North
Northamptonshire
Council

Internal Audit Progress Report

June 2023

1. Introduction

1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit & Governance Committee to oversee the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the 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 Internal Audit service.

2. Performance

2.1 Since the last meeting of the Audit and Governance Committee, the Internal Audit team has been seeking to finalise reports on the planned audit assignments from 2022/23 and to commence work on delivery of the 2023/24 audit plan.

2.2 A full copy of the 2022/23 audit plan is provided as Table 3, on pages 24 to 31 of this report.

2.3 All assignments scheduled for quarter one (April – June 2023) from the 2023/24 audit plan are currently underway, as follows:

- Starters and leavers;
- Customer Relationship Management system implementation;
- Hospital discharge invoicing;
- Payments to social care providers;
- Right to Buy applications;
- Cyber security – first rolling review;
- IT strategy and governance;
- Information governance; and
- Government procurement cards.

3. Key findings

3.1 Since the last meeting of the Audit & Governance Committee, finalised reports have been issued in respect of 20 audit assignments. The key findings arising from those audits are summarised as follows:

Performance management

Effective performance management and monitoring is a key aspect of good governance. The Council's performance is measured using monthly performance reports that are reviewed at Executive meetings, using key performance indicators (KPIs) and RAG (red/amber/green) ratings to monitor performance against predetermined targets. Performance is monitored at Scrutiny Committee meetings. The Council's performance management arrangements measure the effective delivery of services and, as such, support the Council's vision and key priorities.

This targeted audit testing sought to provide assurance that reported performance is suitably evidence-based i.e. based on an accurate interpretation and calculation of underlying raw

data. Audit testing encompassed a sample of 15 performance indicators to ensure performance is being accurately reported, spread across each of the key commitment areas recorded in performance reports and with different RAG statuses, as per the December 2022 report.

The audit confirmed that 11 of 15 indicators reviewed were reporting performance accurately and officers had adequate evidence to support the reported performance data.

However, errors were identified with performance reported on two indicators – one where performance had been calculated incorrectly using an incomplete set of data [BBF22: Number of children without a school place] and another where there were small discrepancies between the source data and reported performance due to the incorrect source dataset being used [CNC03: % of Deaths registered within 5 calendar days].

It was not possible to validate the accuracy of performance reporting against two of the selected indicators due to inadequacies in the supporting data [PS35: % of complaints upheld] and [STP32: % of food establishments in the area broadly compliant with food hygiene law]. In these cases, insufficient evidence of period end performance was being retained to confirm that reported performance was completely accurate.

Given the findings from the small sample of indicators selected a general recommendation has been made around potential enhancements to the Council's Performance Framework guidance for officers.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	🟡 Satisfactory
Compliance	🟡 Satisfactory
Organisational Impact	🟢 Minor

Procurement compliance – phase 2

The Council's Contract Procedure Rules (CPRs) define, based on procurement thresholds, the activity required to ensure probity and value for money when procuring goods, works or services, in line with legislative requirements laid down in The Public Contracts Regulations 2015. If these rules are not followed, there is a risk of failure in maximising value for money from purchases and the Council may be exposed to a risk of legal challenge from unsuccessful suppliers or sanctions from central government.

This audit was the second of a two-stage review in 2022/23. The first review focused on an assessment of the control environment covering procurement activity as well as compliance testing, predominantly on procurement over £100k where Procurement team involvement is mandatory, together with checks on the accuracy of the Contract Register and the publication of contract information in line with the Transparency Code. In this review, the focus was different in that as the control environment has not materially changed since the previous review, this has not been looked at again specifically here, and compliance testing has focused on four new areas. These are defined below along with the results of testing:

- Compliance with the recently revised new supplier process with inbuilt system validation, which either rejects requests or forwards them to Procurement for further consideration and approval. Testing of 22 new suppliers found the enhanced checking of compliance with CPRs was working well and as intended.

- Compliance with the CPRs covering the following activity in the financial year 2022/23:
  - Purchase orders raised between £25k-£100k – Testing of 15 orders found that in four cases, evidence was not provided that all requirements of the CPRs had been followed.
  - Spend on similar goods or services with suppliers over £25k, across multiple lower value orders / multiple service areas - A review of five suppliers found that procurement routes in four cases appeared to have been based on standalone order values within a service area, rather than corporate, aggregate spend. Category Management has already been implemented at the Council and it is noted that the review of spend and opportunities for amalgamation will be continuing in 2023.
  - Payments over £25k processed outside of the standard requisition / ordering process in ERP Gold – Testing found no instances of non-compliance with the CPRs.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Satisfactory
Compliance	● Satisfactory
Organisational Impact	● Moderate

Contractor health and safety

Whilst Council services are mainly delivered by in house teams, some are delivered either partly or in full by external companies. Where an external company is used, requirements around health and safety should be reflected in contracts, but it is also important that the Council has appropriate systems and processes in place to gain assurance that contractors are effectively managing health and safety risks for services they deliver on behalf of the Council. For the purposes of this review, the focus has been on the following – the gas repairs and maintenance contract which is managed by the Housing Service and commenced prior to vesting day, and two works managed by the Assets and Environment Team in the Place and Economy Directorate (namely the Stanton Cross School works which was commissioned in a legacy council, although the work commenced after vesting day, and the Leys Mortuary works which was commissioned by North Northamptonshire Council (NNC))

In terms of the control environment, roles and responsibilities of Council officers are reflected in the Council's Health, Safety and Wellbeing Policy. Additionally, responsibilities of the Council and contractors as defined in the Construction Design and Management Regulations 2015 (CDM) are reflected in contracts covering works / projects, or within working practices aligned to ensure such responsibilities are discharged appropriately. Furthermore, it is worth noting that the Council is in the process of implementing a Contractor Management Procedure and rolling out audits / inspections of directorate arrangements. Internal Audit have recommended some improvements to the audit / inspection arrangements but have not reviewed the draft procedure in detail as whilst it covers the key areas expected, some of the detailed aspects of the procedure are still to be agreed. When implemented, these two

developments will further enhance the control environment in place around health and safety contractor management arrangements.

From a compliance perspective, the audit reviewed arrangements for the three contracts / works against specific aspects of the draft Contractor Management Procedure where the requirements have remained mainly unchanged whilst the procedures are being developed. It should be noted that for all three areas reviewed, services were operating under existing procedures and working practices that were in place in the relevant legacy Council. For the Stanton Cross School work and the gas repairs and maintenance contract, evidence was provided that working practices were consistent with most expectations in the draft procedure. However, for the Leys Mortuary work, whilst evidence was provided to support the completion of many tasks, working practices took account of the complexity of works, and for minor works of this nature, were not always defined with audit / inspection in mind (i.e. issues dealt with in person and at the time they were identified). However, such works were subject to senior officer oversight to ensure their successful management and completion.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	🟡 Satisfactory
Compliance	🟡 Satisfactory
Organisational Impact	🟢 Minor

Creditors / accounts payable (hosted by Cambridgeshire County Council)

Overall, the testing carried out by Internal Audit identified that a good level of control exists over the key control processes within the Accounts Payable system. The good assurance opinion over the control environment is based on the below findings.

