continuing to promote use of data analytics in the audit process.
- 5.10 The Chief Internal Auditor can confirm that there has been no evidence of impairment of the independence of the Internal Audit team during 2023/24 and no auditors have reviewed systems/controls which they have been responsible for delivering. Every member of the Internal Audit team completes an annual declaration of any interests which could present a conflict of interest and confirmation of acceptance of the code of ethics.

Appendix 1: Limitations

Limitations inherent to the Internal Audit's work:

Internal Audit work has been performed subject to the limitations outlined below:

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our agreed annual programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit and Standards Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the areas audited is for the period 1st April 2023 to 31st March 2024. Historic 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, regulation or other; 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 and 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.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities.

However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Housing Benefits Overpayments: Context for the level of overpayments for Harborough District Council

Provided by Leicestershire Revenues & Benefits Partnership, July 2024

At the time of drafting this report, there remains 13% of the total debt raised outstanding.

The total amount of invoices raised during the reporting period of the internal audit report (2010 to date; 14 years) was £5, 651,988. The total that has been collected during this period has been £4,908,096.

Total balance currently outstanding is £743,892.80* which goes back to 2010 taking the overall recovery rate to 87% leaving 13% to recover. Of this amount* £175, 510 is subject to active recovery leaving a total of £568, 383 to recover; of which £312,282 (55%) is over 6-years old (some of which will be pending action, in recovery or awaiting a decision in respect of write-off). *It needs to be remembered that even if a debt is in 'active recovery' a change of circumstances could result in the need to negotiate a new payment plan.*

When an invoice is raised, the team will always seek to make direct deductions in the first instance.

The debts are very similar regarding remedies as sundry debts. Statutory powers regarding Housing Benefit overpayment recovery differ significantly from Council Tax and are far less robust.

There are few remedies to recover these types of debts, and they are not priority debts (as determined by debt charities and other organisations i.e. CAB, Joseph Rowntree Foundation, HMRC and DWP). The debts are more difficult to collect due to the financial circumstances of debtors in many cases, who may still be in receipt of benefit, on a low income or financially vulnerable.

The only real option if unable to attach the benefit of the debtor is via the County Court, adding additional cost and it still may not return repayment.

There are other matters to consider other than repayment, for example we are seeing more instances where overpayments have occurred due to failure to notify us of moving from temporary accommodation, (whilst there will be an overpayment the prospect of recovery is limited). We are seeing attachments returned where the claimant is subject to 'managed migration' from a legacy benefit. HMRC started providing various methods to identify and prevent HB overpayment, such as the ability to check a claimant's actual income – leading to identifying undeclared income, and consequently an increase in HB overpayments.

The audit report gives a snapshot of a figure without the wider context, and data should have been supplied to allow testing to be undertaken where possible and reflected in the report.

This matter had been identified by the LRBP previously as an issue and agency support was taken on at the end of 2023 to work to an agreed plan.

An options paper will be presented to the management board of what the policy and process will look like moving forwards, considering all the above and including the risk of taking cases via the County Court. This may be costly and could impact on us reputationally without adding any greater prospect of collection.

Harborough District Council

Report to the Audit & Standards Committee 31st July 2024



Title:	Global Internal Audit Standards
Status:	Public
Key Decision:	No
Report Author:	Rachel Ashley-Caunt, Chief Internal Auditor, North Northamptonshire Council
Portfolio Holder:	Cllr Mark Graves
Appendices:	N/A

Executive Summary

The new Standards represent a number of changes to the requirements for Internal Audit, senior management and the Audit and Standards Committee. Having reviewed the requirements of the new Standards, it is considered that the Council's internal audit services align with the intent of the Standards. As the service evolves, processes and templates will be refreshed as part of the ongoing quality assurance and improvement programme to ensure alignment with requirements of the latest Standards.

This report provides an introduction to some of the implications arising from the Global Internal Audit Standards.

Recommendations

The committee notes the update on the Global Internal Audit Standards.

Reasons for Recommendations

To support the Audit and Standards Committee's role in ensuring good governance, strong financial management and an effective internal control environment. Additionally, to oversee the independence, objectivity, performance, and professionalism of internal audit.

1. Purpose of Report

- 1.1 To inform the Audit and Standards Committee of the new Global Internal Audit Standards, which become effective from January 2025, and key changes to the requirements.

2. Background

Internal Audit

- 2.1. Since 2017, the Public Sector Internal Audit Standards (PSIAS) have provided the basis on which the Council's internal audit service must be delivered.
- 2.2. The Global Institute of Internal Auditors (the IIA) published the new Global Internal Audit Standards on 9th January 2024, following an extensive consultation in 2023. The Standards provide a new structure with their arrangement under five domains. There is more emphasis on the working relationship of internal audit, the audit committee (referred to as the Board) and senior management. The Standards become effective from 9th January 2025.
- 2.3. The Standards are arranged into five domains:
 - I Purpose of Internal Auditing
 - II Ethics and Professionalism
 - III Governing the Internal Audit Function
 - IV Managing the Internal Audit Function
 - V Performing Internal Audit Services
- 2.4. Across the domains are 15 Principles and 52 Standards. These include requirements, considerations for implementation, and examples of evidence of conformance. The new International Professional Practices Framework (IPPF) includes the Standards, topical requirements and global guidance.
- 2.5. The new Standards include guidance on application in the public sector which recognises that the application of the Standards may differ for internal auditors in the public sector. This section specifically references implications of different funding arrangements (i.e. the Board may not be able to approve budgets); governance and organisational structure (i.e. recognising that the Board may not be able to appoint, remove, or set remuneration for the chief audit executive); and laws/regulations impacting on delivery.

