



**Annual Internal Audit Report
2021/22**

1. Introduction and context

- 1.1 This report outlines the internal audit work carried out by Internal Audit for the year ended 31st March 2022.
- 1.2 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- 1.3 Internal Audit is a statutory requirement for local authorities, in accordance with:
- Section 151 of the Local Government Act 1972 – which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs; and
 - The Accounts and Audit Regulations 2018 (England) – which state that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.4 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, Corporate Leadership Team (which includes the Section 151 Officer), and the Chair of the Audit & Governance Committee. Internal auditors have no direct operational responsibility or authority over any of the activities audited and the Internal Audit Charter sets out how independence and objectivity is maintained and evidenced.
- 1.5 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1 and takes into account other sources of assurance, as appropriate. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.6 As such, the Annual Report contains:
- the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
 - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - a statement on the extent of conformance with the Standards.

2. Head of Internal Audit Opinion 2021/22

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

The 2021/22 financial year has been the first year of the Council's operation and, as such, a unique situation in which to be assessing the governance, risk and control framework. The Internal Audit coverage in a single year cannot seek to cover all areas of governance, risk and control and the opinion is given in this context.

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control for 2021/22. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2021/22 – see definition of assurance opinions in section 4.1 of this report. This control environment comprises of the system of internal control, governance arrangements and risk management. Limitations over this opinion are detailed and explained further below.

Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating at a level of Satisfactory Assurance or above. A number of recommendations have been made during 2021/22 regarding control account reconciliations and these have been subject to action plans and follow up activity.

This assurance must be caveated in that year end assurances over the shared financial systems (Payroll, Accounts Payable, Accounts Receivable and Pensions) are yet to be received at the time of reporting. Initial testing of these controls in the first quarter of the year did not report any significant areas of weakness but the year-end audits must provide assurance over compliance during the twelve months.

Risk management

Structures and processes for identifying, assessing and managing risk have been established during 2021/22. The risk strategy was reviewed by the Audit and Governance Committee in July 2021 and the register was reviewed by the Audit and Governance Committee on a quarterly basis. During 2022, directorate level risk registers have also been produced and the risk management approach has been further developed and embedded.

Internal control

For the audits completed by the Internal Audit service in 2021/22, 90% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance.

The audit plan coverage had targeted areas of known risk, including Deprivation of Liberty Safeguards (DoLS) and S106 monitoring. Opinions of 'Limited Assurance' were given by

Internal Audit in relation to these and a further three audit areas. The audit of DoLS gave an opinion of 'Major' risk to the organisation, should the identified risks materialise.

At the time of reporting, coverage of IT risks and controls has been limited due to availability of IT staff to support the shared service audits. Once this work has concluded, the findings will be reported to the Audit and Governance Committee. As such, the audit opinion given does not include assurance over IT security and related risks at this time, pending the conclusion of audit work in this area. The Council has recently appointed a Cyber Security lead officer who will be supporting regular audit activity going forward.

Of the recommended actions agreed during 2021/22, and due for implementation, 85% had been completed during the year.

There have been no incidences where Internal Audit has highlighted a fundamental risk or weakness during 2021/22 and management have sought to accept the risk, rather than agree an appropriate action.

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

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

3. Summary of findings

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

Table 1 – Summary of audit opinions 2021/22:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	-	15	11	2	-
Adults, Communities and Wellbeing Services	-	4	10	2	-
Place & Economy Services	-	4	3	3	-
Children's services	-	-	2	-	-
Corporate and cross cutting reviews	-	4	8	-	-
Total	-	27	34	7	-
Summary	-	40%	50%	10%	-

- 3.2 The Internal Audit team's work has been targeted upon areas of identified risk and has sought to support service areas in identifying and prioritising areas for improvement. Areas receiving opinions of less than 'Satisfactory' assurance have been subject to senior management attendance at Audit and Governance Committee and oversight by the Council's Corporate Leadership Team of Senior Officers.