The fundamental '3-way match' control, to ensure that payments will only be made where the invoice has a corresponding goods receipt amount and corresponding Purchase Order (PO) for the same or greater value, was in operation.

The BACS payment process was robustly controlled with system access limited to appropriate officers. The payment file is uploaded automatically from the finance system (ERP Gold) into the BACS PayGate application via MOVEit software. This ensures the payment file cannot be manipulated by an individual once it leaves ERP Gold. The payment file production process in ERP Gold ensures that only appropriately approved payments against suppliers set up in ERP Gold can be made.

The physical processing of CHAPS or faster payments is undertaken in the online banking application, which is robustly controlled to ensure no one officer can make a CHAPS payment. CHAPS requests were made via ERP Gold forms with associated workflow to ensure separation of duties and appropriate authorisation by the relevant budget holder.

Payments to non-commercial suppliers also require budget holder approval via an ERP workflow. As with the 3-way matching and CHAPS payment processes, this ensures appropriate authorisation and separation of duties is in place.

There are Key Performance Indicators (KPIs) in place for the Accounts Payable (AP) Service and activity reporting, including performance against KPIs, is provided to the Section 151 Officers of each client Council.

Manual upload spreadsheets also require approval. The AP Service maintains a list of officers who are permitted to authorise a manual upload spreadsheet before submitting to the AP Service. Two-officer involvement and authorisation are hardcoded into manual upload spreadsheets to provide a clear audit trail. Manual upload spreadsheets can only be used to make payments to suppliers on ERP Gold.

There are areas where consideration could be given to enhance the control environment. It was identified that there is an inherent risk in the current manual upload arrangements that payments may be processed without approval from the relevant budget holder. It is important to note that separation of duties exists in the manual upload process, so the risk of fraudulent payments occurring is significantly mitigated. However, it is a key principle of budgetary control that only the budget holder should be able to approve expenditure against their budget.

Sample testing has indicated that ERP Gold does not store information on historic budget holders. The Accounts Payable Service Delivery Manager confirmed the service is already aware of this issue but that it is not practical or proportionate to amend the system to retain an historic list of budget holders. Internal Audit consider there is little risk in relation to this as the system already retains a clear audit trail of officers that requested and approved expenditure through requisitions/POs and other ERP Gold forms. Furthermore, the ERP Gold system has workflow controls in place to ensure that expenditure can only be approved by relevant budget holders. This means that expenditure approved in ERP Gold must have been approved by an individual with budget holder approval at the point in time, even if that officer is no longer the budget holder for the relevant cost centre. Controls to ensure that only appropriate individuals are granted ERP Gold budget holder access are not within scope for this review.

Compliance with controls was good overall. All 60 invoice payments tested correctly matched within tolerances and the relating POs had been approved by an appropriate budget holder representing a good overall level of compliance. Processing of invoices was also accurate as all 60 matched the actual invoices from suppliers. All 60 payments had a goods receipt on the system to ensure payments were only made for goods and services that had been provided.

All 20 BACS payment files tested were fully compliant with controls to ensure accurate payments were made. All 40 CHAPS payments and all 40 Non-commercial supplier payments subject to sample testing were subject to separation of duties through second officer approval. However, some instances of non-compliance with controls were identified in the supplier amendments process. In 36/40 cases tested, evidence that independent verification checks required had been undertaken was in place. However, in 4/40 cases, the supplier amendment master spreadsheet had not been updated to record whether verification checks were undertaken as required by procedures. It may be that in these four cases officers carried out the required checks and simply did not record this. However, if checks were not undertaken in line with procedures, there is an increased risk of external bank mandate fraud.

1/20 manual uploads had been approved by an officer that was not on the agreed list of upload approvers. In this case the upload was approved via email by the officer rather than providing approval via the functionality in the spreadsheet itself as required by procedures.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	🟢	Good
Compliance	🟢	Good
Organisational Impact	🟢	Minor

Income processing (hosted by Cambridgeshire County Council)

Overall, the testing carried out by Internal Audit identified that a good level of control exists over the key processes within the Income Processing (IP) system. The good assurance opinion over the control environment is based on the below findings:

System controls are in place to ensure income received is correctly accounted for within ERP Gold. Payments are automatically allocated to the correct invoice and customer where accurate reference numbers are provided by customers when making payments. Where information provided is insufficient or inaccurate, payments are automatically allocated to suspense accounts.

The software that manages these allocations is being replaced for 2023/24. Internal Audit has not undertaken walkthrough or sample testing on this system, and as such is not able to provide assurance over the controls and operations of the new software in relation to the wider Income Processing system. However, Internal Audit have met with the Functional Development Manager (Accounts Receivable, Income and BACS) to discuss the new software and he has confirmed that none of the current controls and control principles will be removed nor eroded by the implementation of the software. The primary difference is that the new software should allow for more sophisticated allocation of payments to the correct invoice, customer, or suspense account code and should reduce the number of transactions that need to be manually allocated by Income Processing Officers.

Procedures are in place to govern how unidentified income is managed. Suspense items are reviewed and investigated daily by Income Processing Teams and guidance notes are in place to support the allocation of suspense items. Internal Audit analysis of the suspense account has indicated that suspense items are promptly investigated and applied to relevant accounts, as the volume of aged items from previous months are continuously reduced overtime.

Cash figure reporting provides information surrounding suspense account value and volume positions, including breaking down suspense items into age brackets. This reporting now includes information regarding transactions allocated to customer accounts that have not yet been applied to invoices. Furthermore, reporting also includes KPI's relating to the clearance of suspense items, to provide management with performance information on the percentage of items allocated within five calendar days and 30 calendar days (the targets being 90% and 95% respectively). This reporting framework allows for appropriate scrutiny of aged suspense items.

Sales orders can only be raised against valid customers in ERP Gold. As well as generating a sales order directly in ERP Gold, manual upload spreadsheets can be used to generate sales orders. Internal Audit confirmed that manual upload spreadsheets must contain valid ERP customer numbers for them to be uploaded into ERP Gold. Within the manual upload process, there are sufficient controls to avoid duplicate uploads and manual uploads must be approved by a second officer.

A fortuitous income code has been created for each partner council so that suspense items that have been exhaustively interrogated without a definitive conclusion on which customer account or cost centre the transaction relates to can still be cleared from suspense.

There are areas where consideration could be given to enhance the control environment. There is no agreed documented procedure or criteria for use of fortuitous income codes and no procedures in place to govern credit-only customer accounts. As at 21 February 2023, there were significant volumes and values on credit-only accounts. There is a risk that aged balances on credit-only accounts are unlikely to be reconciled against sales invoices and cleared and may need to be refunded. Additionally, the value of these accounts is treated as part of "unapplied income" in corporate debt reporting; the implication in reporting is that unapplied items will eventually be applied to outstanding invoices and reduce the overall debt figure. Where transactions on aged credit-only accounts are included as part of this figure, there is a risk that this creates an understatement of each Council's debt position.

