



CORBY BOROUGH COUNCIL  
INTERNAL AUDIT UPDATE  
JANUARY 2021



Date: 13<sup>th</sup> January 2021

## ***Introduction***

- 1.1 LGSS provides the internal audit service for Corby Borough Council and has been commissioned to provide 265 audit days to deliver the 2020/21 Annual Audit Plan and undertake other work commissioned by the client.
- 1.2 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.

## ***Performance***

### **2.1 Will the Internal Audit Plan be delivered?**

LGSS has been set the objective of delivering at least 90% of the Internal Audit plans for 2020/21 to draft report stage by the end of March 2021.

Despite the Internal Audit team avoiding conducting any fieldwork during key stages of the pandemic response, to avoid any additional pressure or diversion of resource, at the date of writing two audit assignments have been finalised and a number of assignments are in advanced stages of delivery.

Progress on individual audit assignments is shown at pages 5 to 7 of this report.

### **2.2 Are audits being delivered to budget?**

Internal Audit is on target to deliver the Audit Plan within the 265 days commissioned. Any overruns on individual assignments are managed within the overall budget.

### **2.3 Are clients satisfied with the quality of the Internal Audit assignments?**

Responses received to the Customer Satisfaction Questionnaire are summarised in Table 2. All responses received since 1<sup>st</sup> April 2020 have been of 'Good' or 'Outstanding' in all areas.

### **2.4 Is the Internal Audit team achieving the expected level of productivity?**

As at the latest possible date for reporting purposes, the team has been delivering an average of 93% productivity against a target of 90%.

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

Two audit reports from the 2020/21 Internal Audit Plan have been finalised since the last Committee meeting and the key findings are as follows:

## **Right to buy**

The Right to Buy scheme offers tenants discounts on the purchase of their Council property, based on national scales and requirements. Given the maximum discount available is in excess of £80,000, this has been highlighted as an area increasingly attractive to fraudsters and national bodies recognise this as a key fraud risk for local authorities. During the last twelve months, Corby Borough Council has approved and completed 62 right to buy applications.

In order to prevent fraud and detect fraudulent applications, the Council must exercise robust controls in the handling of these applications. The key controls at Corby Borough Council are exercised as part of the Tenancy Check process whereby confirmation is sought and documented in relation to identity, eligibility, source of funds, property details and tenancy history.

The Council does not currently hold a Right to Buy policy or formal procedure and it is understood that this has been flagged and is due to be addressed as part of the unitary council transition. Despite the lack of formal procedure, a number of key checks are being exercised and the majority were found to be consistently applied in sample testing. Of the sample tested, the correct discount was applied in 100% of cases and tenancy history had been confirmed for all. All cases had been subject to a documented tenancy check and independent property valuation.

The process could be strengthened through applying for credit checks on all applicants – to confirm affordability but also to highlight any potential indicators of fraud, such as links to other properties. The Tenancy Check form could also be improved through stipulating more robust requirements and evidencing, including around identification checks and sources of funds. It was noted that 7% of the sample did not have a record of identification seen upon application or evidence of residency (i.e. utility bill, bank statement).

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

<b>Internal Audit Assurance Opinion</b>	
<b>Control Environment</b>	 <b>Satisfactory</b>
<b>Compliance</b>	 <b>Good</b>
<b>Organisational Impact</b>	 <b>Minor</b>

## **Temporary accommodation**

Local housing authorities in England have a duty to secure accommodation for unintentionally homeless households in priority need under Part 7 of the Housing Act 1996 (as amended). Households might be placed in temporary accommodation pending the completion of enquiries into an application, or they might spend time waiting in temporary accommodation after an application is accepted until suitable secure accommodation becomes available.

A Homelessness and Rough Sleeper Strategy was adopted by the Council in 2020 and was developed in conjunction with other North Northamptonshire local authorities. Ongoing development of policies and procedures is expected to be addressed as part of the unitary council preparations and will enable procedures and priorities to be further documented and agreed going forward. It is recommended that this should include measures for ensuring and assessing safety standards and compliance across external temporary accommodation providers.

