

AUDIT COMMITTEE

25 November 2020

Internal Audit Monitoring

Report of Internal Audit and Assurance Manager

PURPOSE OF REPORT

To advise Members of the latest monitoring position regarding the 2020/21 Internal Audit plan.

To advise Members of the latest monitoring position regarding the implementation of the Annual Governance Statement (AGS) action plan for 2019/20.

This report is public

RECOMMENDATIONS

- (1) That the latest monitoring position in relation to the 2020/21 audit plan be noted.
- (2) That the last progress in relation to the AGS action plan for 2019/20 also be noted.

1.0 Audit Plan monitoring

- 1.1 The 2020/21 Internal Audit plan was approved by the Audit Committee on 19 February 2020 and then subsequently amended and approved on the 27 August 2020. This report is based on the monitoring position between the periods 22 July (publication of the Internal Audit Annual Report) up to 1 November 2020.
- 1.2 Following a priority piece of work completed during September and October, a number of pieces of audit work from the revised 2021/22 audit plan will not be completed as planned: namely
 - Psychological safety / staff wellbeing; and
 - Property Investment Strategy.
- 1.3 In addition, a piece of work is required to be completed on the council sickness recording system following concerns identified during the HR assurance work. This piece of work will be completed in quarter four.

1.4 **Summary of monitoring position at 1 November 2020**

2018/19 Audit Plan Work rolled forward and completed in 2019/20					
TITLE	STATUS	LEVEL OF ASSURANCE	SUMMARY		
Recovery of Legal Fees and Court Costs	Fieldwork in progress		Testing was started in quarter four, however owing to the Covid-19 pandemic, this piece of work was put on hold due to the auditor being re-deployed to Business Support. This piece of work will be picked up and finalised in December 2020.		
Council Housing Assets	Fieldwork in progress		This piece of work was due to be completed jointly with Lancashire County Council. A start-up meeting took place start, however owing to the Covid-19 pandemic, this piece of work was put on hold due to the auditor being re-deployed to Business Support. Whilst the Principal Auditor has now resumed normal audit work, Lancashire County Council have stated that they will be unable to assist with this work due to limited resources. Therefore, this piece of work will be rolled into the 2021/22 audit plan.		
VAT	Final Report Issued November 2020	Substantial ✓			
2019/20 Audit Plan completed during 2020/21					
Project Assurance Work					
Procure to Pay (P2P)	Owing to the departure of the Exchequer Services Manager in May 2020 (post now filled) and the Covid-19 pandemic, this project came to a slight halt. However, good progress has since been made, the council now having fully migrated to automated electronic scanning of invoices. The Principal Auditor will continue monitoring the project until the project is completed.				
Payroll – E Budgeting	Unfortunately, the new Payroll / E budgeting module was not ready in time to assist with the 2020/21 budget setting process, therefore no detailed testing could be carried out. However, testing will be carried out in quarter three / four once the system has been used to assist the budget setting cycle for 2021/22.				
Fixed Asset Register	Final Report Issued November 2020	Substantial ✓			
Data Protection – Policy and Process Review	Final Report Issued May 2020	Limited ⚠	A follow-up review will be completed as part of the 2021/22 audit plan.		

