

Internal Audit Progress Report Audit Committee (March 2024)

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 December 2023 to March 2024.

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:

- IKEN Management System (Moderate Assurance)
- Contract Management Review (Limited Assurance)
- Defra Food Waste Management Capital Grant

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

The reviews below are currently in progress:

- Mobile Device Management Solution (draft report)
- National Non Domestic Rates (NNDR) (draft report)
- Climate Change (fieldwork)
- Payroll inc additional payments (fieldwork)

- Risk Management (fieldwork)
- Budget Management (planning)
- Reactive Maintenance (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: There has been good progress with the implementation of recommendations since the previous Audit Committee in November 2023. 30 recommendations have been completed with 61 actions either in progress or are not yet due.

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:

- To defer the Corporate Health & Safety Review until Q1/2 2024, due to improvements being made and the recruitment of a new Health & Safety Officer.
- To perform a Budgetary Management Review using the time assigned to Key Financial Systems, as this will be more beneficial to the Council.
- To replace the Housing Inspections Review with a Reactive Maintenance Review, as legal obligations are changing with regard to landlords.

Added Value

Briefings

Our latest briefings/events are:






Events

- [Coaching & Mentoring: Say Less, Ask More! \(14th March 2024\)](#): In this session, designed from a middle-manager perspective rather than leadership perspective, will help you use coaching questions in your day-to-day conversations with colleagues to enable them to take responsibility for their own work and help to embed a positive culture in the workplace.

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*		Completed	Limited	March 2024
Climate Change*		In progress		

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

2023/24 Reviews

Core/Mandated Assurances

Risk Management		In progress		
Key Financial Controls (Budget Management)		Planning		
NNDR		Draft Report		
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 deferred to Q1/2 2024		
Iken Case Management System		Completed	Moderate	March 2023
Reactive Maintenance (was Housing Inspections)		Planning		
Payroll (inc. Additional Payments)		Fieldwork		
Mobile Device Management Solution		Draft Report		
Follow Up				

Quarter 1		Completed	N/A	
Quarter 2		Completed	N/A	
Quarter 3		Completed	N/A	
Quarter 4		Completed	N/A	
Added Value / Support & Guidance				
Changing Places Grant Award Assurance	N/A	Completed	N/A	
Food Waste Capital Grant Award	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	IKEN System			
Executive Sponsor	Chief Officer Governance			
Objective	The overall objective of the review was to assess the design and operation of the processes and controls in place for the IKEN system.			
Recommendations	0 x Critical	1 x High	3 x Medium	2 x Low
Summary	<p>Overall, there were controls in place; however, they require improvement in monitoring and managing the information held on the IKEN system to ensure it is being used effectively.</p> <p>At the time of the review the IKEN system had a large number of open matters across users. It was noted that two of these users were not current employees but could not be deleted from the system as the information and documents attributed to their usernames would also be deleted.</p> <p>Despite the contract with IKEN Business Ltd containing clear Support Service specification, performance management is not monitored by either party. Service support requests (tickets) and the responses do not have a clear date visible as to when they are resolved, but use a system, of weeks and months in the narrative, making the identification of when tickets are resolved difficult to identify.</p> <p>The authorisation of user access to IKEN is not evidenced and retained.</p> <p>Training has been provided to all users either by IKEN Business Ltd, or by video tutorials or in person training by an experienced IKEN user at the Council.</p> <p>IKEN is not always kept up to date with the information and documentation relating to each case.</p> <p>Monthly Legal and Information Governance Managers meetings are not always minuted or have actions and tasks recorded.</p>			

Report Title	Contracts Review			
Executive Sponsor	Chief Officer Governance			
Objective	The overall objective of the review was to assess the design and operation of processes and controls in place for the management of contracts.			
Recommendations	0 x Critical	3 x High	6 x Medium	2 x Low
Summary	<p>The review found that whilst procedures/rules were in place, although they were not generally operating effectively. Improvements are required to strengthen the control environment including central oversight of the contracts site and input from both the Procurement and Legal departments, along with training being provided to those dealing with contracts.</p> <p>The Council had documented the procurement approval thresholds for officers in the Councils Constitution which was updated in June 2023. In addition, there were Contract Procedures Rules (CPR) in place, which were last updated in November 2020. There was no guidance or training provided to those officers with contract responsibilities on the content or implementation of the CPR.</p> <p>The Council recorded contracts on online public sector contracts register referred to as “the Chest” which allows companies to bid for tenders and offer quotations for work. However, there was no central ownership or oversight of the register at the Council. Audit review of the information held on the site identified some issues with the accurate recording of the contracts in place.</p> <p>From a sample of contracts reviewed all had designated budget holders and Responsible Spending Officers (RSO) and were authorised in accordance with the approval thresholds.</p> <p>Procurement and Legal Teams were not engaged in the contract due diligence process unless specifically requested to do so. Additionally, the requirement for contracts to be retained by the Legal department was not being followed.</p> <p>The Council were in the process of moving Procurement responsibilities into the Legal department to improve systems and processes. It is anticipated that many of the areas covered in the report will cross over into the Planning and Procurement Solicitor role, and the Property and Contracts Solicitor role and as such this should address the points raised.</p>			

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at March 2024.

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	11	-	-	-	All recommendations completed or superseded.
Debt Legal Recovery Services (2021/22)	5	Limited	5	-	-	-	All recommendations completed or superseded.
TOTALS	16		16	-	-	-	

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											

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	5	-	-	-	-	-	-	1	All recommendations complete.
Council Tax	8	Moderate	5	3	-	-	-	-	3	-	All 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	4	-	-	-	-	-	4	All remaining recommendations in progress.
Property Investment Strategy	2	Substantial	2	-	-	-	-	-	-	-	All recommendations completed.
Collection of Income and Reconciliations	4	Limited	2	2	-	-	-	2	-	-	All remaining recommendations in progress.
2022/23											
Budgetary Controls	3	Substantial	-	3	-	-	-	-	1	2	All remaining recommendations in progress.
Externally Managed Events	7	Substantial	1	-	6	-	-	-	1	5	Remaining recommendations overdue.
Cyber Security	Confidential										
Data Protection: Policy and Process Follow up	Confidential										

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Resilience and Emergency Preparedness	7	Limited	1	6	-	-	-	2	3	1	All remaining recommendations in progress.
Time Recording Systems	7	Moderate	2	5	-	-	-	1	2	2	All remaining recommendations in progress.
Risk Management	5	Moderate	5	-	-	-	-	-	-	-	Recommendations superseded with 2023/24 Risk Review currently in progress.
Project Management	10	Moderate	8	2	-	-	-	-	2	-	All remaining recommendations in progress.
Financial Controls	10	Moderate	4	-	-	6	-	1	4	1	Remaining recommendations not yet due.
CCTV	4	Limited	-	4	-	-	-	4	-	-	All recommendations are in progress with revised completion date of June 2024.
Recruitment	5	Moderate	-	-	-	5	-	1	1	3	Recommendations not yet due.
Contracts	11	Limited	-	1	-	10	-	3	6	2	Recommendations in progress or not yet due.
2023/24											
Efficiency Savings	4	Substantial	-	4	-	-	-	-	3	1	Recommendations in progress.
IKEN Review	6	Moderate	1	5	-	-	-	1	2	2	All remaining recommendations in progress.
TOTALS	111		42	40	8	21	-	17	29	23	

Key to recommendations:

✓/S	Implemented or Superseded	C	Critical priority recommendation	L	Low priority recommendation
P	Partially implemented/recommendation in progress	H	High priority recommendation		
X	Recommendation not implemented/awaiting update	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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