



EAST CAMBRIDGESHIRE
DISTRICT COUNCIL

**EAST CAMBRIDGESHIRE DISTRICT COUNCIL
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE
NOVEMBER 2021**

Introduction

- 1.1 The Internal Audit service for East Cambridgeshire District Council provides 210 days to deliver the 2021/22 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting and an overview of the performance of the audit team.

Performance

2.1 Delivery of the 2021/22 Audit Plan

At the time of reporting, fieldwork is either complete or underway in relation to 53% of the planned work.

In addition to these planned assignments, during the year to date, the Internal Audit service has also processed 758 Covid-19 Business Grants Pre Payment Checks – covering both Bank Account Verification and Active Company Check (where relevant). This has involved:

- Review of data provided by officers to ensure correct format and met data requirements
- Uploading data
- Reporting outcomes to officers for investigation and reporting back on findings.

As part of the bi-annual NFI data matching exercise, Internal Audit has also reviewed 278 individual data matches to date for 2020/21 covering creditors and payroll – no issues have been identified from this work to date.

Internal Audit also completed testing on a sample of COVID 19 Restart Grants to confirm effectiveness of post payment checks and enable certification to government that grant conditions have been met. Testing identified one error which was not due to attempted fraud but human error in the processing of the application, resulting in an overpayment which is subject to recovery action.

Progress on individual assignments is shown in Table 1.

2.2 Are clients satisfied with the quality of the Internal Audit assignments?

To date, one survey response has been received in relation to feedback on completed assignments for the 2021/22 audit plan and results are summarised in Table 4.

2.3 **Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council’s Control Framework?**

Since the last Committee meeting, two audit reports have been finalised. To date, the audit work has not highlighted any issues or weaknesses which would impact upon the overall Internal Audit opinion. The key findings from the reports were as follows:

Staff recruitment checks

An effective staff recruitment and selection process is essential to ensuring that appropriate checks are completed for all new employees joining the Council. Failure to recruit the right person could have serious consequences to the Council in that it could expose the Council to risks of fraud and error, impact on customer service and have a negative impact on the performance of the service. There are additional financial impacts such as the cost of re-advertising and training. The critical objective of the review was to provide assurance that appropriate processes are in place to ensure that the recruitment process is clearly documented, including appropriate checks to prevent and detect recruitment fraud.

There is a Recruitment Policy and Procedure which was last reviewed in January 2021 which is available for Council employees on the intranet and provides clear, step-by-step guidance for recruitment and selection and ensures that the recruitment process is carried out in a fair, professional and lawful manner. Testing of a sample of new starters confirmed that in all cases documented procedures had been adhered to. In all cases reviewed the application forms were fully completed, evidence of relevant qualifications had been retained, and references obtained. There was also sufficient and relevant evidence of right to work which had been obtained in accordance with the Government advice for employers carrying out right to work checks during the coronavirus pandemic.

Based on the work performed during the audit, overall substantial assurance can be given that there are effective controls in operation. The assurance opinions are given as follows:

Assurance Opinion		
Control Environment	Substantial	
Compliance	Substantial	
Organisational Impact	Minor	

Development control

Most new buildings or major changes to existing buildings or the local environment require planning permission and the Council is responsible for deciding whether a development should go ahead, for which a fee is payable. Most minor and uncontroversial planning applications are determined through delegated powers, which means they are dealt with by Planning Officers. Larger and more controversial developments and those specified in the Constitution are decided by the Planning Committee, informed by Planning Officers’ recommendations. The critical objective of the service is to ensure that planning applications

are determined in accordance with adopted local and national planning policies, are processed promptly and all income is correctly accounted for.

The Planning Service establishment is fully resourced and is considered to be suitably qualified. There are operational procedure notes covering the planning process which are available to all staff. There is a Member Training and Development Programme which includes specific training for Members of the Planning Committee which must be attended prior to participating in a Planning Committee meeting.

Sample testing of planning applications confirmed that key controls had operated as intended. Testing included ensuring that applications had been determined within the statutory or agreed time frames (extensions of time), the correct fees had been paid, all had been authorised in accordance with the Scheme of Delegation and the planning decision published on the Council's website.

The Council provides the statutory quarterly performance information to the Ministry of Housing, Communities and Local Government and in addition provides monthly performance information to the Planning Committee. A review of the monthly reports confirmed that local and statutory targets were being met with the exception of Discharge of Conditions/Non Material Amendments. The Planning Manager has already identified this as an area for improvement.

Based on the work performed during the audit, overall substantial assurance can be given that there are effective controls in operation. The assurance opinions are given as follows:

Assurance Opinion		
Control Environment	Substantial	●
Compliance	Substantial	●
Organisational Impact	Minor	●

2.4 **Implementation of audit recommendations by officers**

Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation. In order to provide the Committee with assurances that these actions are being implemented in a timely and effective manner, a more robust follow up process has been implemented for the 2021/22 financial year.

Since the last Committee meeting, ten agreed actions have been implemented by officers. An overview is provided in Table 2.

At the time of reporting, there is eight actions which remain overdue for implementation. Of these, there are three actions categorised as 'Essential' or 'Important' which are now more than three months overdue, further details are provided in Table 3.

