

Appendix A



**Internal Audit Update
September 2022
Harborough District Council**

Introduction

- 1.1 The North Northamptonshire Council Internal Audit service has been commissioned to provide 235 audit days to deliver the 2022/23 Annual Audit Plan for Harborough District Council - and undertake other work commissioned by the Council, as required.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit and Standards Committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Consortium.

Performance

2.1 Delivery of the Audit Plan for 2022/23

Internal Audit has been set the objective of delivering at least 90% of the Internal Audit plans for 2022/23 to draft report stage by the end of March 2023.

At the date of writing, one assignment from the plan has been finalised, one is at final draft report stage and fieldwork is complete for a further audit. Furthermore, urgent additional work has been prioritised on auditing two Covid-19 related grants received in 2021/22. Progress on individual assignments is shown in **Table 1**. The audit plan delivery remains on track for the year.

2.2 Delivery within budget

Internal Audit is on target to deliver the audit plan within the 235 days budget. Any overruns on individual assignments are managed within the overall budget.

2.3 Client satisfaction

Customer satisfaction questionnaires are issued on completion of audits. At the time of reporting, two questionnaires have been returned - results are shown in table 2.

2.4 Productivity

As at the latest possible date for reporting purposes, current members of the audit team have been delivering 94% productivity against the target of 90%.

2.5 Outstanding audit recommendations

Since the last committee meeting, four agreed management actions have been closed.

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

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

2.6 **Summary of audit findings**

Grant claim verification

During the last quarter, the Internal Audit team has been required to audit the Council's spend in relation to a number of Covid-19 related grants which were received in 2021/22. This additional work has delayed completion of some of the planned audit assignments but was essential to ensure declarations could be submitted to government in line with the mandatory deadlines. These required a signed declaration from the Chief Internal Auditor and Chief Executive that grant terms had been complied with.

The grants audited have included the following spend:

- Test and Trace – value of £181,756; and
- Covid Outbreak Management Fund – value of £87,179.

Table 1 - Progress against 2022/23 internal audit plan

Assignment	Assurance sought	Budget days	Planned start	Planned reporting	Status	Assurance rating	Comments
Corporate governance and counter fraud							
National Fraud Initiative (NFI) support	To provide support in the oversight of data uploads and investigation of data matches.	15	As required	As required	In progress	Consultancy work	Data upload in October 2022
Key corporate controls and policies							
Key financial controls	To provide assurance over the design and compliance with key controls within the Council's financial systems. Undertaken on an annual basis, with a cyclical approach to testing. To inform external audit work and provide s151 assurances.	30	January 2023	March 2023	Not started		
Performance management	To provide assurance over the Council's new performance management framework – including the focus of performance indicators, completeness and accuracy of data and effective use of the new software.	12	June 2022	July 2022	Final Draft Report		Report with management for final sign off
Procurement compliance	To test compliance with Contract Procedure Rules and the Statement of Required Practice on the procurement of goods and services across the Council. To inform annual assurance opinion on value for money and counter fraud.	8	February 2023	March 2023	Not started		
IT asset management	To provide assurance over the management and control of the Council's hardware and software assets – including security of devices and software licensing.	12	July 2022	August 2022	Fieldwork underway		Delayed due to urgent work on Covid-19 grant verifications

Assignment	Assurance sought	Budget days	Planned start	Planned reporting	Status	Assurance rating	Comments
Information governance	To provide assurance over the Council's management of risks associated with data security and compliance with regulatory requirements.	15	April 2022	May 2022	Final report issued	Control environment: Satisfactory Compliance: Good Organisational risk: Minor	Reported at June 2022 committee meeting
The People: A healthy, inclusive and engaged community.							
Leisure services – embedded assurance review	To engage with the project and issue reports at key stages – including assurance over the management of risks, consultation and communications, procurement, use of resources and plans and governance and decision making.	15	Ongoing throughout year	Aligned with project	Ongoing from 2021/22		
The Place: An enterprising, vibrant place.							
Environmental services contract management	To provide assurance over the management of this key contract and confirm the mechanisms in place to ensure services are delivered to the required standard and in line with contractual agreements.	18	November 2022	January 2023	Not started		
Managing major projects	To review the Council's procedures for managing major projects and assess compliance with key controls in ensuring projects are delivered on time, within budget and in accordance with Council policies, procedures and delegated decision making powers.	18	September 2022	November 2022	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>
Your Council: innovative, proactive and efficient.							
Strategic partnering and shared services	To review the Council's strategic approach to engagement in partnerships and shared services and seek assurance over the consistent application of expected controls and governance in establishing such arrangements. To include a review of the effectiveness of existing arrangements and strategies applied to assessing any potential opportunities and the expected benefits to be achieved.	15	June 2022	August 2022	Fieldwork complete		
Agile working	To assess lessons learnt from the agile working trial and assess arrangements in place for supporting staff against recommended practice, to support productivity and staff wellbeing.	12	August 2022	September 2022	Planning		
Online payments	To provide light touch review/real time audit support on the roll out of new online payment portal and compliance with Payment Card Industry Data Security Standards.	7	To be confirmed	To be confirmed	Planning		Timing to be agreed with officers.
Other support							
Contingency (note – used for grant claim verification work)		3					
Client management and support - support and reporting to Audit Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.		35					

<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>
	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 are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Good ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational impact		
Level	Definition	
Major ●	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.	
Moderate ●	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.	
Minor ●	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.	

Table 2: Customer satisfaction

At the completion of each assignment, the auditor issues a customer satisfaction questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The responses received in the year to date are set out below.

Aspects of Audit Assignments	Not applicable	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	1	1	-	-
Communication during Assignments	-	1	1	-	-
Quality of Reporting	-	1	1	-	-
Quality of Recommendations	1	-	1	-	-
Total	1	3	4	-	-

Table 3: Implementation of audit recommendations

	High priority recommendations		Medium priority recommendations		Low priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last committee meeting	0	-	1	33%	3	30%	4	31%
Actions due within last 3 months, but not implemented	0	-	0	-	3	30%	3	23%
Actions due over 3 months ago, but not implemented	0	-	2	67%	4	40%	6	46%
Totals	0	-	3	100%	10	100%	13	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.