4. Review of audit coverage

Audit opinion on individual audits

4.1 The Committee is reminded that the following assurance opinions can be assigned:

Table 2 – Assurance categories:

Level of Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment. The control environment has substantially operated as expected and 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 and 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.

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

Summary of audit work

4.3 Table 3 details the assurance levels resulting from all audits undertaken in 2021/22 and the date of the Committee meeting at which the outcome of the audit was presented.

4.4 All completed assignments have been delivered in accordance with the agreed terms of reference and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of audit opinions 2021/22:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Financial systems – providing assurance that the Council has made arrangements for the proper administration of its financial affairs				
Legacy Council bank accounts	Limited 	Limited 	Moderate 	September 2021
Bank reconciliations	Good 	Satisfactory 	Moderate 	September 2021
General ledger	Satisfactory 	N/A	Minor 	November 2021
Government Procurement Cards (GPCs)	Satisfactory 	N/A	Minor 	September 2021
Accounts payable (Q1 assurances)	Good 	Good 	Minor 	November 2021
Manual interface payments	Satisfactory 	Good 	Minor 	April 2022
Accounts receivable (Q1 assurances)	Good 	Good 	Minor 	January 2022
Debt recovery (Q1 assurances)	Satisfactory 	Satisfactory 	Minor 	January 2022
Payroll (Q1 assurances)	Good 	Good 	Minor 	January 2022
Treasury management	Good 	N/A	Minor 	November 2021
IT financial controls	Good 	Good 	Minor 	January 2022
Financial decision making	Good 	N/A	Minor 	November 2021
Council tax	Good 	Good 	Minor 	March 2022

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Housing benefits	Satisfactory 	Good 	Minor 	March 2022
Legacy debt	Satisfactory 	Satisfactory 	Minor 	January 2022
Business rates	Satisfactory 	Satisfactory 	Minor 	June 2022
Adults, Communities and Wellbeing Services Priorities and Risks				
Adult Safeguarding– Safeguarding referrals	Satisfactory 	Satisfactory 	Moderate 	April 2022
Adult Safeguarding– DoLS	Limited 	Satisfactory 	Major 	April 2022
Financial assessments	Good 	Satisfactory 	Minor 	March 2022
Housing allocations	Good 	Satisfactory 	Minor 	January 2022
Housing rents	Satisfactory 	Satisfactory 	Moderate 	April 2022
Landlord Health and Safety	Satisfactory 	Satisfactory 	Moderate 	June 2022
Homelessness and temporary accommodation	Good 	Limited 	Moderate 	June 2022
Appointeeships and Deputyships	Good 	Satisfactory 	Minor 	April 2022
Place & Economy Services Priorities and Risks				
S106 monitoring	Limited 	Limited 	Moderate 	January 2022
Asset management (compliance regimes)	Limited 	Satisfactory 	Moderate 	June 2022

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Parking income	Satisfactory 	Satisfactory 	Minor 	January 2022
Taxi licensing	Good 	Good 	Minor 	April 2022
Contract management in Place and Economy	Good 	Good 	Minor 	June 2022
Children's services risks				
Children's Trust commissioning	Satisfactory 	Satisfactory 	Moderate 	June 2022
Corporate and cross cutting reviews				
Procurement compliance	Satisfactory 	Satisfactory 	Moderate 	June 2022
Transformation – disaggregation projects	Good 	Good 	Minor 	June 2022
Human Resources & Health and safety – remote working	Good 	Good 	Minor 	April 2022
Information governance	Satisfactory 	Satisfactory 	Minor 	June 2022
Partnership assurance framework	Consultancy review			April 2022
Customer services	Satisfactory 	Satisfactory 	Minor 	April 2022
Enforcement casefiles	Satisfactory 	Satisfactory 	Moderate 	June 2022

4.6 Audit outcomes have been reported to the Audit and Governance Committee during the 2021/22 financial year. Summaries of those which have been finalised since the last progress report was presented are provided in Appendix B to this report.

