

# Internal Audit Progress Report Audit Committee (May 2022)

Lancaster City Council

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## Your Team

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### 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.

### Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

## 1 Introduction

This report provides an update to the Audit Committee in respect of progress made against the Internal Audit Plan for 2021/22 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 April 2022 to May 2022.

## 2 Executive Summary

There has been the focus on the following areas:

2021/22 Audit Reviews	<p><b>Current Progress:</b> MIAA commenced as the Internal Audit provider in November 2021 and as agreed, review delivery will span through to the end of Q1 22/23, resulting in the delivery of the annual opinion.</p> <p>Reviews are progressing in line with the plan and there is good engagement with council officers to ensure completion of reviews in line with the planned timescales.</p> <p><b>Grant Approval:</b> Since the last Audit Committee, MIAA have provided support regarding the DEFRA Air Quality Grant submission. MIAA examined the grant submission and performed reasonableness checks to assess whether there are arrangements in place to comply with the purpose of the grant.</p> <p><b>Meetings:</b> Meetings continue to be held on a regular basis with the Section 151 officer. In addition, an introduction meeting has been held with new Chief Executive.</p> <p><b>Appendix A</b> provides an overview of the delivery of your Head of Internal Audit Opinion for 2021/22.</p> <p><b>Appendix B</b> provides information on Internal Audit performance.</p>
Audit Plan Changes	<p>The Council have previously entered into a Shared Revenues and Benefits Service Agreement under which Preston City Council will be delivering two audits (Non Domestic Rates and Housing Benefits) which had originally included in the MIAA plan for 2021/22. As such MIAA will not be undertaking these audits and the plan fee will be reduced accordingly. The reports from Preston City Council will be</p>

	utilised as third-party assurances when producing our Head of Audit Opinion.
Insights	<p>Collaborative Masterclass Events:</p> <p><b>How can strengths based working lead to healthier and happier communities – 7<sup>th</sup> July 2022</b></p> <p><a href="https://www.miaa.nhs.uk/event/how-can-strengths-based-working-lead-to-healthier-and-happier-communities/">https://www.miaa.nhs.uk/event/how-can-strengths-based-working-lead-to-healthier-and-happier-communities/</a></p> <p>Sharing a ground breaking Neighbourhood Coaching model, the session will invite attendees to solve problems in new and radical ways by reframing the problem as opportunities – building bridges between the community, health, housing and social care.</p>

## 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 overview of delivery for your Head of Internal Audit Opinion for 2021/22:

HOIA Opinion Area	Status	Assurance Level
<b>Risk Management</b>		
Risk Management	WIP	
<b>Risk Based Assurances</b>		
Main Accounting System	WIP	
P2P Systems Assurance	WIP	
Treasury Management	WIP	
Collection of Income & Reconciliations	Planning	
Housing Benefit	To be delivered by Preston City Council	
Property Investment Strategy / Capital Schemes	WIP	
Council Tax	Planning	
NNDR	To be delivered by Preston City Council	
Grants	WIP	
Efficiency Programme Delivery	Planning	
Effectiveness of HR Arrangements	Phased review	
Conflicts of Interest & Gifts and Hospitality	WIP	
Information Governance	Scheduled	
<b>Follow Up</b>		

HOIA Opinion Area	Status	Assurance Level
<ul style="list-style-type: none"> <li>• Procurement &amp; Contract Management</li> <li>• Data Protection</li> <li>• Insurance</li> <li>• Legal Fees, Charges &amp; Debt Recovery</li> </ul>	WIP	
<b>Management</b>		
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement	Ongoing	N/A
Planning and Management		
Reporting and Meetings		
Contingency		

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.
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: 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"> <li>the efficient and effective use of resources</li> <li>the safeguarding of assets</li> <li>the preparation of reliable financial and operational information</li> <li>compliance with laws and regulations.</li> </ul>
High	Control weakness that has or could 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"> <li>has a low impact on the achievement of the key system, function, or process objectives.</li> <li>has exposed the system, function, or process to a key risk, however the likelihood of this risk occurring is low.</li> </ul>
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.