Follow-up work completed / due in 2019/20

Procurement and Contract Management	Follow-up Review in Progress		The piece of work was due to be followed up in April 2019 but was delayed awaiting the publication of the national procurement strategy so that the council could refresh its own procurement strategy. This strategy has since been produced and was approved by Cabinet in July 2020 and a new set of Contract Procedure Rules have also been produced which are due to be approved by the Audit Committee November 2020 (see later in this agenda). Once approved both documents will form part of the Procurement re-launch exercise to ensure that they are effectively rolled out and embedded across the council. It is anticipated this follow-up will be completed in December 2020.
Dog Seizure and Kennelling Service	Follow-up Review in Progress		The original report was issued in November 2018 and was given a limited assurance opinion. It was followed up in February 2020 and again, given a limited assurance opinion. A further follow up was due in July 2020 however, owing to the Covid-19 pandemic, this piece of work was put on hold due to the auditor being re-deployed to Business Support. This piece of work is now in the process of being followed up and following initial discussions it is expected to achieve a Substantial assurance opinion. It is anticipated this follow-up will be completed in December 2020.
Insurance	Follow-up Review in Progress		The original report was issued in November 2019 with a limited assurance opinion being given. A subsequent follow-up was completed in July 2020 and again, received a limited assurance opinion. A further follow up was due in September 2020, however owing to significant resources being utilised on another piece of audit work, this follow-up review has yet to be completed. It is anticipated this follow-up will be completed in quarter four.
Payroll	Follow-up Review in Progress		The original report was issued in August 2019 with a limited assurance opinion being given. A subsequent follow-up was due in May 2020, however owing to the Covid-19 pandemic and the retirement of the Exchequer Services Manager (post now filled), this follow-up has been delayed. There are several officers who will be required to assist with this work who were previously re-deployed elsewhere. It is anticipated this piece of work will be completed in quarter four.
Asbestos Management – Council Housing	Follow-up Review in Progress		The original report produced by Fylde Borough Council was issued in May 2019 with a limited assurance opinion being given. A subsequent follow-up was due to be completed in November 2019, however due to another piece of audit work taking priority, this follow-up review was delayed and is still outstanding. A management update has since been provided and following some testing it is hoped that the assurance opinion will be raised to substantial. It is anticipated this follow-up will be completed in quarter four.

2020/21 Audit Plan work

Job Evaluation	This work will commence in quarter four,
Housing Benefits – Lancaster (Housing Benefit cases transferring to UC and the accuracy of calculations)	The Assessment Manager that originally requested this piece of work is happy that this can be removed from the 2020/21 Audit Plan based on the end of year checks they carry out prior to the subsidy claim.
Housing Benefits – Lancaster (assurances surrounding accurate earnings information)	The Assessment Manager that originally requested this piece of work is happy that this piece of work can be rolled to the 2020/21 Audit Plan based on the current checks that are being carried out by the Team.
Housing Benefits e-form - Lancaster	This work will commence in quarter four.
Other Assurance work	During September and October 2020, a piece of assurance work relating to Human Resources was undertaken. A minimal overall assurance opinion was given following a significant number of findings and recommendations being made. A follow-up piece of work will be completed in the new-year to monitor the progress of the recommendations made.
National Fraud Initiative	Data files were uploaded by the Principal Auditor in October 2020. The Corporate Enquiry Team will filter and process the results as normal over the coming months. The exercise in respect of the annual Single Person Discount will commence in December 2020 with the results being released early January 2021. The Corporate Fraud Manager will report on the findings of both exercises in his annual report to the Audit Committee.
Embedding Risk Management	<p>Whilst good progress was made in 2019/20 to strengthen the council's risk management processes across the organisation, work came to a halt in March 2020 when Internal Audit staff were redeployed to work in other areas of the council assisting with the covid-19 pandemic.</p> <p>To date, a Risk Management Policy and Strategy has been approved, risk management software has been procured and implemented to assist with the administration of both strategic and operational risks and a strategic risk register has been populated within the new software, however owing to limited resources, the monitoring of these risks has been limited. An update on the council's strategic risks will be given later in this agenda.</p> <p>Now that both the Internal Audit and Assurance Manager and the Principal Auditor have now returned to their normal work activities, the next steps are to roll out the Risk Management Policy, carry out training across the organisation, shortly followed by the implementation of operational risk registers. It is hoped that work in this area will commence in January 2021.</p>