Implementation of Internal Audit recommendations

- 4.7 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action on a monthly basis.
- 4.8 A total of 40 audit recommendations have been implemented by officers during 2021/22.
- 4.9 Details of the implementation rate for the audit recommendations made during 2021/22 are provided in Table 4, as at 31st March 2022.

Table 4 - Implementation of audit recommendations agreed and due in 2021/22:

	'High' priority	'Medium' priority	'Low' priority	Total
Agreed and implemented	2	21	17	40 (31%)
Agreed and not yet due for implementation	18	50	17	85 (64%)
Agreed and due within last 3 months, but not implemented	-	7	-	7 (5%)
Agreed and due over 3 months ago, but not implemented	-	-	-	-
TOTAL	20	78	34	132 (100%)

- 4.10 In addition to audit recommendations arising during 2021/22, the Council inherited a number of open audit actions from legacy councils. These have been subject to follow up by Internal Audit and all remaining actions are being followed up in related audit coverage to confirm whether the actions are now redundant or should be amended to reflect changed control environments and risk.

4.11 A full overview of overdue actions is provided in Table 5.

Table 5 - Summary of overdue recommendations from 2021/22

Audit	Audit Year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
Council tax	2021/22				2		
General ledger	2021/22				1		
GPCs	2021/22				1		
Housing benefit	2021/22				1		
Parking income	2021/22				1		
S106 monitoring	2021/22				1		
Totals		0	0	0	7	0	0

5. Internal Audit contribution and performance

Added value

- 5.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support and advice to assist the Council in new areas of work.
- 5.2 During 2021/22, the Internal Audit service was delivered under a shared service arrangement led by Milton Keynes Council. From 1st April 2022, this service is now in house.
- 5.3 In April 2022, the delegated Internal Audit service had completed fieldwork on approximately **90%** of the assignments from the 2021/22 Audit Plan. Some audit reports remain outstanding at the time of reporting, due to delays in delivery across the former shared service, as acknowledged in the limitations to the annual opinion. The outcomes of all remaining assignments will be reported to the Audit and Governance Committee once finalised. Delivery against the Audit Plan has been reviewed during the year and regularly reported to the Audit and Governance Committee.

Internal Audit contribution in wider areas

- 5.4 Key additional areas of Internal Audit contribution to the Council in 2021/22 are set out in Table 6:

Table 6 – Internal Audit contribution

Area of Activity	Benefit to the Council
Providing independent advice and guidance on risk management and embedding of the new risk management strategy and registers.	Embedding a risk management culture and seeking to continue to develop the organisation's risk maturity. This also gives Internal Audit an insight into the emerging risks identified and areas where assurance is needed.
Sharing advice and fraud alerts in relation to the Covid-19 business grants.	Pro-active counter fraud support and learning from other authorities.
Maintaining a fraud reporting mailbox to enable concerns to be raised directly with Internal Audit.	Supporting the Council in its Counter Fraud strategy and reinforcing a zero tolerance culture.
Maintaining good working relationships with External Audit.	Maximising value of audit resources.
Ad hoc advice and assistance.	Assistance with ad-hoc queries and advice. Raising the profile of Internal Audit with service leads to increase the effectiveness of the service.

Area of Activity	Benefit to the Council
Leading on the use of the NFI Fraud Hub.	Delivering savings through identifying fraud/error in real time data matching.

Professional Standards

- 5.5 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 5.6 The objectives of the PSIAS are to:
- Define the nature of internal auditing within the UK public sector;
 - Set basic principles for carrying out internal audit in the UK public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 5.7 During 2021/22, the Internal Audit service was delegated to a shared service led by Milton Keynes Council. A detailed self-assessment against the PSIAS was completed by the Chief Internal Auditor and the outcome of the assessment was that the Internal Audit service was operating in general conformance with the Standards.
- 5.8 From 1st April 2022, the Internal Audit service is being delivered in house and a Quality Improvement Plan is being drafted by the current Chief Internal Auditor to support ongoing development, in line with the Standards. Assessment against the Standards will be embedded in the delivery of the service and ongoing development work. An external assessment must be completed at least every five years and the timing of the first external assessment will be agreed with the S151 Officer and Chair of the Audit and Governance Committee.
- 5.9 The Chief Internal Auditor can confirm that there has been no evidence of impairment of the independence of the Internal Audit team during 2021/22 and no auditors have reviewed systems/controls which they have been responsible for delivering.