Compliance with controls was good overall. Controls were largely complied with throughout the period under review. Sample testing across all three clients confirmed auto-allocation controls were operating as expected, as in all 60 cases tested the auto-allocation process allocated and applied transactions to the correct account or invoice. Sample testing was also undertaken in relation to the manual allocation from suspense accounts by IP Officers. Testing concluded that in all 30 cases the IP Officers correctly applied payments to the correct customer invoice or account.

Sample testing of the IP control account reconciliations found reconciliations had been completed and reviewed as required in all cases relating to NNC.

A control account reconciliation relating to Cambridgeshire County Council had been signed off but had a discrepancy of £28k. It has subsequently been confirmed by the Business Systems Compliance and Improvement Manager that this was due to an error in the production of the reconciliation and that once corrected, the reconciliation showed only the expected non-material reconciling item. The Business Systems Compliance and Improvement Manager confirmed the updated working paper was signed off by the reviewer on 9th March 2023.

The compliance assurance opinion in this draft report is primarily based on this matter. The system opinion is based on the further investigation by the Business Systems Team and their confirmation that there were no systemic issues related to this matter. The Business Systems Compliance & Improvement Manager confirmed changes have been made to the internal reporting process within Business Systems and new individuals introduced to the completion and review of reconciliations to improve resilience within the team and in response to significantly higher than normal staff turnover. This has unfortunately resulted in these unusual issues. The Business Systems Compliance and Improvement Manager will ensure that training of the team is reviewed and repeated / updated as required.

If reconciliations are not undertaken, reviewed to ensure they have been correctly undertaken, and if any discrepancies are not fully investigated and resolved there is a risk that potential errors in the ERP Gold system are not identified and corrected, or the system is not fully operating as intended. Such errors could have an adverse impact on the accuracy of client council's accounts and financial planning.

Analysis confirmed that suspense account clearance was undertaken in a timely manner and was effective in correctly allocating items from suspense. Sample testing confirmed that suspense items were manually allocated to the correct customer account using appropriate supporting evidence.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	🟢	Good
Compliance	🟡	Satisfactory
Organisational Impact	🟢	Minor

Debt recovery (hosted by Cambridgeshire County Council)

There are documented debt recovery policies and procedures in place that cover the Council's debt recovery principles and high-level processes. There is also a debt officer user guide to provide guidance on the recovery process to recovery officers.

Automated recovery letters are in place to ensure debts are chased in an efficient and timely manner. An ERP system workflow process is in place that requires approval by the Debt Recovery Manager and the S151 Officer for any write off.

A process is in place to ensure that individual debts are reviewed in conjunction with any other debt relating to the customer, so that recovery decisions can be taken at a customer level. Portfolios of debts for manual recovery are prioritised based on the value and age of outstanding debts. However, this prioritisation does not guarantee that all aged debts will be reviewed.

Debt dashboard reporting gives a good level of detail on the Council's debt position, includes narrative, and comparisons to previous periods.

There are some of areas where controls should be strengthened. In particular, debt recovery processes do not include specific controls for addressing and reducing aged debt. There are no controls within debt recovery procedures to ensure aged debts are reviewed on a regular basis and to specifically govern how aged debt should be recovered. Aged debt represents an increased risk of financial loss as it is particularly difficult to recover.

Documented procedures had some differences compared to actual practice, specifically with regard to write off processes; timescales for automated recovery letters; and the use of debt collection agencies.

Sample testing identified that overall, automated recovery letters were issued in line with agreed timings, with some minor exceptions.

Sample testing identified that manual recovery activity had taken place in a timely manner in 15/20 cases. For 2/20 of these cases sampled, testing found no evidence of the debt being reviewed for several months after the Letter Before Action (LBA) was sent. In the 3 other cases, manual recovery activity had not been resumed after the expected sale of a property.

As at the end of February 2023, no write-offs had been processed in ERP Gold in the year 2022/23.

Total debt at December 2022 was £11.6m with £2.9m not yet overdue. Reference to legacy debt in this report relates to sundry and Adult Social Care (ASC) debt managed through ERP Gold and the shared service arrangements. This audit did not cover legacy debts from district councils or other bodies.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	🟢	Good
Compliance	🟡	Satisfactory
Organisational Impact	🟢	Minor

Budgetary control

The initial 2022/23 Budget and Medium-Term Financial Plan was approved by Full Council on 24th February 2022 and provided a net balanced budget of £626.169m. The net budget was increased by £4.4m in year following Executive approved use of reserves for specific pressures.

At month 10 an overspend of £2.111m for the General Fund was forecast, and an overspend of £234k for the Housing Revenue Account (HRA). The scope of the audit was to provide assurance over the Council's framework for setting, monitoring and managing budgets to support ongoing financial stability and delivery of savings.

In overall terms, the audit confirmed that there is an appropriate financial management framework in place to ensure that budgets are set in a controlled manner and that performance against these budgets is regularly monitored and reported on at committee level. At an operational level, the audit has identified some areas where improvements could be made to the control environment and specifically:

- the correction of identified errors in budget lines which have arisen following the replication of budgets from legacy organisations/disaggregated budgets;
- applying the improved financial reporting requirements for the financial management/monitoring of Northamptonshire Children's Trust;
- consistent budget setting across services which are not as yet fully integrated;
- adoption of longer-term financial planning (Medium Term Financial Plan) across all services;
- improved alignment of some cost centres, account codes and coding of pay costs to ensure they reflect operational need;
- correction of known budget errors to prevent recurrence.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	🟢	Good
Compliance	🟡	Satisfactory
Organisational Impact	🟡	Moderate

Adult safeguarding – DoLS follow up

Deprivation of Liberty Safeguards (DoLS) are part of the Mental Capacity Act 2005. The safeguards aim to make sure that people in care homes and hospitals are looked after in a way that does not inappropriately restrict their freedom. At the time of 2021/22 audit, there was a backlog of 1,695 cases within North Northamptonshire requiring assessments and an opinion of Limited Assurance was given over the control environment. An action plan for improvement was agreed with management and this 2022/23 audit was scheduled to follow up on implementation of those actions.

At the time of reporting, the backlog of cases yet to commence the assessment process had reduced to 965 – a 43% reduction from 2021/22.   It is evident that work has taken place to improve the control environment and the agreed actions from the 2021/22 audit were confirmed to have been progressed, with clear expectations set for the turnaround and accountability for the key stages of the assessment process. The action which remains yet to be fully completed, relates to improvements needed on the social care software, Eclipse, to align the workflows with the requirements for these cases, including for duplicate referrals. It is noted that this has been submitted to the technical group and is awaiting implementation as a priority.

