



Internal Audit Progress Report

March 2022

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit & Governance Committee to scrutinise 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 The Internal Audit team is working on the delivery of the planned audit assignments for 2021/22.
- 2.2 A full copy of the current audit plan is provided as Table 3, on pages 6 to 11 of this report. All assignments have been allocated and the team are expected to achieve the targeted delivery of at least 90% of assignments to at least draft report stage by 31st March 2022.

3. Key findings

- 3.1 Since the January 2022 committee meeting, the Internal Audit service has finalised reports in respect of a further three assignments from the 2021/22 Internal Audit Plan. The key findings arising from those audits are summarised as follows:

Council Tax

As part of the transition to the new unitary Council, a decision was taken not to change existing arrangements for Council Tax. As a result, Council Tax is currently administered by four teams whose responsibilities are aligned to those in place in the sovereign district / borough Councils. It is also worth noting that there is no standard IT system in place for administering Council Tax across the four sovereign Councils.

Based on the audit findings, the assurance given over the system design for Council Tax is Good. The Council has systems in place including:




- Effective arrangements in operation over access to Council Tax IT systems. This includes password controls, to mitigate against the risk of inappropriate access, and clearly defined processes to oversee requesting and removing access to the Council Tax systems.
- Effective processes in place to ensure Council Tax property records are kept up to date to reflect those of the Valuation Office.
- Appropriate arrangements are in place to support the raising of bills, both in terms of the annual billing process and bills raised during the year.

The review did, however, identify some weaknesses including:

- For two sovereign Councils, no control account reconciliations have been completed during the financial year 2021/22.
- When assessing IT access arrangements across the four areas, the review found that access rights are not subject to routine reviews currently.
- A review of system access for the four IT systems highlighted 25 posts with full system / superuser access, with significant variations across these systems with the number with such access ranging from between two and ten posts. Also, whilst arrangements exist in some of the teams to review this level of access on an annual basis, this is not in place for all the teams. Furthermore, even where reviews should have taken place, these have not all occurred since the move to the new Council.

The level of assurance given to compliance is Good as overall, testing highlighted good compliance with procedures. Testing did highlight some non-compliance around reconciliations and the annual billing exercise in that no evidence was provided in several cases to document checks had been undertaken and / or were subject to independent management review.

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

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

Housing benefits

As with Council Tax, as part of the transition to the new unitary Council, a decision was taken not to change existing arrangements for Housing Benefits. As a result, Housing Benefits is currently administered by four teams whose responsibilities are aligned to those in place in the sovereign district / borough Councils and there is no standard IT system in place for administering Council Tax across the four sovereign Councils.

Based on the audit findings, the assurance given over the system design is Satisfactory. The Council has systems in place to administer Housing Benefit including:

- Appropriate training and procedural guidance in place to support officers involved in the administration of housing benefits.
- Effective processes in place to ensure housing benefit system parameters are updated accurately onto systems.
- Appropriate controls are in operation to support the payment of benefits to clients.




The review did, however, identify some weaknesses including:

- Gaps in arrangements in some of the teams covering both checks conducted on new claims and reviews of ongoing claims.
- For two sovereign Councils, control account reconciliations have not been completed in line with expectations during the financial year 2021/22.

Taking account of feedback from management, it is acknowledged that checks on new claims and reviews of existing claims have been impacted by capacity issues as the team has had to take on additional work because of Covid 19 as well as dealing with the challenges of interacting safely with clients during the pandemic. Furthermore, the provision of real time information from the Department of Work and Pensions and HM Revenue and Customs is now the accepted mechanisms to identify changes of circumstances in a client claim rather than through an annual review of existing claims.

The level of assurance given to compliance is Good, as overall, testing highlighted good compliance with procedures. Testing did, however, highlight non-compliance around the number of checks currently being undertaken on new claims compared with expected working practices.

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

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

Financial assessments

The Care Act 2014 provides the legal framework for allowing councils to charge a person in receipt of care and support services where it is permitted to charge, and Section 17 of the Act allows local authorities to carry out an assessment (a financial assessment) of an individual's financial resources to work out the amount, if any, that they will be required to pay towards the cost of their care. The Department of Health requires that all social services departments implement a 'Fairer Charging Policy'.

Based on the audit findings, the assurance given over the system design is Good. The Council has systems in place to administer Financial Assessments including:

- Training and procedural guidance in place to support officers involved in the administration of financial assessments.
- The Financial Assessment Team receive referral information from both the Eclipse and Carefirst IT Systems. Details of the referral are recorded on a local monitoring spreadsheet which are used by the Team Leader to allocate assessment to members of the team and monitor that assessments are being completed on a timely basis.
- A two-stage process is in place to support clients / stakeholders raising concerns over the robustness of the financial assessment process. Stage one is a review by the Financial Assessment Manager of the initial assessment and if the client / stakeholder is still not happy with the outcome of the review, an appeals panel is set up comprising of an independent chairperson and two Councillors to consider the concerns raised.

The review did, however, identify a weakness in that no checks on new assessments have been undertaken for much of the financial year 2021/22. Whilst these checks did commence in November

2021, this did not include any retrospective checks on assessments processed between April and October 2021.

