

Internal Audit Progress Report

Audit Committee (November 2023)

Lancaster City Council

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Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

Executive Summary

This report provides an update to the Audit Committee in respect of the progress made in against the Internal Audit Plans for 2022/23 and 2023/24 and brings to your attention matters relevant to your responsibilities as members of the Audit Committee.

This progress report provides a summary of Internal Audit activity and complies with the requirements of the Public Sector Internal Audit Standards.

Comprehensive reports detailing findings, recommendations and agreed actions are provided to the organisation, and are available to Committee Members on request. In addition a consolidated follow up position is reported on a periodic basis to the Audit Committee.

This progress report covers the period July 2023 to November 2023.

3 Executive Summary

Since the last meeting of the Audit Committee, there has been the focus on the following areas:

Audit Reviews

The following reviews have been finalised:

- Key Financial Controls (Moderate Assurance)
- CCTV Compliance (Limited Assurance)
- Recruitment (Moderate Assurance)
- Efficiency Savings (Substantial Assurance)

Refer to Appendix C for details of Key Areas and Actions to be Delivered

The reviews below are currently in progress:

- Contracts Review (draft report)
- IKEN Management System (draft report)
- Climate Change (fieldwork)

- Payroll inc additional payments (fieldwork)
- Mobile Device Management Solution (planning)
- National Non Domestic Rates (NNDR) (planning)

Follow Ups

A summary of the current status of all follow-up activity is included in Appendix D, however, we would draw the committee's attention to the following:
We have received limited responses to action progression and have escalated to the Chief Officer Resources (s151).

Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.

The current proposals to amend the approved audit plan are as follows:

- The Changing Places Grant Award required assurance from Internal Audit; therefore, we have used time from the Contingency budget to complete this work.
- To move the Financial Controls Review to quarter 4, as the Finance Team are busy with budgets.
- To replace the Air Quality Duty Review with a National Non Domestic Rates (NNDR) Review. Improvement work is currently ongoing with Lancashire County Council on Air Quality and therefore we propose to postpone this review until the 2024/25 Internal Audit Plan. The NNDR review is required as part of the Shared Service Agreement with Preston City Council.
- MIAA specialist Solutions Team to use the Internal Audit time assigned to the Eden Project, to provide advisory services on Governance and other key risk areas.

Added Value

Briefings

Our latest briefings/blogs are:

- [23/24 MIAA Checklist Series - Risk Management \(Local Authorities\)](#)






Events

- [Leveraging opportunities within Integrated Care Systems \(17th November 2023\)](#)

Appendix A: Contract Performance

The Public Sector Internal Audit Standards (PSIAS) state that ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.’




Below sets out the position regarding the outstanding 2022/23 Internal Audit reviews. Please note, reviews which were not included in the 2022/23 Head of Internal Audit Opinion*, will be included in the opinion for 2023/24.

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
2022/23 Reviews				
CCTV Compliance		Completed	Limited	November 2023
Key Financial Controls		Completed	Moderate	November 2023
Recruitment		Completed	Moderate	November 2023
Contract Management*		Draft Report		
Climate Change*		In progress		

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2023/24

2022/23 Reviews

Core/Mandated Assurances

Risk Management		Qtr 4		
Key Financial Controls		Qtr 4		
NNDR (was Air Quality Duty Review)		Planning		
Risk Based Reviews				
Eden Project Governance	Internal Audit time to be used by MIAA Solutions Team to provide advisory services on Governance and other key risk areas.			
Eden Funding Claims				
Efficiency Savings		Completed	Substantial	November 2023
Corporate Health & Safety		Review scheduled for December 2023		
Iken Case Management System		Draft Report		
Housing Inspections		Qtr 4		
Payroll (inc. Additional Payments)		Fieldwork		
Mobile Device Management Solution		Planning		
Follow Up				

Quarter 1		Completed	N/A	
Quarter 2		Completed	N/A	
Quarter 3				
Quarter 4				
Added Value / Support & Guidance				
Changing Places Grant Award Assurance	N/A	Completed	N/A	
Management				
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement		Ongoing	N/A	
Planning and Management		Ongoing	N/A	
Reporting and Meetings		Ongoing	N/A	
Contingency		Ongoing	N/A	

If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

Appendix B: Performance Indicators

The primary measure of your internal auditor’s performance is the outputs deriving from work undertaken. The following provides performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Reporting Regularity	Status	Summary
Delivery of the Head of Internal Audit Opinion (Progress against Plan)	Each Audit Committee	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Ongoing	Green	Link to questionnaire included within each audit report.
Qualified Staff	Annual	Green	MIAA have a highly qualified and diverse workforce which includes 75% qualified staff. The Senior Team delivering the Internal Audit Service to the Council are CCAB/IIA qualified.
Quality	Annual	Green	MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA, provides assurance of MIAA’s compliance with the Public Sector Internal Audit Standards. MIAA conforms with the Public Sector Internal Audit Code of Ethics.

Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Key Financial Controls			
Executive Sponsor	Chief Officer Resources (s151)			
Objective	The overall objective of the review was to provide assurance that the most significant key controls in the areas detailed in the scope below are appropriately designed and operating effectively in practice.			
Recommendations	0 x Critical	1 x High	5 x Medium	4 x Low
Summary	<p>Overall controls were in place for the Key Financial systems although they were not always operating effectively and improvements are required especially for the management of aged debts.</p> <p>The budget figures reported throughout the year to the Cabinet were accurate and reflected the in-year changes agreed.</p> <p>The Council uses the financial ledger system “Civica”. User access to the system includes financial authorisation limits; the review found it would benefit from a full review of user validity and suitability. Instances of potential access inaccuracies were noted in testing, including two generic user accounts identified.</p> <p>There was segregation of duties between the preparation and review of control account reconciliations. However, there is no enforced segregation of the input and authorisation of journals, with some journals being processed and approved by the same officer, which could result in inaccuracies in the financial accounts.</p> <p>The Council’s preferred method of recording expenditure commitments is by way of a Purchase Order, although there are occasions when payment requests are used for payment of invoices. However, testing identified some invoices paid through this method had no supporting documentation held on the system.</p> <p>Aged debt reports were produced on a monthly basis and issued to each service who are responsible for the managing the debts. The Councils Debt Collection and Management Guidance, requires monthly</p>			

	meetings to be held between the relevant services and the Exchequer to discuss the debts and actions being taken where required, but these meetings are not occurring. Additionally, the aged debt figure should be reported twice a year to Cabinet, but no evidence of this could be found.
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Report Title	Critical Application Review - CCTV			
Executive Sponsor	Chief Officer - Governance			
Objective	The objective of the review was to provide an assessment of the effectiveness of the control framework being exercised by management over the systems, data flows and associated external processes, with reference to guidelines and good practice as provided by the and Information Commissioners Office (ICO), the Surveillance Camera Code of Practice (amended March 2022) issued by the Secretary of State under Sections 29 to 31 of the PoFA 2012 and highlight areas of improvement, where appropriate.			
Recommendations	0 x Critical	4 x High	0 x Medium	0 x Low
Summary	Overall, the review identified there were weaknesses in the design and/or inconsistent controls, with opportunities identified to strengthen controls in a number of key areas including delivery of services underpinned by contractual arrangements for the satellite CCTV systems, disaster recovery, security around CCTV infrastructure specifically vulnerability management (patching), management of users and user access/permissions and information governance training for Senior Risk Owners (SRO). It should be noted that the majority of these issues related to the satellite CCTV systems which represent only a small proportion of the council's CCTV provision overall. However, there was limited information available for these satellite systems and therefore, it was difficult to provide assurance around the control framework for these satellite systems. The main CCTV provision of cameras was underpinned under a contractual agreement which included some of the expected security requirements, but there were some omissions.			

Report Title	Recruitment			
Executive Sponsor	Chief Officer – People and Policy			
Objective	The objective of the review was to provide assurance on the systems and controls that the Council has in place for recruitment are appropriate and in line with policy and national standards.			
Recommendations	0 x Critical	1 x High	1 x Medium	3 x Low
Summary	<p>Overall, the review identified that there were adequate systems of internal control in place, with areas for improvement identified to enhance the control environment.</p> <p>The Council has a Recruitment and Selection Policy and guidance documents in place which are available to staff through the intranet. However, within the policy it states it needs to be reviewed 2 years after implementation and it was not clear when the Policy was implemented or approved by. Recruitment related training is not formally provided, and reliance is placed upon staff following the existing guidance documents and through any on the job training that may be received.</p> <p>Recruitment records are maintained electronically within shared drives which have restricted access to members of the Human Resources function.</p> <p>We sampled 25 new starters to test the recruitment process including shortlisting and interviews, which identified instances of inconsistent compliance with required processes and the policy.</p> <p>Our testing also identified areas of improvement with regards to the retention of signed contracts of employment.</p> <p>We also tested the pre-employment checks where we found good practice in all areas.</p>			