Sample testing on completed cases indicates that the turnaround time on the key stages of the assessment have improved since the 2021/22 audit. The average time taken, in the sample, had reduced by over 60% both for completing best interest assessments (from 37 days to 14 days) and the time taken to assign cases to signatories (107 days to 40 days) – both of which were areas of pressure last year. The time taken to allocate cases to a s12 clinician remains a pressure point, with 882 cases currently awaiting allocation and a shortage of clinicians available to assign to, but the average delay on this allocation for completed cases had reduced from 266 days in sample testing in 2021/22 to 100 days in 2022/23 sample testing.

It should be noted that two notable outliers were identified in the wider population of 2022/23 assessments, with significant delays. Both had occurred due to legacy system issues – with one due to failure to upload paperwork to Eclipse and another failing to migrate from the legacy system. Both had been identified by the service area and resolved but this highlights the importance of ensuring consistent record keeping and use of systems. Analysis by Internal Audit of incoming referrals and completed assessments also highlights that the backlog is currently increasing, with 1,575 referrals received in 2022/23 and 928 assessments completed. As such, a strategy for managing this risk is required and it is understood that a briefing report, costing options for addressing the backlog and timeframes, has been completed and a review of the wider options for managing the DoLS work, including the backlog, is being progressed.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	🟡	Satisfactory
Compliance	🟢	Good
Organisational Impact	🟡	Moderate

Approved Mental Health Professionals (AMHPs)

The Approved Mental Health Professional (AMHP) is a statutory role, undertaken on behalf of the Council, where AMHPs assess people under the Mental Health Act ('Act'). The Council approves and re-approves AMHPs for a period of five years if they meet certain requirements. As of January 2023, the Council had seven substantive AMHPs and one locum who covered day-time rotas. There were also 17 who were non-substantive and casual AMHPs from the Council and other public sector organisations in Northamptonshire. According to statistics provided, 1,031 Mental Health Act Assessments (MHAAs) were completed by the Council's AMHP service in 2022 with around 470 of these being for North Northamptonshire.

The objective of this audit was to confirm the Council was fulfilling its statutory duties under the Act. The review found documentation offers substantial opportunity to support both the approval and re-approval of AMHPs and the mental health assessments undertaken. However, the review did highlight the following:

- A review of documentation used to support AMHPs approval and re-approvals found that, whilst a range of procedural guidance was in place, there were some gaps in the guidance, inconsistencies between defined expectation and current working practice, and some documents in use had more than one version in circulation with differing expectations. Additionally, it is acknowledged that work is needed to develop and consolidate documented procedures to support the work undertaken by AMHPs.
- The current arrangements in place for approving and re-approving AMHPs include written confirmation of decisions, but no paperwork is completed to justify the decisions made. Decisions made by the AMHP Team Manager are also not currently subject to oversight / independent approval. Additionally, some gaps in records were found in sample testing of re-approvals of AMHPs which provides a lack of evidence over how some decisions had been reached.
- Whilst supervision of AMHPs takes place as part of the competency and appraisal reviews, no case file audits take place over activity managed by AMHPs.
- Whilst records on the social care system, Eclipse, generally included the history behind the enquiry and relevant forms had been completed, the audit of a sample of cases highlighted some gaps in information recorded on Eclipse and inconsistencies in records held.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	🟡	Satisfactory
Compliance	🟡	Satisfactory
Organisational Impact	🟡	Moderate

Rent arrears

As at the 31st March 2021, the former Kettering Borough Council and Corby Borough Council owned 3603 and 4673 social dwellings respectively, all of which was transferred to North Northamptonshire Council on 1st April 2021. The 2021/22 audit of housing rents identified that the Covid-19 pandemic inevitably placed pressure on the recovery of rent arrears, and it is felt likely that the current cost of living crisis will also be a major factor for some tenants in terms of maintaining appropriate payments against their rent accounts.

The scope of the audit was to provide assurance over the Council's arrangements for recovering current and former tenant housing rent arrears and to follow up recommendations made in the 2021/22 Housing Rents internal audit report.

In overall terms, the audit concluded that the Council is taking appropriate action to recover current rent arrears, in accordance with its Income Management policy. A single policy for collecting rent arrears has been introduced across both localities since the 2021/22 audit was undertaken. Sample testing confirmed that the policy is generally being consistently applied for current rent arrears. However, delays of between eight months and three years were noted in respect of recovery action for eight of the ten former tenant arrears at the Kettering locality tested. Whilst testing of current tenant arrears across both localities confirmed that recovery action is taking place in accordance with policy, review of regularly reported performance information indicates that rent arrears are continuing to increase, particularly in the Kettering locality. This may be a reflection of the pressure being placed on household income by the current cost of living crisis and must be subject to robust performance monitoring.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	🟢	Good
Compliance	🟢	Good
Organisational Impact	🟢	Minor

Local bank accounts (adults services)

Adult Services operate several local bank accounts at its day and residential centres for adults, of which there are three different types, namely resident (funds that specifically belong to each resident), amenity (donations for general use within each centre) and petty cash. This audit focused on the controls in place over these bank accounts, which are operated on an autonomous basis by the service area, rather than centrally in Finance. In addition to a general review of the controls in place at three centres, detailed testing of seven accounts at these locations was carried out.

The following high priority issues were identified with the control environment, at the time of audit testing:

- Local staff had been unable to access four of seven bank accounts reviewed since vesting day, following changes that were made to bank mandate signatories as part of

the transition. This had a detrimental, knock-on effect on compliance e.g. inability to manage funds or carry out bank reconciliations etc.

- Since vesting, the petty cash accounts at two sites had been credited with deposits totalling £72k dating back as far as October 2021. These were monies received from the Council and enquiries into this were yet to be resolved when the audit testing took place.

Audit sample testing did not cover all the local bank accounts in Adult Services, therefore, the above issues may extend to other accounts that have not been reviewed.

Locally, the control environment was generally found to be satisfactory, with cash book records and bank reconciliations evidenced, for accounts where bank statements were held. Regarding compliance, high priority actions were agreed around three of the seven bank accounts reviewed, which had not been subject to regular bank reconciliations, due to bank statements no longer being received.

Medium priority issues were also identified in respect of: i) a lack of independent review of the cashbook and bank reconciliations in three of seven accounts reviewed; ii) two bank accounts at Beech Close, where £1.5k needed to be transferred from one account to the other, to address a transaction resulting in one account becoming overdrawn; iii) all four bank accounts at Beech Close need to be closed following closure of the centre, as do the two dormant bank accounts operated at Pine Lodge and at least one dormant account operated from Patrick Road; iv) bank mandate signatories were not up-to-date on the Patrick Road Amenity account; v) The audit identified additional local bank accounts to those originally provided, indicating a lack of complete visibility of the accounts in operation.