6. Investigation activity

- 6.1 The Counter Fraud team, led by the Chief Internal Auditor, is set up to receive and handle referrals regarding allegations of fraud, misconduct and irregularities via a number of channels. There is a fraud reporting mailbox available to internal and external stakeholders, in addition to the whistleblowing procedures and general service referrals.
- 6.2 All referrals are logged, assessed and allocated to the relevant party for investigation, where appropriate. Included in Table 7 below is a summary of the referral activity within the service during the financial year to date. Whilst investigations are progressing, it is not appropriate for further details of allegations to be shared at the risk of jeopardising formal investigation outcomes.

Table 7 – Investigation activity in 2021/22

Description	Financial year to date	Comments
Referrals received to date	74	
Breakdown of referral type:		
- Blue badge	11	Referrals received via dedicated mailbox, service areas and internal intelligence.
- Housing	17	
- Revenues discounts	13	
- Benefits	6	
- Grants	11	
- Parking	11	
- Agency staff	2	
- Social care / No Recourse to Public Funds	2	
- Staff conduct	1	
Referrals closed at time of reporting	60	
Breakdown of outcomes:		
- Referred to partner agency	19	One housing property has been recovered – the Cabinet Office applies a notional figure to such recoveries as a saving of £93,000.
- Property/monies being recovered	3	
- Advice to service area on controls	3	A right to buy application was cancelled following investigation into fraud, the discount which would have applied would have been £55,000.
- No further action following initial enquiries	33	
- Right to buy cancelled	1	Single person discounts cancelled as a result of investigation included one of £419 per year.
- Staff disciplinary process completed	1	

Appendix A: Limitations and responsibilities

Limitations inherent to the Internal Audit's work:

The work has been performed subject to the limitations outlined below:

Opinion

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

Internal control

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

Future periods

The assessment of controls relating to the areas audited is for the period 1st April 2021 to 31st March 2022. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

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

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

Appendix B: Internal Audit reports finalised since the last committee meeting

Business rates

The purpose of this audit is to provide assurance that the material risks associated with the collection and management of business rates taxes are sufficiently mitigated. Effective collection of revenue underpins the Council's financial resilience and supports the delivery of all front-line services. North Northamptonshire Council is due to collect business rate income totalling £135,129,000 during the 2021/22 year, of which 49% is retained by the Council.

The four localities that correspond to the previous legacy Councils continue to run separate business rate systems, although East Northants, Kettering and Wellingborough use the same software (Academy). The Corby locality utilises the Northgate system. Plans to introduce one system covering the whole of North Northamptonshire are at a relatively early stage, with the current intention being to achieve this during the 2022/23 year.

Key controls for the business rates system are reviewed by audit on a cyclical basis. For the 2021/22 year, the audit covered the following key controls:

- Collection and posting of income.
- Main accounting system reconciliations.
- Recovery and enforcement proceedings.
- Refunds and write-offs.
- Performance management (i.e. collection rates).

The audit did not cover the following controls, which will be reviewed as part of the 2022/23 audit plan:

- Set up of the initial liability.
- Maintenance and reconciliation of property records.
- Billing controls.
- System access controls.
- Discounts and exemptions

In overall terms, the audit concluded that there is a requirement to improve processes in respect of suspense and control account reconciliations. Debt recovery processes were found to be operating in accordance with prescribed policy and procedures in 100% of cases tested, but there remain challenges in addressing the increased overall level of arrears that currently exist (approx. £2 million higher than 2020/21 at the time of audit).