The Council’s strategy to increase use of its own housing stock in order to minimise use of nightly paid accommodation is evident from sample testing. The impact of the Covid-19 pandemic and the ‘everyone in’ policy during 2020 means that there would be limited value in comparison of temporary accommodation costs at this time, but it is noted that over 73% of those randomly selected in sample testing had ultimately been placed in Council owned temporary accommodation properties. Action to recover the costs of external temporary accommodation is currently underway and procedures to ensure consistent recharging are to be reviewed.

The eligibility of applicants is assessed using templates which are provided to the Temporary Accommodation Officer. Expenditure on temporary accommodation is approved by the Housing Options Manager and guidance on applying to the Council is available to the public via the website.

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

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

Copies of all Internal Audit reports are available to Members at any time and can be requested via the Head of Internal Audit or the Director of Corporate Services.

**2.6 Are clients progressing audit recommendations with appropriate urgency?**

Since the last committee meeting, 8 agreed actions have been implemented by the Council. This includes 100% of high priority actions.

At the date of reporting, there are 18 agreed management actions which are overdue for implementation, see page 11. Implementation of the actions will continue to be monitored by Internal Audit and reported to each Committee meeting.

**Table 1: Progressing the Annual Internal Audit Plan**

**KEY**

Current status of assignments is shown by 

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org impact	Comments
<b>Key Corporate Policies and Controls</b>												
Main accounting	13	0.5		●								
Debtors	12	2.5			●							
Working time directive compliance	15	10					●					
Money laundering (consultancy)	7	-		●					n/a			
Fleet management	12	11.5					●					
<b>Corporate Governance &amp; Counter Fraud</b>												
Right to buy	10	10					●		Satisfactory ●	Good ●	Minor ●	See section 2.5
Procurement compliance	10	-		●								

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org impact	Comments
<b>Corporate Objective: Promoting healthier, safer and stronger communities</b>												
Temporary accommodation	12	12						●	Satisfactory ●	Good ●	Minor ●	See section 2.5
Leisure maintenance - pool	15	-		●								
<b>Corporate Objective: Regeneration and Economic Growth</b>												
Commercial property rent recovery	12	1.5		●								
<b>Corporate Objective: Inspiring a Future</b>												
Disabled Facilities Grants	10	0.5		●								
<b>Corporate Objective: Delivering Excellence</b>												
Waste management	12	0.5			●							
Housing finance	12	2.5			●							
Management of capital projects	18	-	●									
New build programme and property acquisitions	15	-	●									

Assignment	Budget	Actual	Comments
Unplanned Work			
Advice & Assistance	5	2.7	
Committee Attendance, Training and Annual Report	15	4.5	
Recommendation Follow-Up	3	2	
Client Meetings, External Audit liaison and Audit Planning	12	7	
Management & Development of Internal Audit service	24	10.5	

### 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
<b>Substantial</b> ●	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.
<b>Good</b> ●	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.
<b>Satisfactory</b> ●	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.
<b>Limited</b> ●	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.
<b>No</b> ●	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		Definition
<b>Major</b> ●		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.
<b>Moderate</b> ●		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.
<b>Minor</b> ●		The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

**Table 2: Customer Satisfaction**

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client’s opinion of four key aspects of the assignment. The responses received in the year to date are set out below.

<b>Aspects of Audit Assignments</b>	<b>N/A</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of Assignment	-	1	1	-	-
Communication during Assignments	-	1	1	-	-
Quality of Reporting	-	1	1	-	-
Quality of Recommendations	-	1	1	-	-
<b>Total</b>	-	<b>4</b>	<b>4</b>	-	-

**Table 3: Implementation of Audit Recommendations**

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
<b>Actions due and implemented since last Committee meeting</b>	5	100%	2	17%	1	11%	8	31%
<b>Actions due within last 3 months, but not implemented</b>	-	-	2	17%	-	-	2	8%
<b>Actions due over 3 months ago, but not implemented</b>	-	-	8	66%	8	89%	16	61%
<b>Totals</b>	5	100%	12	100%	9	100%	26	100%

## ***Limitations and Responsibilities***

### ***Limitations inherent to the internal auditor's work***

The Consortium 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 the Consortium are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to the Consortium'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 the Consortium'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. The Consortium 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.