Prompt actions taken by officers during the audit have enabled a number of the actions to be reported as completed and assurance to be taken from the closure of / access obtained to the relevant accounts to confirm no issues of concern.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	🟡 Satisfactory
Compliance	🟡 Satisfactory
Organisational Impact	🟢 Minor

Contract management in Public Health

A review of the Council's contract register indicates that there are currently 42 public health contracts in operation with a combined contract value of over £90 million. Based on the number and value of contracts, it is imperative that Public Health have effective contract management arrangements in place and proactively monitor all activities necessary to ensure services are provided in accordance with the requirement as specified in contracts. For the purposes of this review, the focus has been on three areas - Health Checks, Integrated Sexual Health and HIV (ISHH) Services, and Integrated Children's Health (0-19) Services.

For all three areas, there is an overarching framework in place based around dedicated resources in place to manage the contract on behalf of the Council, as well as defined

processes to support key activity including the performance management framework, payment mechanism and governance / contract management arrangements. Despite this, the audit identified the following issues:

- Poor performance against contractual targets in respect of both the Health Check and 0-19 Services, which in part has been, and still is, asserted as being affected by the impact of the Covid-19 pandemic, especially around areas like recruitment and workload. To provide context, performance for both contracts is broadly comparable to the national average for these areas across England.
- All contracts have been extended in order to maintain service provision, even where current performance is not regarded as good in two areas. In respect of 0-19 services, a process had commenced with the NHS to jointly integrate children and young people services although this did not progress as planned, and for the Health check contract, the extension is intended to allow time to progress ideas to improve contract performance in the future.
- Several issues with both the ISHH and 0-19 Services contracts, including:
  o As a result of the lack of financial information provided by Northamptonshire Healthcare Foundation Trust (NHFT) on how monies are being used, assurance cannot be provided that all monies provided through the public health grant to fund these services are being used in line with grant conditions.
  o Weaknesses in performance reporting in that (a) there is a no clear assessment by NHFT around their performance or actions planned in response to performance issues and (b) there is a lack of assurance over data quality arrangements in respect of data used to assess performance.

It should be noted that Public Health have already taken positive action to progress many of the findings of this report including:

- A project group has been established to identify requirements for Health Checks going forward.
- A number of developments have taken place in respect of the 0-19 services including (a) performance reporting is now split between West Northamptonshire and North Northamptonshire, and (b) an improvement action plan for 0-19 services has been developed to address areas of weakness.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	🟡 Satisfactory
Compliance	🟡 Satisfactory
Organisational Impact	🟡 Moderate

S106 monitoring (follow up)

The 2021/22 audit of Section 106 (S106) Agreements provided opinions of Limited Assurance on the design of the control environment and Limited Assurance on compliance with the control environment. The key objective of this audit was, therefore, to review progress made in implementing the six high level and one medium level recommendations that were made in the 2021/22 report.

The audit confirmed that progress has been made in implementing all seven of the recommendations made in the 2021/22 report. New recommendations have been raised, where applicable, in cases where further action is required to ensure that the control environment for managing S106 agreements is fully robust. Significant effort has been made to compile a comprehensive spreadsheet that includes all S106 Agreements and which records income received, trigger points for payments due from contractors and expenditure. This spreadsheet has been developed with a view to identifying all necessary information that will be needed for inclusion in an authority wide IT system for the Planning function in respect of administering S106 Agreements.

The finance codes have been rationalised and mapped over from legacy reports. Now there is a much smaller pool of codes to receipt S106 monies and accrue against the correct area. Finance officers are setting up the sub-codes required to ensure the finance information supports the monitoring process.

Work on reconciliations between finance and planning system data remains ongoing. The reconciliation for education balances for 2020/21 has been completed and reconciliations for other areas are in progress. When they have been bought up to date, officers intend to undertake quarterly reconciliations.

Based on the results of the current audit, the auditor's assurance opinion is summarised below. It should be noted that this opinion is based on work undertaken to follow up on controls that were found to not be operating effectively during the 2021/22 work. Controls that were previously found to be robust have not been re-tested as part of the 2022/23 audit.

Internal Audit Assurance Opinion	
Control Environment	● Satisfactory
Compliance	● Satisfactory
Organisational Impact	● Moderate

Business continuity management

Effective business continuity is an essential component of the Council's overall governance arrangements, to ensure the resilience of all key services in the event of a major incident.

One of the Council's objectives in the delivery of its Corporate Plan is "Modern Public Services: we will provide efficient, effective and affordable services that make a real difference to all our local communities". Business continuity (BC) underpins the delivery of essential services provided by the Council. The Civil Contingencies Act 2004 also places a legal obligation upon local authorities to maintain plans for preventing, controlling and taking appropriate action to manage emergencies.

Since vesting day, the Council has continued to rely on Business Continuity Plans (BCPs) inherited from legacy Councils but is now in the early stages of implementing a new process and a set of plans that are better aligned to the new organisation.

This review has focused on evaluating the adequacy and effectiveness of the process being applied to implement a revised business continuity planning framework, which is scheduled to be completed by March 2024.

The Emergency Planning team has developed a draft business continuity work programme to deliver planned enhancements to the process and some of this work has already started, for which supporting evidence of progress was made available to the auditor during the review. Overall, the programme was found to be clear, comprehensive and fit-for-purpose, although Internal Audit recommended a small number of enhancements are made in the following areas:

- Adding milestones/performance indicators for each activity included in the business continuity work programme and ensuring the programme is formally signed off, once finalised;
- Ensuring service area-level business continuity plan testing takes place on a regular basis, in addition to the planned, annual corporate-wide tests, to better identify any weaknesses in current plans; and
- Introducing more robust arrangements around ensuring the adequacy and effectiveness of key third-party contractor BCPs, upon which the Council may be dependent in the event of an incident.

As this was delivered as a consultancy review, no formal assurance opinions have been given.

Fleet and fuel (fraud controls)

The Council operates a fleet of vehicles of varying types to carry out its duties. In order to operate these vehicles, the Council has two fuel pumps and issues fuel cards that can be used to purchase fuel at petrol stations. Most fleet vehicles are also tracked. Average monthly spend on fuel is approximately £16-17k per month with fuel cards and £60-70k per month from the fuel bunkers. Unless the use of fleet vehicles, fuel pumps and fuel cards are suitably controlled, there is a risk of misuse and fraud e.g. personal use of vehicles or fuel by members of staff.

Thus, the audit has sought to provide assurance over the use of fleet vehicles, fuel pumps and fuel cards, particularly in relation to: i) physical security over fleet vehicles and fuel pumps; ii) access to fleet vehicles and fuel pumps is appropriately authorised; iii) trackers are used to monitor acceptable use of fleet vehicles and iv): fuel card data is used to monitor appropriate use.

Preventative and deterrent controls in place include the tracking of fuel data, with evidence that some unusual transactions are queried with management, the fitting of tracking devices on some fleet vehicles, completion of Driver Weekly Checklists and, it is understood that, anti-syphoning devices are installed on a number of fleet vehicles.