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

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

Landlord health and safety

As landlord, the Council has a number of statutory responsibilities regarding the safety of its tenants. These are set out in the Regulatory Reform (Fire Safety) Order 2005, Control of Asbestos Regulations 2012, Gas Safety (Installation and Use) Regulations 1998, The Electrical Equipment (Safety) Regulations 1994 and the Housing Act 2004.

The Kettering and Corby localities currently use different asset management systems to administer and record safety compliance actions for NNC's social housing stock, these being the systems that the previous legacy Councils operated. Risk assessments, inspections and servicing is delivered across both localities using a mixture of in-house teams and contractors for the seven key compliance areas tested (gas, electricity, water hygiene, asbestos, radon gas, fire safety and lift maintenance).

In overall terms, the audit concluded that the Council has functioning landlord health and safety arrangements in place, but some issues were noted in respect of the following:

- a backlog in undertaking electrical safety inspections at Kettering;
- missed updated fire risk assessments for some properties in Kettering; and
- a backlog in addressing remedial actions identified from fire risk assessments and Legionella risk assessments.

In arriving at the assurance level, note has been taken that sample testing confirmed the system for ensuring annual gas safety inspections are completed is operating as required. An action plan is in place to address all weaknesses highlighted in respect of electrical safety inspections, fire risk assessments and water hygiene (Legionella) risk assessments.

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

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

Homelessness and temporary accommodation

The proper, effective and efficient management of homelessness applications and compliance with the Council's duties under part 7 of the Housing Act (1996), Homelessness Act (2002) and Homelessness Reduction Act (2017) is critical in ensuring that everyone who is homeless or at risk of homelessness will have access to help, irrespective of their priority need, as long as they are eligible for assistance. The Homelessness Reduction Act 2017 modified and extended existing homelessness protection in a number of key areas.

The Council's homelessness service is administered using the Jigsaw system, which was adopted from April 2021, having previously been used by the former Kettering, Corby and Wellingborough Councils.

In overall terms, the audit concluded that whilst there is an appropriate control framework in place for the Council's duties under the Homelessness Reduction Act to be discharged, sample

testing highlighted numerous instances of non-compliance with these controls. Key themes arising from the audit are summarised as follows:

- Delayed and incorrect decisions made based on the evidence available;
- Crucial information and evidence not recorded in clients' files;
- Failure to communicate with clients when there was a clear requirement to do so; and
- Incorrect housing bands applied on the Housing Allocation system .

Authorities also have a duty to reach an agreement with applicants on a Personal Housing Plan (PHP) that must be recorded and should set out the steps the applicant and authority are required to take to ensure accommodation is secured and/or retained. Sample testing on 14 cases where a PHP should have been produced highlighted one case where the PHP had not been created properly and a further 3 cases, where a PHP had not been agreed. In the 10 cases where a plan had been produced, in only one case was it clear that the plan had been agreed with the client.

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

Internal Audit Assurance Opinion		
Control Environment		Good
Compliance		Limited
Organisational Impact		Moderate

Asset management (compliance regimes)

The Council has a range of responsibilities in relation to the ongoing maintenance and inspection of its corporate buildings, 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. The degree of responsibility depends upon the contractual relationship between the service provider and the council. Where the council retains direct use of the service delivery provided from the building, the Council retains full responsibility for compliance. This audit has focused on compliance in operational properties (i.e. offices, depots, community centres, libraries) and has not included housing or educational properties.

Upon the transition to a unitary authority, the Council inherited property portfolios which had been subject to different compliance regimes and record keeping arrangements, including some outsourced arrangements. The auditor was advised of 74 properties identified as operational properties (i.e. excluding car parks, leased properties etc) across the authority. The Council has a Property team but does not currently operate a corporate landlord model.