Report Title	Efficiency Savings			
Executive Sponsor	Chief Officer Resources (s151)			
Objective	The overall objective of the audit was to review the systems and processes in place for identifying, quality assessing, monitoring, and reporting of savings required to support the delivery of the Councils planned cost savings.			
Recommendations	0 x Critical	0 x High	3 x Medium	1 x Low
Summary	<p>Overall, the review identified that there is a good system of internal control, and the controls are generally being applied. However, the evidencing of the approval of saving schemes and the completion of documentation could be improved.</p> <p>The Council has identified £2,423k of savings for the financial year 2023/24. These are clearly outlined in a table that was approved by the Council on 22 February 2023.</p> <p>The Council have introduced an Outcome Based Resourcing, (OBR) process with comprehensive cost saving template forms, requiring detailed assessments including consideration of differing options available along with the impact on services and Council priorities. Each scheme requires an allocated responsible lead for implementation and completion. OBR sessions were held with all Heads of Service and Senior Managers to communicate the new process.</p> <p>We were informed that savings proposals were discussed at length by Heads of Service and Cabinet members in a series of meetings, and we evidenced that a timetable of key deadlines had been developed and documented. However, there was no evidence of written approval for each of the schemes, furthermore no lead Managers or Executives had signed the individual scheme forms to accept and approve the schemes.</p> <p>Review of OBR schemes found that single budget items did not have completed OBR forms in place. Management advised no form was required in these circumstances.</p>			

	<p>Monitoring processes and reporting of the schemes was in place, which is undertaken via a monthly group, with further reporting received at the Budgetary and Performance panel and the Cabinet. There were gaps in the updates received from the departments for quarter 1.</p>
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Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at November 2023.

Previous Lancaster City Council Audit Team Recommendations from Limited Reports. No risk ratings were assigned to recommendations.

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				COMMENTS
			✓/S	P	X	Not due	
Insurance (2019/20)	11	Limited	7	4	-	-	Awaiting update on remaining recommendations.
Debt Legal Recovery Services (2021/22)	5	Limited	3	2	-	-	Awaiting update on remaining recommendations.
TOTALS	16		10	6	-	-	

MIAA Internal Audit Recommendations

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
2021/22											
Main Accounting System	4	Substantial	1	3	-	-	-	-	-	3	Superseded by 2022/23 Key Financial Controls Review.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Treasury Management	5	Substantial	4	1	-	-	-	-	-	1	One outstanding recommendation in progress.
Council Tax	8	Moderate	3	4	1	-	-	1	4	-	One recommendation overdue. All other recommendations in progress or completed.
P2P System	4	Limited	1	1	2	-	-	2	1	-	Two remaining recommendations overdue and one in progress.
Conflicts of Interest	9	Substantial	5	2	2	-	-	-	1	3	Update provided with 2 recommendations in progress and 2 recommendations overdue.
Efficiency Delivery	5	Moderate	-	-	-	5	-	1	3	1	Superseded by 2023/24 Efficiency Delivery
Property Investment Strategy	2	Substantial	1	-	-	1	-	-	1	-	Remaining recommendation not due.
Collection of Income and Reconciliations	4	Limited	2	-	-	2	-	2	-	-	Remaining recommendations not yet due.
2022/23											
Budgetary Controls	3	Substantial	-	-	3	-	-	-	1	2	Three recommendations overdue.
Externally Managed Events	7	Substantial	1	-	2	4	-	-	1	5	Two recommendations overdue and 4 recommendations not yet due.
Cyber Security	Confidential										

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Data Protection: Policy and Process Follow up			Confidential								
Resilience and Emergency Preparedness	7	Limited	1	-	6	-	-	2	3	1	6 recommendations overdue.
Time Recording Systems	7	Moderate	-	-	3	4	-	1	3	3	3 recommendations overdue with 4 recommendations not due.
Risk Management	5	Moderate	1	3	-	1	-	-	1	-	Recommendations complete or in progress.
Project Management	10	Moderate	-	-	-	10	-	1	8	1	Recommendations not yet due.
Financial Controls	10	Moderate	-	-	-	10	-	1	5	4	Recommendations not yet due.
CCTV	4	Limited	-	-	-	4	-	4	-	-	Recommendations not yet due.
Recruitment	5	Moderate	-	-	-	5	-	1	1	3	Recommendations not yet due.
2023/24											
Efficiency Savings	4	Substantial	-	-	-	4	-	-	3	1	Recommendations not yet due.
TOTALS	103		20	14	19	50	-	16	36	28	

Key to recommendations:

✓/S Implemented or Superseded

C Critical priority recommendation

L Low priority recommendation

P Partially implemented/recommendation in progress
X Recommendation not implemented/awaiting update

H High priority recommendation
M Medium priority recommendation

Appendix E: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.

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