Regular analysis includes some review on miles per gallon achieved, based on available data. Current resources in the fleet team only allow, however, for limited monitoring and investigation of fuel card, fuel bunker and tracker information concerning potential indicators of fraud or misuse. As a result of resource constraints, some potential exceptions are not currently investigated. However, it is noted that the team are in the process of seeking approval to appoint to further members of staff who could assist with more detailed monitoring and analysis of data.

In addition, issues with the quality of data available and the format in which it is currently made available hinder the ability to carry out meaningful monitoring activity effectively and efficiently for all fleet vehicles and cards. Issues with data quality for fuel cards and fuel bunkers are predominantly due to poor practices at the point of refuelling (i.e. the appropriate information, such as mileage, is not being provided at the point of sale for fuel cards or at the time of refuelling from the bunkers) or due to sharing of cards between vehicles. As a result, Internal Audit cannot provide assurance as to whether any fraud may have occurred regarding the use of fleet vehicles, fuel cards and fuel bunkers and there is scope to greatly improve the data held and analysed to detect potential indicators of theft/fraud.

Other issues were also identified in relation to accountability for fuel cards and refuelling from fuel bunkers; and inconsistency over which vehicles are tracked.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	🟡 Satisfactory
Compliance	🟡 Satisfactory
Organisational Impact	🟡 Moderate

Climate change initiatives

A Climate Change Framework was presented at the North Northamptonshire Shadow Executive Committee on 25th March 2021. This framework included a set of recommendations and actions the Council could undertake to deliver climate action. Recommendations included declaring a climate emergency, developing a corporate plan and setting out intended climate change activities. The Council declared a climate and environment emergency in July 2021.

One of the Council's key commitments is for a green, sustainable environment which includes priorities such as demonstrating clear leadership on tackling environmental sustainability with actions including developing a Climate Strategy and Action Plan.

A Carbon Management Plan was agreed in December 2022 and, such, it is too early to audit the performance against this plan. Assurance has, however, been sought over the range of initiatives underway during 2022/23, in order to inform the annual Internal Audit opinion in relation to this objective.

A list of carbon change initiatives already undertaken is provided on the Council's website and also provided within the Carbon Management Plan. These include the following:

- Carbon literacy training rolled out. Figures provided by the Climate Change and Sustainability Officer show 37 elected members and 64 senior officers attended the training in May to July 2022. Phase two of the carbon literacy is currently in progress;
- E-scooters and e-bike schemes, stated to have saved around 87,200 kg of CO2e;
- Starship delivery robots delivering groceries, stating that around 11,000 vehicle miles have been avoided;
- Two climate change conferences held;
- Over 4,000 trees planted; and

- The Council became the responsible authority for the Local Nature Recovery Strategy for North Northamptonshire.

From a governance perspective, committee papers now include a section labelled 'Climate and Environment Impact' and guidance on the type of information to be included is available on the Intranet.

The Council joined Investors in the Environment (iiE) in September 2022 as an Enterprise member. The iiE is a national environmental accreditation scheme which provides a framework to help develop sustainability within the organisation. Organisations are awarded accreditation based on their level of sustainability. The Council's website states the initial goal is to have a bronze accreditation by September 2023.

A dedicated Sustainability Team is to be developed in the Growth and Regeneration service within the wider Place and Economy Directorate. This team will provide a strategic lead role for the authority, helping to coordinate and ensure the Council and wider North Northamptonshire community comes together to work on the wider carbon neutral agenda. An Interim Climate Change and Sustainability Officer is now in place and has an active role in evaluating proposals for the funding.

This review has not resulted in a formal assurance opinion at this time, but will inform the scope of the 2023/24 audit work and the evidence gathered provides sources of assurance to inform the annual Internal Audit report and opinion.

Asset management – compliance regimes

The Council has a range of responsibilities in relation to the ongoing maintenance and inspection of its operational properties, in order to ensure these comply with relevant legislation and standards and align with its duty of care to staff and users of the buildings. In the scoping of this audit, 133 properties were identified as operational properties (i.e. excluding car parks, leased properties etc).

The responsibility and budget for delivering on compliance regimes across the operational property portfolio remains split. As such, this audit sought to test a sample of each 'category' of property i.e. those managed entirely by the Assets team; those where the Assets team commission inspections but have no budget or accountability for remedial actions; those where the compliance regimes are managed entirely by local officers; and those with a 'mixed approach' where the Assets team support with specific areas only.

Since the 2021/22 audit, there is evidence that compliance regimes and record keeping for those assets managed by the Assets team have been further developed and evidence/certificates were held for all areas requested, including evidence of progressing the remedial actions. The Assets team have also now produced documented procedures for all key compliance areas, setting out the expected approach and standards to be applied by the team for the 84 properties that they commission inspections on.

The testing on the wider properties, however, highlighted that there remain variable approaches and levels of record keeping across those sites. Some properties had notable gaps in records held and/or areas of non-compliance with expected standards. In some cases, records were comprehensive but the standards of inspections in some areas were variable i.e. properties managed by the Assets team have regular fire risk assessments but

also specific fire door inspections, whereas other properties are relying upon the fire risk assessment only to give assurance over the condition and standard of fire doors. Given the varying roles and responsibilities, these other sites are not accountable to the Assets team for the regimes/actions and are not working to the same procedures that have been adopted by the Assets team. It was noted, in testing, that the Assets team had already intervened during recent weeks with one of the sampled properties where notable gaps in records were found – as such, this gives some assurance that the team's expertise is being used to tackle areas of non-compliance, in the current absence of a corporate landlord approach. This remains reactive rather than proactive, however, and does not give assurance over all sites.

Discussions have taken place at a Corporate Leadership Team level regarding the benefits and implications of moving to a corporate landlord model and approval has been given to progress planning on this transition.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Satisfactory
Compliance	● Satisfactory
Organisational Impact	● Moderate

Schools financial controls

The Council maintains 36 schools which includes one secondary school, one special school and 34 primary schools. One of the audit objectives was to confirm the schools' financial controls were designed and operating effectively to support strong financial management and reduce the risk of theft, fraud or error, and to ensure adequate tracking was in place for specific funding spend. For this, a random sample of seven schools were selected. The second objective was to understand the guidance the Council provides to the maintained schools and confirm it was adequate.

The Council's Schools Finance Team supports the schools by providing updates and guidance on financial aspects via email updates and bi-annual finance seminars. The schools can also purchase additional support from the Council's Schools Finance Team via different packages, including a school fund audit.

To supplement the current support, a readily available resource, such as a refreshed financial management handbook, would help guide schools on the Council's expectations. A handbook was historically available but is no longer published and requires update. The Scheme for Financing Schools 2022/23 is published on the Council's website, a statutory requirement, which outlines the financial relationship between the schools and the Council. The proposed Scheme for Financing Schools 2023/24 was presented to the Schools Forum in January 2023. This proposed version requires further update to ensure completeness and refers to the historic handbook in places, which is not currently available.