The Council is yet to adopt formal procedures in relation to key compliance areas (i.e. fire safety, contractor management etc) or introduce corporate contracts. In the absence of procedures, and given the various systems and approaches to estate management inherited by the unitary council upon transition, there is currently a lack of clear and consistent approach to tracking, recording and commissioning compliance inspections/servicing and no central record of compliance regimes. However, the Council has a number of competent and qualified

staff with responsibility for compliance and, despite the lack of documented procedures and guidance, sample testing has provided assurance on areas of compliance and good practice in certain areas, albeit this was not consistent across all properties.

There is currently a lack of evidence to demonstrate that remedial actions arising from inspections have been consistently tracked and completed. A lack of accountability and clear handover following the transition has been cited in relation to some such gaps and these require addressing via a prioritised action plan.

It is evident that officers have acknowledged the need to address the compliance issues and develop a clear record of the current status for every property. Staff consultation was also underway during the course of the audit, with a potential move to a corporate landlord model being considered, as a means of strengthening and centralising these controls within a professional property service. The outsourced arrangements used by the Wellingborough legacy council also end on 1st April 2022 and this provides a timely opportunity to bring all properties under robust, consistent procedures going forward.

Audit testing has highlighted areas of good practice in relation to safe ways of working for contractor management – with examples of recent permits to work, risk assessment and method statements for a sample of works provided during the course of the audit. Albeit, there have been known gaps in these controls, with works on some properties not subject to such controls under outsourced arrangements, and no standardised templates in use.

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

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

Contract management in Place and Economy

The Council's Place and Economy Directorate is responsible for delivering services under the following key headings: Highways and Waste; Assets and Environment; Growth and Regeneration and Regulatory Services.

The Council's publicly available Contract Register includes 276 contracts that come under the responsibility of the Place and Economy Directorate.

In overall terms, the audit concluded that there are effective arrangements in place for managing contracts, although it should be noted that this conclusion has been reached on the basis of testing a sample of those contracts that come under the responsibility of the Place and Economy Directorate. Contract Managers for the sample of contracts chosen were found generally to be undertaking appropriate monitoring controls to ensure that goods and services were delivered in accordance with contract terms. Testing confirmed clear client/contractor roles and responsibilities, clearly specified service/performance standards and/or outcomes, appropriate quality review mechanisms (e.g. inspections, sampling or other independent verification processes) and checking and approval of contract payments in accordance with contract conditions and evidence of service delivery.

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

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

Children's Trust commissioning

Following a statutory direction from the Secretary of State for Education, Northamptonshire County Council established an operationally independent but wholly council-owned company to deliver children's social care services. Northamptonshire Children's Trust ('Children's Trust') was established on 1st November 2020 and was a company limited by guarantee that was initially wholly owned by Northamptonshire County Council.

As part of this arrangement, statutory responsibility for children's services remains with the Council through the role of Director of Children's Services. The Trust is operationally independent, and a contract exists between the Children's Trust and the Council with the aim of ensuring the Children's Trust develops and provides high quality social care services to children and young people in Northamptonshire within the financial resources made available to it.

On 1st April 2021, ownership of the Children's Trust transferred to North and West Northamptonshire Councils as part of the transition to unitary Councils. For the financial year 2021/22, the contract value was approximately £137 million.

The Council recognises, within its Strategic Risk Register, the risks associated with failure of this key contract with the Children's Trust. It is important to provide context to the current support arrangements around this. At vesting day, the contract had been in place for less than six months. When the Unitary Councils took over responsibility for this arrangement, work was still required in the following key areas to ensure appropriate contract arrangements were in place:

- Only two posts in the Intelligent Client Function had been filled prior to vesting day; and
- Contracts / Agreements needed to be reviewed to (a) reflect new responsibilities including that of the hosting Council, and (b) to agree arrangements covering support services as the previous arrangement only covered the period up to vesting day.

The contract has a built-in review mechanism, in the form of an annual review, to look at the effectiveness of current arrangements. The first review for the period up to March 2022 has yet to take place although information reviewed in the audit has highlighted that several issues around governance and key performance indicators have already been identified and will be considered as part of the review.