2.0 Annual Governance Statement (AGS) 2019/20 Action Plan update – November 2020

A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law			
Behaving with integrity			
Weakness Identified	Action Needed	Officer Responsible / Timescale	Update as at November 2020
A1. Numerous procedural gaps within the Code of Conduct have been identified over time.	A1. The ongoing constitutional review (which started on the 31/3/19) will include review of Codes of Conduct, links to values and behaviours, scheme of delegation etc. In addition, an annual constitutional review is required to ensure it remains up to date. Head of Legal/ Monitoring Officer & Deputy Monitoring Officer in process of continuous review. Annual Council on 18 th May 2020 will include changes to schemes of delegation.	A1. Head of Legal/ Monitoring Officer – on-going	LGA has committed to reviewing the current model member code of conduct, as recommended by the Committee on Standards in Public Life's report into Local Government Ethical Standards. The consultation on the draft member code of conduct has now taken place and we await the final draft which will be reviewed by the LGA's Executive Advisory Board before being presented to the next LGA General Assembly which, it is hoped, will be held in the Autumn of 2020. It has been developed in collaboration with the sector and will be offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. Once finalised, the LGA will also offer support, training and

			mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils. It is anticipated that this will move forward in April 2021.
A2. The Equity and Diversity mop-up training session as part of the embedding of the council's values and behaviours framework planned for March 2020 was delayed owing to the Covid-19 pandemic.	A2. A mop up session will be completed once we return to business as usual.	A2. Head of HR – TBC	Due to the absence of the HR Manager this action has not yet been implemented. The estimated date for completion is not known.
A3. Parish Councillors do not receive any training on the Code of Conduct.	A3. The Monitoring Officer is to ensure Parish Councils are offered appropriate training.	A3. Head of Legal/ Monitoring Officer – on-going	See A1. The Council has 35+ parish council's, therefore consideration needs to be given as to how training can be provided on the new Code of Conduct. It is anticipated that this will move forward in April 2021.
A4. An updated register of interests' policy / procedure is not in place for all relevant staff.	A4. Following the identification of politically restricted staff, the Democratic Services Manager will contact each officer asking them to submit a new declaration form, this should include a 'NIL' response.	A4. Democratic Services Manger – August 2020	Completed – except for one officer. A further reminder will be issued.

A6. Training has not been provided on the acceptance of gifts and hospitality and the new thresholds.	A6. A short training clip is to be produced for the intranet.	A6. Democratic Services Manager – December 2020	Not yet implemented. Owing to the on-going pandemic the implementation date has moved to April 2021.
Demonstrating strong commitment to ethical values			
A12. Following the Ethical Governance Survey carried out in 2018 several actions were identified that require attention.	A12. Internal Audit will monitor the implementation of the actions required.	A12. Internal Audit – December 2020	Not yet implemented – Owing to the on-going pandemic the implementation date has moved to April 2021.
A13. Guidance procedures for external funding and accountable bodies are documented within the Financial Regulations however these need to be reviewed.	A13. Guidance procedures for external funding and accountable bodies are documented within the Financial Regulations need to be reviewed to ensure they are fit for purpose and allow the organisation to function accordingly.	A13. Financial Services Manager – January 2021	Not yet implemented – estimated date for completion January 2021
A15. Whilst the Procurement Strategy has been updated to take account of the new values and ethical behaviour, this has yet to be approved and rolled out.	A15. The Procurement Strategy is to be approved by Full Council in July 2020 and it will take some time to roll out and embed across the council.	A15. Procurement Manager – December 2020	A new procurement strategy and action plan 2020 - 2024 was agreed by Cabinet in July 2020 and a revised set of Contract Procedural Rules have been drafted and are awaiting Audit Committee approval (November 2020)TH. Once approved both documents will be rolled out and embedded across the council as part of a Procurement Re-launch exercise.
A17. Whilst a 'values based competency agreement' was agreed by	A17. The newly agreed values based competency agreement	A17. Head of HR – TBC	Due to the absence of the HR Manager this action has not yet been

the Executive Team and approved by Personnel Committee, roll out to line managers has now been put on hold owing to Covid-19 pandemic.	will be rolled out when we return to business as usual.		implemented. The estimated date for completion is not known.
A25. Delays in report clearances are being caused by ICT issues (lack of laptops / Mod.Gov issues) and there are still issues around version control and the need to improve standard report pro-formas.	A25. The availability of laptops, appropriate training and the introduction of electronic clearance of reports on Modgov will improve this.	A25. Democratic Services Manager – on-going	The process for clearing Cabinet Reports has now improved by using the Modern Gov software. Laptops are Over the next 12-18 months the process for clearing reports through Modern Gov. will be rolled out to other committees. The issue with the lack of laptops has now been resolved.