The schools periodically provide returns to the Council's Schools Finance Team to confirm their finances. It is recommended that the Council's Schools Finance Team ensure these returns have been authorised accordingly and confirm what is entered into the Council's accounting system has been duly reviewed.

The salaries paid to staff could not always be verified to contracts/authorisations held in staff's personnel files - a regular review process was recommended to the schools to ensure records were readily available in personnel files so payroll could be substantiated. The review of personnel files was also recommended to ensure correct right-to-work documentation was held as this was not consistently found to be the case.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	🟡 Satisfactory
Compliance	🟡 Satisfactory
Organisational Impact	🟡 Moderate

Children's Trust contract management

Following a statutory direction from the Secretary of State for Education, Northamptonshire Children's Trust ('Trust') was set up by the then County Council as an operationally independent but wholly council-owned company to deliver children's social care services across Northamptonshire. Following vesting day North Northamptonshire and West Northamptonshire Council's jointly own the Trust. Based on the Trust's provisional outturn report for the financial year 2022/23, NNC's contribution to this contract is circa £70 million.

A contract management audit of this area took place in 2021/22 and found that whilst defined arrangements were generally operating as intended, improvements were required to enhance arrangements around this key Council contract. Since the last review, limited progress has been made with implementing agreed actions from the last audit, with one of the six agreed actions implemented to date. The level of progress primarily reflects the fact that:

- It was initially agreed that actions from the 2021/22 audit would not be progressed until after the Ofsted Inspection of Local Authority Children's Services, which was reported in late November 2022.
- Discussions have been held between the two councils, in consultation with the Department for Education (DfE), around the future of the Intelligent Client Function. A decision has recently been made to continue with existing hosting arrangements through a single Intelligent Client Function led by NNC but recognised that there is a need to find a more pragmatic set of arrangements that are acceptable to both Councils. Now that this has been confirmed, this will allow the actions around a wider review of governance arrangements as well as developing a framework to assess the effectiveness of the Client Function to be progressed.
- The Trust has commissioned two independent reviews looking at their current assurance process and performance indicators. At the time of this report, these two reviews have yet to be completed and until all stakeholders have had the chance to consider the findings, this will delay actions around reviewing the robustness of key performance indicators (KPIs) and targets for this contract.

It is also worth noting that the following developments have taken place since the last audit:

- A review of the Client Function concluded that additional officer posts will be created to enhance the level of resource in place for managing this key contract. Additional senior capacity via an interim arrangement has been in place since October 2022 and has started to drive a number of key improvements including, amongst others, agreeing a contract sum for 2023/24, establishing an invest to save transformation programme as well as providing capacity for the redevelopment of the client function.
- In response to the ongoing significant financial pressures facing the Trust, a number of actions have been agreed including (a) a new report template that the Trust will complete monthly around their financial performance, (b) a forecasting workshop has taken place to review and agree the Trust's forecasting methodology, and (c) monthly reporting by the Trust tracking the use of investment monies and the delivery of savings in the 2022/23 and 2023/24 Medium Term Financial Strategy.
- Improved use of the Children's Trust Joint Officer Board to strengthen the effectiveness of Chief Officer oversight of the management of arrangements with the Children's Trust.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Satisfactory
Compliance	● Satisfactory
Organisational Impact	● Moderate

ICT – Disaster recovery

North Northamptonshire Council relies heavily on numerous IT systems to deliver services to the public and it is therefore critical to ensure that any event that causes loss of data or processing capability is recovered from quickly and in full.

Disaster recovery arrangements that operated in predecessor Councils continue to be in place at the current time, although a joint Disaster Recovery (DR) Plan is in the early stages of being developed that will cover the four domains. As such, North Northamptonshire Council's overall DR arrangements are not fully established at the current time. This audit was, therefore, designed to provide independent audit advice and support on the tasks necessary to achieve a fully embedded DR Plan are completed.

As this was an advisory review on developing systems and processes, a formal audit opinion has not been provided on this occasion. An action plan has been agreed with officers and will be subject to follow up work by internal audit.

4. Implementation of recommended actions

4.1 Where any weaknesses or opportunities for improvement are identified by audit testing, recommendations are made and an action plan agreed with management. These actions are subject to agreed timeframes and owners and implementation is followed up by Internal Audit on a monthly basis.

4.2   Since the last Audit and Governance committee meeting, 29 open actions have been confirmed as implemented – an overview is provided in Table 3 of this report. There were 96 recommendations overdue for implementation as at 24th May 2023.

4.3   To provide the Committee with further detail on high risk actions which remain overdue for more than three months, full details are provided in Table 4, with latest updates from officers. There are two such actions at this time.

Table 1: Progressing the Annual Internal Audit Plan 2022/23

Key

Current status of assignments is shown by shading

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Governance											
Governance of shared / delegated services	Q3							**Satisfactory**	**Satisfactory**	**Minor**	Reported in February 2023
Ethical governance - values	Q2							Consultancy review			Reported in November 2022
Ethical governance – Member Officer protocol	Q3							**Good**	**Substantial**	**Minor**	Reported in February 2023
Risk management											
Real time risk assurances	All year							See Table 2 for latest outcomes			
Risk management and legacy issue support / reporting	All year							Consultancy support			

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Corporate compliance with key controls and policies											
Fees and charges	Q1						▓	**Satisfactory**	**Satisfactory**	**Minor**	Reported in November 2022
Performance management	Q4						▓	**Satisfactory**	**Satisfactory**	**Minor**	See section 3
Procurement compliance – report 1	Rolling						▓	**Satisfactory**	**Good**	**Minor**	Reported in November 2022
Procurement compliance – report 2	Rolling						▓	**Satisfactory**	**Satisfactory**	**Moderate**	See section 3
Use of temporary staffing / agency workers	Q4					▓					
PCI DSS compliance	Q4						▓	Advisory report			Reported in April 2023
Contractor health and safety	Q2						▓	**Satisfactory**	**Satisfactory**	**Minor**	See section 3
Contract extensions	Q3						▓	**Good**	**Good**	**Minor**	Reported in April 2023

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Grant claims											
Supporting Families	All year							Q1, Q2, Q3 and Q4 submissions signed off for claim.			
Covid Outbreak Management Fund	Q1							Declaration completed			
Homelessness prevention grant								Declaration completed			
Rough Sleeper Initiative	Q1							Declaration completed			
Protect and Vaccinate	Q1							Declaration completed			
Test and Trace	Q1							Declaration completed			
Disabled Facilities Grant	Q2							Declaration completed			
Adult Weight Management Services Grant	Q4							Declaration completed			
Local Transport Capital Funding	Q2							Declaration completed			
Key financial systems - Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits focus on the systems with the highest financial risk.											
Treasury management	Q1							**Substantial**	**Substantial**	**Minor**	Reported in September 2022