Whilst the audit found that the service delivery contract clearly defines arrangements around key aspects of the contract - including the financial mechanism and performance framework - the following key weaknesses have been identified in respect of current arrangements:

- An effective Intelligent client function has not been in place to oversee contract management as the team has not been fully resourced during 2021/22. As a result, the function has been dealing with the administrative / operational aspects of the contract rather than robustly holding the Children’s Trust to account for performance, quality assurance and finance.
- The need to improve arrangements supporting key performance indicators including (a) ensuring indicators are aligned to Trust / Council priorities, (b) definitions are agreed as to how indicators will be measured, (c) to provide clarity around how performance targets and tolerance levels (i.e. an agreed level of performance below a target which is viewed as acceptable) have been set and (d) to ensure KPI performance is reported at a Council rather than County level.

It was noted that defined arrangements are generally operating as intended around performance, governance and reporting. There is regular reporting against 21 performance indicators and the Council is suitably represented at a senior level in the governance structure (at the Operational and Strategic Groups, Improvement Board and Joint Board/Committee). However, gaps in the expected focus of the Intelligent Client Function has meant that some expected activities have not been carried out in 2021/22, for example:

- Providing assurance over the accuracy of information considered by the Operational Group especially in respect of areas such as finance and key performance indicators.
- Evaluating reports received and providing appropriate scrutiny and challenge either directly to the Children’s Trust or through the Operational Group.
- Proactively seeking to identify new or emerging matters (i.e. issues considered by the Social Care Improvement Board and taking advantage of rights of access as defined in the contract) that should be considered within contract governance arrangements.

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

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

Procurement compliance

The Council’s Contract Procedure Rules are primarily designed to ensure probity and value for money when procuring goods, works or services that meet the needs of local residents and comply with legal and regulatory requirements in respect of competition and transparency.

If evidence is not available to confirm that a fair, transparent and competitive process has been followed in procuring goods and services for the Council, there is a risk of failure to maximise value for money from the purchase and the Council may be exposed to risks of challenge, fraud and corruption.

In overall terms, the results of audit testing confirmed compliance with Contract Procedure Rules for cases where the procurement team were involved in the tendering and contracting process. However, the results of sample testing in cases that were below the limit of

procurement team involvement highlighted a number of gaps in the evidence available to demonstrate that correct procurement processes had been followed. The sample testing of cases where the Procurement Team were involved were fully evidenced to demonstrate the procurement processes undertaken.

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

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

Transformation – disaggregation projects

A key strategic driver of the Local Government Reorganisation (LGR) process across Northamptonshire was the chance to reimagine local government, the way it provides services and its relationship with the community, as well as being more efficient and financially stable. A Transformation Plan has been approved and is in the process of being implemented to contribute to achieving these objectives that includes the disaggregation of over 20 previous county-wide services over the next two years. Assurance is required that the process in place to achieve disaggregation of services is robust and effective.

The following six previous county-wide services were due for disaggregation by the end of March 2022, and this timeline was achieved without delay:

- Emergency Planning
- Country Parks
- Deprivation of Liberty Safeguards (DoLs)
- Waste Disposal
- Adults Learning Independence, Voluntary & Employment (LIVE) (Adults Directorate)
- HR Advisory Service (Schools) – service ceased (Governance & HR Directorate)

There is an overarching timetable in place that sets out four distinct phases for each service to be disaggregated as follows:

Discovery – fact finding and research to understand issues and scope of project.

Design – preparation of business case for each project.

Delivery – Implementation of required changes.

Completion – Planned completion date for each project.

There is a clear distinction between service disaggregation, which is a joint activity between the two new unitary authorities, and subsequent service improvement of the disaggregated services, which is delivered by each council without necessarily including the other. The latter work is outside the scope of this audit.