3. Detail

- 3.1. The key elements of the report include: As an audit committee, members play a vital role in ensuring that the internal audit function adheres to the Standards and fulfils its mandate effectively and efficiently. Audit and Standards Committee members and senior management should be familiar with the new Standards and their implications.
- 3.2. Some of the key updates are summarised as follows:
 - A new Purpose statement that sets out the value of Internal Audit;
 - New behavioural requirements for Internal Auditors, including the concept of 'Professional Scepticism';

- Domain III covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the 2017 standards, the new standards go further and explicitly lay out requirements for Senior Management and the audit committee (the Board). These are summarised further below, in paragraph 3.3;
- The standards require an Internal Audit Mandate to be approved by the Audit Committee. The mandate sets out the authority, role, responsibilities, scope and types of services. It also considers organisational independence, including interference such as limiting budgets or resources of Internal Audit;
- The chief audit executive (Chief Internal Auditor) must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management, and other key stakeholders;
- The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the board;
- The chief audit executive must strive to ensure that the internal audit function has the technology to support the internal audit process. The chief audit executive must regularly evaluate the technology used by the internal audit function and pursue opportunities to improve effectiveness and efficiency. The chief audit executive must communicate the impact of technology limitations on the effectiveness or efficiency of the internal audit function to the board and senior management. The chief audit executive must collaborate with the organisation's information technology and information security functions to implement technological resources properly;
- If internal auditors and management disagree about the engagement recommendations and/or action plans, internal auditors must follow an established methodology to allow both parties to express their positions and rationale and to determine a resolution;
- Internal auditors must ensure the final communication to stakeholders for individual engagements is reviewed and approved by the chief audit executive before it is issued; and
- New to the 2024 Global Internal Audit Standards are the setting of Topical Requirements. These are intended to assist the internal audit function by providing structure and consistency in covering governance, risk and control over specified areas. These requirements will be published during 2024 and will be mandatory when Internal Audit scope an audit in these topical areas.

3.3. As noted above, Domain III covers the governance of Internal Audit and represents a significant change and sets out requirements for the Board, which must be exercised by the Audit and Standards Committee, as follows:

- Discuss with the chief audit executive and senior management the appropriate authority, role, and responsibilities of the internal audit function;

- Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services;
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function;
- Review the internal audit charter with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organisation;
- Demonstrate support to Internal Audit by:
 - Specifying that the chief audit executive reports to a level within the organisation that allows the internal audit function to fulfil the internal audit mandate;
 - Approving the internal audit charter, internal audit plan, budget, and resource plan.
 - Making appropriate enquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
 - Meeting periodically with the chief audit executive in sessions without senior management present.
- Champion the internal audit function to enable it to fulfil the Purpose of Internal Auditing and pursue its strategy and objectives.
- Review the requirements necessary for the chief audit executive to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function.
- Approve the chief audit executive's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Communicate with the chief audit executive to understand how the internal audit function is fulfilling its mandate.
- Communicate the board's perspective on the organisation's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities.
- Set expectations with the chief audit executive for:
 - The frequency with which the board wants to receive communications from the chief audit executive.
 - The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance.
 - The process for escalating matters of importance to the board.
- Discuss with the chief audit executive disagreements with senior management or other stakeholders and provide support as necessary to enable the chief audit executive to perform the responsibilities outlined in the internal audit mandate.
- Review and approve the chief audit executive's plan for the performance of an external quality assessment. Such approval should cover, at a minimum:
 - The scope and frequency of assessments.

- The competencies and independence of the external assessor or assessment team.
- The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Review and approve the chief audit executive's action plans to address identified deficiencies and opportunities for improvement, if applicable.

3.4. The Council's Internal Audit service is subject to an annual self-assessment against the Public Sector Internal Audit Standards and an initial review of the Global Internal Audit Standards provides assurance that the service operates in line with the intent of these Standards. Integrity, objectivity, competency, confidentiality and due professional care remain the core basis for how internal audit services must be delivered. These are defined within the in-house service's Code of Ethics which each member of the team signs to confirm acceptance of on an annual basis, along with a declaration of any potential conflicts of interest.

3.5. As part of the service's quality assurance and improvement programme, further work will take place to review processes, templates and strategies to align with the latest Standards. The team includes a number of qualified and part qualified Chartered Internal Auditors and continuous professional development and training will further support the embedding of the Standards across the service. The in-house service was established in April 2022 and has not, as yet, been subject to an external assessment. Consideration will need to be given to the most appropriate timing of the first assessment, in consultation with the Audit and Standards Committee. Further updates will be provided for the committee during 2024/25, including the implications of any new Topical Requirements.

4. Implications of Decisions

4.1. **Corporate Priorities**; internal audit provides assurance to the Council in respect of internal control and other governance issues, which directly supports the delivery of the Councils corporate priorities.

4.2. **Financial**; there are no direct financial implications arising from this report.

4.3. **Legal**; there are no direct legal implications arising from this report.

4.4. **Policy**; there are no direct policy implications arising from this report.

4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**; there are no direct environmental implications arising from this report.

4.6. **Risk Management**; there are no direct risk management implications arising from this report. However, members must not that the audit approach is "risk-based" and an effective internal audit service is one means by which the Council is able to effectively manage risk.

- 4.7. **Equalities Impact;** there are no direct equalities implications arising from the report.
- 4.8. **Data Protection;** there are no direct data protection implications arising from the report.
- 5. **Summary of Consultation and Outcome**
 - 5.1 The Chief Internal Auditor has consulted with the Councils s.151 in respect of performance and senior managers for individual audit assignments.
- 6. **Alternative Options Considered**
 - 6.1 No alternative options considered as none are appropriate.
- 7. **Background papers**
 - 7.1 None