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Creditors / Accounts Payable	Q4						▓	Good	Good	Minor	See section 3
Government Procurement Cards (GPCs)	Q1						▓	Good	Satisfactory	Minor	Reported in September 2022
Income processing	Q4						▓	Good	Satisfactory	Minor	See section 3
Debt recovery	Q4						▓	Good	Satisfactory	Minor	See section 3
Payroll	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council									
Pensions	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council									
Main accounting system	Q4					▓					
Bank reconciliations	Q1						▓	Good	Good	Minor	Reported in September 2022
Local taxation	Q4					▓					
Housing benefit	Q4					▓					
ERP IT controls	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council									

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Budgetary control	Q4							**Good**	**Satisfactory**	**Moderate**	See section 3
Adults, Health Partnerships and Housing Priorities and Risks											
Direct payments	Q1							**Good**	**Good**	**Minor**	Reported in November 2022
Adult safeguarding – DoLS follow up	Q4							**Satisfactory**	**Good**	**Moderate**	See section 3
Adult Social Care – Target Operating Model	Q1							**Satisfactory**	**Satisfactory**	**Moderate**	Reported in September 2022
Approved Mental Health Professionals	Q3							**Satisfactory**	**Satisfactory**	**Moderate**	See section 3
Housing repairs	Q3							**Limited**	**Limited**	**Moderate**	Reported in April 2023
Housing voids management	Q3							**Satisfactory**	**Satisfactory**	**Moderate**	Reported in April 2023
Rent arrears	Q2							**Good**	**Good**	**Minor**	See section 3
Leisure provision	Q2							**Substantial**	**Good**	**Minor**	Reported in February 2023
Local bank accounts (Adults)	Q4							**Satisfactory**	**Satisfactory**	**Minor**	See section 3

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
External placements	Q3					▓					
Homelessness and Temporary Accommodation	Q4					▓					
Public Health											
Public Health contract management	Q3						▓	**Satisfactory**	**Satisfactory**	**Moderate**	See section 3
Place & Economy Services Priorities and Risks											
S106 monitoring – follow up	Q4						▓	**Satisfactory**	**Satisfactory**	**Moderate**	See section 3
Management of capital projects	Q3					▓					
Asset management – leases	Q2						▓	**Limited**	**Limited**	**Moderate**	Reported in February 2023
Business continuity	Q4						▓		Advisory report		See section 3
Fleet & fuel management	Q3						▓	**Satisfactory**	**Satisfactory**	**Moderate**	See section 3
Climate change strategy	Q4						▓		Advisory report		See section 3
Planning fee income	Q2						▓	**Satisfactory**	**Satisfactory**	**Minor**	Reported in April 2023
Waste management service	Q2						▓	**Good**	**Good**	**Minor**	Reported in February 2023

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Asset Management – compliance	Q4						▓	**Satisfactory**	**Satisfactory**	**Moderate**	See section 3
Project Management Office (consultancy support)	Q4							Consultancy support			As required
Children's and Education services											
Schools thematic audit – financial controls	Q3						▓	**Satisfactory**	**Satisfactory**	**Moderate**	See section 3
Children's Trust contract management	Q4						▓	**Satisfactory**	**Satisfactory**	**Moderate**	See section 3
Early years providers	Q2						▓	Audit report issued to each nursery school.			
Engagement with schools forum and pro-active support (including Schools Financial Value Standard)	All year							As required			
ICT and Transformation											
ICT – Asset management	Q2						▓	**Satisfactory**	**Satisfactory**	**Moderate**	Reported in September 2022

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
ICT – Access controls	Q2							**Satisfactory**	**Satisfactory**	**Moderate**	Reported in November 2022
ICT – Cyber security	Q2							**Satisfactory**	**Satisfactory**	**Moderate**	Reported in November 2022
ICT – Disaster recovery	Q2								Advisory report		See section 3

The Auditor's Opinion
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 either no, or only 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: 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	3	42%	19	20%	7	29%	29	23%
Actions due within last 3 months, but not implemented	2	29%	36	38%	9	38%	47	38%
Actions due over 3 months ago, but not implemented	2	29%	39	41%	8	33%	49	39%
Totals	7	100%	94	100%	24	100%	125	100%

Table 4: 'High' priority actions overdue for more than three months

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Governance of Children's Trust 2021-22	Children's Services	Intelligent Client Function To develop a framework for assessing the effectiveness of the Client Function	On-going. The previously reported position has been delayed but progress has been made. NNC and WNC officers have held separate discussions with the DfE regarding the future delivery of the Client Function. As an outcome of this WNC and NNC DCS's have met and agreed that the current hosting arrangements for the Client Function in NNC will remain, but that there is a need to find a more pragmatic set of arrangements that are acceptable to both Councils. WNC and NNC Officers and the ICF Lead met on in May 2023 to scope and review potential options on the future scope and delivery of the Client Function and wider assurance arrangements. Proposals are being drawn up for review by DCS's in June 2023. Following agreement by NNC and WNC and in line with the governance arrangements set out in the service delivery contract and associated documents, recommendations will be taken to Strategic Group in August 2023. It should be noted that under the service delivery contract significant change to the ICF's current model may constitute a Notifiable Change requiring the Secretary of State for Education's (SoSE) consent as per the Governance Side Agreement between the Secretary of State and Councils.	Director of Children's Services / Assistant Director Commissioning and Partnership	31/08/2022	30/09/2023
Governance of Children's Trust 2021-22	Children's Services	Service delivery contract Development of detailed protocols for issues such as	As reported to the NCT Operational Group the Trust has commissioned an external review of its assurance alongside a pre-planned LGA peer review. Both reviews have taken place with one report outstanding but likely to be received by the end of May 23. Ofsted have written to both	Director of Children's Services / Assistant Director Commissioning	30/09/2022	30/10/2023

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
		unregulated or unregistered placements and Ofsted inspections.	Councils and NCT advising that the next inspecting local authority children's services (ILACS) inspections will be undertaken separately for each Council. NCT reported to Strategic Group on May that they will present a paper covering the outputs of the reviews and considering the impact of separate ILACS inspections. This will feed into recommendations being developed by the Councils on the future scope and delivery of the Client Function and wider assurance arrangements which will be agreed by DCS's in June 2023. Following agreement by NNC and WNC and in line with the governance arrangements set out in the service delivery contract and associated documents, recommendations will be taken to Strategic Group in August 2023. It should be noted that under the service delivery contract significant change to the ICF's current model or assurance arrangements may constitute a Notifiable Change requiring the Secretary of State for Education's (SoSE) consent as per the Governance Side Agreement between the Secretary of State and Councils. Once complete and a refreshed assurance framework is agreed it will ensure that robust scrutiny and assurance of NCT's activities in delivering services for which the Councils, through the respective Directors of Children's Services have statutory responsibilities for. Legal advice will be instructed to support the implementation of this work as and when required.	and Partnership		

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 & Governance 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 Internal Audit 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 & Governance 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.