2.5 Amendments to the Audit Plan

Since the last meeting of the Audit Committee, the following amendments have been made to the Internal Audit plan:

Assignment	Amendment made	Days
ICT outages – lessons learnt	<p>Addition</p> <p>This has been added to the Audit Plan, following discussions at the July 2021 Audit Committee meeting. This will seek to provide assurance that lessons have been learnt from the incidents in 2020 and 2021, and review of the controls implemented as a result.</p>	+ 8
Performance management	<p>Removal</p> <p>This has been removed from the Audit Plan on the basis that the formal service performance management process was deferred during the pandemic and the audit resource would be better prioritised on the new assignment above.</p>	- 8
Financial Management Code	<p>Addition</p> <p>This has been added to the Audit Plan to provide assurance over the Council's compliance with the CIPFA Financial Management Code, given this is the first financial year of mandatory compliance.</p>	+ 8
IT Asset Management	<p>Removal</p> <p>This has been removed from the Audit Plan as it has been assessed as lower risk than the additional assignments requested above. This will be deferred to 2022/23.</p>	- 8

These amendments have been approved under the delegation granted to the s151 Officer, in consultation with the Chair of the Audit Committee, and are reported to the Committee at the earliest opportunity.

Table 1 - Progress against 2021/22 Internal Audit Plan

Assignment	Planned start	Status	Assurance sought	Assurance Opinion			Comments
				Control Environment	Compliance	Org impact	
Governance & Counter Fraud							
Counter Fraud support / promotion	Q4	As required		Consultancy			
National Fraud Initiative	Q3	As required	See notes above	Consultancy			
Risk Management support	Q1 – Q4	In progress		Consultancy			
Annual Governance Statement support	Q1	Complete	Not applicable	Consultancy			
Procurement compliance	Q4	Not started					
Key Financial Systems							
Bank Reconciliation	Q3	Planning					
Creditors	Q4	Not started					
Debtors	Q4	Not started					
Payroll	Q4	Not started					
Treasury Management	Q3	Planning					
Fixed Assets	Q3	Fieldwork underway					

					<i>Assurance Opinion</i>				
<i>Assignment</i>		<i>Planned start</i>	<i>Status</i>		<i>Assurance sought</i>	<i>Control Environment</i>	<i>Compliance</i>	<i>Org impact</i>	<i>Comments</i>
Budgetary Control		Q3	Planning						
Financial Management Code (consultancy)		Q4	Not started						
Key policy compliance									
Staff recruitment checks		Q1	Final report issued		To provide assurance that appropriate processes are in place to ensure that the recruitment process is clearly documented, including appropriate checks to prevent and detect recruitment fraud.	Substantial	Substantial	Minor	
Risk based audits									
Covid-19 recovery		Q3	Fieldwork underway						
ICT outages – lessons learnt review		Q3	Planning						
Environment and climate change strategy		Q2	Fieldwork completed						
Development control		Q2	Final report issued		Assurance that the Council operates in accordance with key legislation, monitors and progresses issues to an appropriate conclusion and demonstrates transparency in terms of processes, communication with the public and decisions reached.	Substantial	Substantial	Minor	

<i>Assignment</i>		<i>Planned start</i>	<i>Status</i>		<i>Assurance sought</i>	<i>Assurance Opinion</i>			<i>Comments</i>
						<i>Control Environment</i>	<i>Compliance</i>	<i>Org impact</i>	
Disabled facilities grants		Q2	Verification completed		Verification completed and sent to Cambridgeshire County Council	Not applicable			

Table 2 - Implementation of Audit Recommendations

	'Essential' priority recommendations		'Important' priority recommendations		'Standard' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	1	25%	6	60%	3	75%	10	56%
Actions overdue by less than three months	1	25%	3	30%	1	25%	5	28%
Actions overdue by more than three months	2	50%	1	10%	-	-	3	16%
Totals	4	100%	10	100%	4	100%	18	100%

Table 3 – Actions overdue more than three months (Essential or Important priority)

Audit plan	Audit title	Agreed action and context	Priority	Responsible officer	Date for implementation	Officer update / revised date
2020/21	Asset Management	<p>Of the ten assets selected in the sample, two did not have signed lease agreements in place.</p> <p>All commercial properties should be covered by a signed legal agreement from the outset of the lease. Monitoring records should be maintained to ensure forward planning enables renewals to be conducted in a timely manner and any overdue leases are flagged for urgent attention.</p>	Essential	Legal Services Manager	31/07/2021	<p>Progress has been made in formalising lease agreement on the two properties. Lease wording has been agreed with the tenants in both cases and the relevant notices/declarations have been issued. It is intended to issue engrossments upon receipt of signed declarations. In the meantime, invoicing continues in line with the draft agreements.</p>
2020/21	Contract extensions	<p>Review and update of the Contracts Register.</p> <p>Services should identify all contracts, including contract extensions, over £5,000 which are not yet on the Contracts Register and provide the required details to Legal Services.</p>	Essential	Finance Manager	31/10/2020	<p>The Finance team have conducted a review of spend reports to identify potential suppliers who are not included on the Contracts Register. The relevant service leads will now be contacted by the Legal team, in November 2021, to establish any gaps in contract register entries.</p>

Audit plan	Audit title	Agreed action and context	Priority	Responsible officer	Date for implementation	Officer update / revised date
2019/20	Disabled Facilities Grants (DFGs)	To implement a procurement framework specific to DFG works.	Important	Environmental Services Manager	30/09/2020	<p>Progress made with framework.</p> <p>Continuing with development of schedule of rates. Main body to finish mid-November 2021 then need to add in current acceptable rates (based upon recent price increases).</p>

Table 4: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. There has been one survey response received during the year to date.

Responses	Outstanding	Good	Satisfactory	Poor
Design of assignment	1	-	-	-
Communication during assignment	1	-	-	-
Quality of reporting	1	-	-	-
Quality of recommendations	-	-	-	-
Total	3	-	-	-

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

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

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

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

LGSS Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Finance and Assets 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.

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.