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The audit has examined disaggregation that had followed a formal process managed with the assistance of the Transformation team. In overall terms, the audit concluded that robust arrangements have been developed to support and oversee the disaggregation of former county-wide services.

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

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

Information governance

The primary aim of information governance is to establish compliance with statutory obligations set out in the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018 (DPA 2018). Following the unification of four Councils into one in April 2021, the Interim Data Protection Officer has identified the need for an Information Governance Strategy Framework to be developed - to set out the data protection and privacy arrangements to enable the Council to meet their obligations under the UK GDPR and DPA 2018. Development of the Framework is due to start in 2022 and will form the basis for future improvement delivery.

The objective of the audit was to provide assurance that controls are in place to ensure personal data is processed in accordance with the UK GDPR Principles. This review focused on controls over data sharing; data breaches/incidents; transparency; and the roles, responsibilities and training of officers, in line with regulations.

Based on the audit testing performed, the Council appears to be generally compliant with the regulations in the areas within the scope of this audit. The Council has established some sound information governance working practices, with clear guidance available to both staff and customers via the Council's intranet and internet. The Council's Data Protection Policy is available on the Council's website along with relevant policy documents. The use of Data Protection Impact Assessments is established, with guidance and support available to staff. Evidence was provided to demonstrate data breaches/incidents are managed and investigated, with some areas for improvement to recordkeeping noted. Assurance has been provided that the Council's transparency obligations are clear and concise and include matters in relation to the Council's lawful basis for processing data.

Information Asset Registers are held for each of the sovereign councils, a full review to amalgamate and update these forms part of the Information Governance Strategy Framework. It was highlighted that a Retention and Disposal Policy is yet to be adopted and this is an area where it is acknowledged that further work is required.

Mandatory online annual data protection training has been completed by 90% of officers, whilst 77% of Members attended a data protection training session in June 2021.

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

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

Enforcement casefiles

The decision to prosecute, or not to prosecute, is a significant decision for the Council in relation to its enforcement activity. Fair and effective enforcement is essential to the maintenance of law and order and policies and procedures should be applied to make fair and proportionate decisions in all cases. A broad range of Council services engage in enforcement activity which can range from verbal warnings to notices and ultimately prosecution through the courts.

Prior to the transition to the unitary council, service areas received varying levels of support from legal services - with differing approaches and templates in use. The Council's litigation team is actively working with key service areas and enforcement officers to develop and embed consistent approaches, templates and record keeping. The activity during the year to date has highlighted gaps in enforcement officer training and awareness in relation to the key controls to be applied when compiling a robust casefile. A Corporate Enforcement Group has been established, with representation from key services, which is a valuable forum for developing consistency and officer skillsets in this area.

Sample testing of cases which had been subject to legal involvement during the last twelve months highlighted areas for development in relation to case file structuring, evidenced risk assessments and use of consistent templates for opening and closing files. It was evident that certain cases highlighted a lack of officer training within services, for example in relation to producing quality witness statements and obtaining relevant admissible evidence which can be presented to court. These areas have all been acknowledged by legal services management, with draft templates being actively developed at the time of audit review and detailed training scheduled via the Corporate Enforcement Group.

A number of cases selected in sample testing had been discontinued by the Legal team based upon a review of the available evidence in the matter. In some cases correspondence with the service area was seen, where the legal professional had given advice on lessons learned and how practices could be improved going forward to build a robust enforcement case. The closure of such cases either before files are submitted to the court, or prior to a final hearing if already before the court, demonstrates the application of risk assessment, review of evidence and public interest by the legal professionals – which should protect the Council from the associated financial and reputational risks of a failed case. It is essential that service areas are encouraged to engage with the Legal team at an early opportunity. The Corporate Enforcement Group is a means of promoting this engagement, so the Legal team are alert to

potential litigation at the earliest opportunity, and enables officers to share lessons learnt across the Council in a timely way.

It is noted that action is being taken to strengthen controls in this area and embed the Council's Enforcement Policy and good working practices.

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

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