The level of assurance given to compliance is Satisfactory, as overall, testing highlighted good compliance with procedures. However, testing did highlight that information on referrals from Carefirst had not been included on the monitoring tool which has meant that this activity had not been allocated to officers to undertake a financial assessment. This could result in customers being incorrectly charged and potential loss of income to the Council. Management have informed Internal Audit that a new process is now in place to address this issue going forward and this will be subject to follow up.

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

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

In addition to the planned audit assignments, the Internal Audit team have also been working on grant verification work in relation to a number of grants paid to Northamptonshire County Council for 2020/21.














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, 7 open actions have been confirmed as implemented – an overview is provided in Table 4 of this report. There are currently 16 recommendations which are overdue for implementation. Of these, one had been assigned a ‘high’ priority.
- 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 5, with latest updates from officers.

Table 3: Progressing the Annual Internal Audit Plan







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											
Risk Management strategy	Q1							Strategy adopted and risk management workshop facilitated in June 2021.			
Key Governance Documents, Policies & Records	Q1							No assurance opinion given as no audit testing conducted – rather, gap analysis provided for prioritisation by management.		Reported at Sept 21 meeting	
Assurance opinions and annual reporting for sovereign councils	Q1							Annual reports and opinions presented at July 2021 Audit and Governance Committee meeting			
Risk management – facilitation and coverage	Q1 - 4							Ongoing throughout financial year			
COVID-19 Restart grants	Q2							Grant certification provided to central government			
Financial Management	Q2										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Transformation	Q4										
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.											
Legacy bank accounts	Q1							Limited 	Limited 	Moderate 	Reported at Sept 21 meeting
Bank reconciliations	Q1							Good 	Satisfactory 	Moderate 	Reported at Sept 21 meeting
General ledger	Q1							Satisfactory 	N/A	Minor 	Reported at Nov 21 meeting
Government Procurement Cards (GPCs)	Q1							Satisfactory 	N/A	Minor 	Reported at Sept 21 meeting
Accounts payable	Q1							Good 	Good 	Minor 	Reported at Nov 21 meeting
Manual interface payments	Q3										Approach amended following delays in project

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Cashflow from sundry income	Q1							Good 	Good 	Minor 	Reported at Jan 22 meeting
Debt recovery	Q1							Satisfactory 	Satisfactory 	Minor 	Reported at Jan 22 meeting
Payroll	Q1							Good 	Good 	Minor 	Reported at Jan 22 meeting
Treasury management	Q1							Good 	N/A	Minor 	Reported at Nov 21 meeting
IT financial controls	Q1							Good 	Good 	Minor 	Reported at Jan 22 meeting
Financial decision making	Q1							Good 	N/A	Minor 	Reported at Nov 21 meeting
Council tax	Q2							Good 	Good 	Minor 	See section 3
Housing benefits	Q2							Satisfactory 	Good 	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
Legacy debts	Q2							Satisfactory ●	Satisfactory ●	Minor ●	Reported at Jan 22 meeting
Business rates	Q4										
Adults, Communities and Wellbeing Services Priorities and Risks											
Safeguarding vulnerable adults	Q3										
Financial assessments	Q3							Good ●	Satisfactory ●	Minor ●	See section 3
Procurement and contracts audit	Q4										
Housing allocations	Q2							Good ●	Satisfactory ●	Minor ●	Reported at Jan 22 meeting
Housing rents	Q3/4										
Landlord Health and Safety	Q3/4										
Homelessness and temporary accommodation	Q3/4										
Guardianship and Appointees	Q3/4										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Adult social care	Q4										
Place & Economy Services Priorities and Risks											
S106 monitoring	Q2							Limited 	Limited 	Moderate 	Reported at Jan 22 meeting
Asset / property management	Q2										
Parking income	Q2							Satisfactory 	Satisfactory 	Minor 	Reported at Jan 22 meeting
Taxi licensing	Q3/4										
Procurement and contract management	Q3/4										
Children's services											
Schools thematic review	Q3/4										
Children's Trust commissioning	Q3/4										
Home to School transport	Q4										
Corporate and cross cutting reviews											
Procurement compliance	Q3/4										

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										
ICT – Cyber security	Q2										
ICT – Disaster recovery	Q2										
Eclipse – social care system	Q3/4										
Pensions	Q3/4										
Human Resources & Health and safety	Q3/4										
Information governance	Q3/4										
Partnership assurances	Q3/4										
Customer services	Q3/4										
Record keeping in relation to legal prosecution files	Q4										
Grant certifications	-										

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 4: 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	33%	4	30%	7	30%
Actions due within last 3 months, but not implemented	-	-	2	22%	-	-	2	9%
Actions due over 3 months ago, but not implemented	1	100%	4	45%	9	70%	14	61%
Totals	1	100%	9	100%	13	100%	23	100%

Table 5: ‘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)
East Northamptonshire Council and Corby Borough Council - Bank Reconciliations (Inherited action)	Finance	To complete all outstanding bank reconciliations.	On track for all reconciliations to be completed by end of March.	Assistant Director of Finance and Accounts	March 2021	March 2022

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.