

Internal Audit Progress Report Audit Committee (May 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 March 2024 to May 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:

- Risk Management (Substantial Assurance)
- Payroll including Additional Payments (Limited Assurance)
- Mobile Device Management Solution (Confidential verbal update to be provided)
- Audit Committee Effectiveness Briefing Note

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

The reviews below are currently in progress:

- National Non Domestic Rates (NNDR) (draft report)
- Climate Change (draft report)

- Budget Management (draft report)
- Reactive Maintenance (fieldwork)

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 progress with the implementation of recommendations since the previous Audit Committee in March 2024. 13 recommendations have been completed with 56 actions either in progress or are not yet due. There are 11 actions which are overdue and we are awaiting updates.

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 proposal to amend the approved 2024/25 audit plan, as a result of an emerging risk is as follows:

- Q4 Community Engagement Review to be replaced with a Q1 Procurement Card Review. The Community Engagement Review will be included in the 2025/26 audit plan.

Public Sector Internal Audit Standards

In January the Institute of Internal Auditors issued revised Global Internal Audit Standards (GIAS).

The Relevant Internal Audit Standard Setters (RIASS) for the UK Public Sector have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have asked the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.

The implementation date for the new standards in the UK public sector will be 1st April 2025. Until then, the existing Public Sector Internal Audit Standards will continue to apply.

When the IASAB issues material for application in the UK public sector MIAA will review this and amend our processes if required to continue to ensure full compliance with standards.

The latest updates from the IASAB can be accessed via the following link: <https://www.iasab.org/latest-news>

Added Value

Briefings

Our latest briefings/blogs are:

- [24/25 MIAA Insight - Council Audit Committee Work Plans](#)



Events

- [The Roots of the Nation's Poor Health & Widening Health Inequalities \(23rd May 2024\)](#): This session will address the wider social and economic factors that contribute to poor public health. It will demonstrate how current public health challenges such as health inequity, obesity, physical inactivity and poor mental health are the result of structural factors and will offer illustrative examples of how politics and economics can influence population health – for better and worse.
- [AI and the Public Sector: Use Cases and Guidance \(26th June 2024\)](#): The world of artificial intelligence (AI) is evolving at pace, sparking both excitement and apprehension within the public sector. It has the potential to make a significant difference to health and social care. Through its ability to analyse large quantities of complex information, AI presents opportunities to improve care and productivity in health and care settings. We're already seeing some great applications of AI, but more needs to be done to fully harness the benefits of these technologies so they can be used safely and ethically at scale.
- [Creating a Restorative, Just and Learning Culture \(19th July 2024\)](#): This session will help you understand how your teams/services/organisations can create cultures that foster learning when things don't go as expected. People will leave with an understanding of a just and learning culture alongside insights around implementation in their own organisations.




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				
Contract Management*		Completed	Limited	March 2024
Climate Change*		Draft Report	Substantial	

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		Completed	Substantial	May 2024
Budget Management		Draft Report	Substantial	
NNDR		Draft Report	Substantial	

Risk Based Reviews				
Eden Project Governance	Completed by MIAA Solutions (Consultancy) Team.			
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 2024
Reactive Maintenance (was Housing Inspections)		Fieldwork		
Payroll (inc. Additional Payments)		Completed	Limited	May 2024
Mobile Device Management Solution		Completed	Confidential	May 2024
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	
Audit Committee Effectiveness – Briefing Note	N/A	Completed	N/A	
Management				
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement		Completed	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	Risk Management			
Executive Sponsor	Chief Officer People and Policy			
Objective	The overall objective of the review was to provide assurance on the design and operating effectiveness of the Council’s risk management processes.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	1 x Medium	5 x Low
Summary	<p>Overall, it was found that there is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are generally being applied in areas reviewed.</p> <p>A risk appetite statement was approved by the Cabinet in December 2023 and is available on the intranet. The 2024 Risk Management Policy has recently been updated and approved by the Audit Committee. This Policy sets out the Risk Management process and is supported by training videos and support documentation on the intranet. However, there is no detailed procedure in the Risk Management Policy detailing how risks would be escalated from the Operational Registers to the Strategic Risk Register.</p> <p>Training on risk management and the GRACE system is monitored and reminders issued to staff to ensure they receive the training.</p> <p>Review of a sample of operational risks against Policy compliance identified some anomalies including three operational risks which had longer review date periods than that prescribed based on their risk rating. For a number of risks the impact score had changed between the initial risk recording and the residual rating inappropriately. Control measures and action plans were not recorded for a couple of risks. Additionally, there was no report produced and reviewed identifying closed risks to ensure they have not been closed inadvertently.</p>			

	All the recommendations identified in the previous report have been satisfactorily addressed.
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Report Title	Payroll including Additional Payments			
Executive Sponsor	Chief Officer Resources & Chief Officer People and Policy			
Objective	The overall objective of the review was to provide an assessment of the effectiveness of the systems of control operating at the Council to ensure that only employees of the Council are paid, and only for work that they perform on behalf of the Council.			
Assurance Rating	Limited			
Recommendations	0 x Critical	1 x High	5 x Medium	0 x Low
Summary	<p>Overall, the audit identified areas for improvement in both control design and operating effectiveness. Areas of good practice included employee bank detail changes, including the correct forms had been filled in and were signed by the employee. The Council had policies and procedures in place outlining the different responsibilities of HR and management but was limited in payroll responsibilities. There were multiple procedures in place to assist management with completing change forms.</p> <p>The main area of enhancement related to amendments to pay, including overtime payments. Review of a sample identified deficiencies including, forms not being appropriately signed, and payroll checks not being completed. There were also differences between forms and employee payments. Sample testing of new starters, contractual changes and terminations identified weaknesses; these included reconciling differences between the forms and system data, Payroll not being informed of changes in a timely manner and forms not being appropriately signed. The honorariums sample identified gaps in sign off and notification delays to Payroll and HR. A further issue noted was there not being a Payroll check to validate any large or exceptional payments on the payment run. Finally, there was no overpayment procedure in place, consequently management were unsure of the correct process to follow, additionally there were instances where overpayments not been referred to debtors for overpayment invoices to be raised for monies to be collected.</p>			

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at May 2024.

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											
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.
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. Awaiting update.
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	2	5	-	-	-	2	2	1	All remaining recommendations in progress.
Time Recording Systems	7	Moderate	3	4	-	-	-	1	1	2	All remaining recommendations in progress.
Project Management	10	Moderate	10	-	-	-	-	-	-	-	All remaining recommendations completed.
Financial Controls	10	Moderate	6	-	3	1	-	1	2	1	All recommendations are in progress with revised completion date of August 2024.
CCTV	4	Limited	-	4	-	-	-	4	-	-	All recommendations are in progress with revised completion date of June 2024.
Recruitment	5	Moderate	4	1	-	-	-	-	-	1	Remaining recommendation in progress.
Contracts	11	Limited	-	10	-	1	-	3	6	2	Recommendations in progress or not yet due with revised completion date of August 2024.
2023/24											
Efficiency Savings	4	Substantial	4	-	-	-	-	-	-	-	All remaining recommendations completed.
IKEN Review	6	Moderate	1	5	-	-	-	1	2	2	All remaining recommendations in progress.
Payroll	6	Limited	-	-	-	6	-	1	5	-	All recommendations not yet due.
Risk Management	6	Substantial	-	-	-	6	-	-	1	5	All recommendations not yet due.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Mobile Device Management			Confidential								
TOTALS	111		44	42	11	14	-	17	25	25	

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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