B – Ensuring openness and comprehensive stakeholder engagement			
Openness			
Weakness Identified	Action Needed	Officer Responsible / Timescale	Update as at November 2020
Engaging comprehensively with institutional stakeholders			
B16. No Partnership framework in place setting out any principles to assist officers when entering into partnership working	B16. Financial Regulations needs to include guidance on partnership working principles but these are not to be prescriptive.	B16. Financial Services Manager – January 2021	Not yet implemented – estimated date for completion January 2021
E - Developing the entity's capacity, including the capability of its leadership and the individuals within it			
Developing the entity's capacity			
Weakness Identified	Action Needed	Officer Responsible / Timescale	
E1. There is no workforce plan in place.	E1. Strategic workforce planning needs to be developed, taking	E1. HR Manager – TBC	Due to the absence of the HR Manager this action has not yet been

	into account current and planned measures and be rolled out as part of emergency planning.		implemented. The estimated date for completion is not known.
E4. The last review of Member's allowances was completed by the IRP in December 2018 to come into effect from May 2019. Since the last review 2 panel members have resigned. Therefore, the panel is no longer quorate.	E4. Additional IRP members need to be recruited prior to the next interim review to ensure the panel is quorate.	E4. Democratic Services Manager – November 2020	Following the recruitment and appointment of two new IRP panel members, the panel is now quorate. The Head of Democratic Services is in the process of arranging a first 'remote' meeting to look at the current allowances scheme.
Developing the capacity of the entity's leadership and other individuals			
E8. Internal Audit have been requested to carry out a review of the job evaluation process following completion of the Pay and Grading review.	E8. An Internal Audit review has been included in the 2020/21 Audit plan.	E8. Internal Audit and Assurance Manager – August 2020	Due to other audit work commitments, this piece of work has not yet commenced. It is expected to be completed before 31 March 2021.
E10. Financial Regulations and Financial Procedure Rules are reviewed should be annually reviewed by the Audit Committee but aren't currently.	E10. An annual review of the Financial Regulations will be programmed into the Audit Committee work programme following the completion of the Constitutional review.	E10. Internal Audit and Assurance Manager / Financial Services Manager – 30 September 2020.	Due to other work commitments, this piece of audit work has not been completed. It will be included in the Audit Committee work programme for 2021/22.

3.0 Details of Consultation

3.1 Management Team and Service Managers continue to be consulted in delivering both the audit plan and the Annual Governance Statement action plan.

4.0 Options and Options Analysis (including risk assessment)

4.1 There are no other options available.

5.0 Conclusion

5.1 The programme of audits for the rest of the year continues to be implemented in consultation with Service Managers.

5.2. The Annual Governance Statement action plan will continue to be monitored by Internal Audit and Management Team.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

FINANCIAL IMPLICATIONS

None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

Internal Audit provides independent assurance that the Council's risk management, governance and internal control processes are operating effectively. Unfortunately, the impact of COVID 19 and the redeployment of Council officers, together with the introduction of a significant high priority piece of work has severely impacted on the service's ability to deliver the 2020-21 audit plan. The report notes these issues are not uncommon. Lancashire County Council advised they are unable to assist in delivery of the plan due to limited resources.

Consideration will need to be given to the impact of the lost opportunity or resulting delays in undertaking reviews where risks were identified as part of the audit planning process. This impact should be reflected within the Council's Annual Governance Statement 2020/21.

LEGAL IMPLICATIONS

None directly arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS	Contact Officer: Joanne Billington
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Internal Audit Plan 2019/20

Annual Governance Statement 2018/19

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