



# Internal Audit Progress Report Audit Committee (May 2023)

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 Plans for 2021/22 and 2022/23 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 of March 2023 to May 2023.

## 2 Executive Summary

There has been the focus on the following areas:

<b>2021/22 Audit Reviews</b>	<p>MIAA were appointed as the internal audit provider in November 2021 and as such, delivery of the 21/22 Internal Audit Plan did not commence until December 2021. There have been ongoing pressures at the council which have impacted on this delivery, as such requests have been received to delay a number of reviews.</p> <p>These reviews will be included in the 2022/23 Head of Internal Audit Opinion.</p> <p>The remaining review for 2021/22 below has been finalised</p> <ul style="list-style-type: none"><li>• <b>HR Assurance Review</b> – Assurance Opinion not provided</li></ul> <p><b>Appendix C</b> provides details of Key Areas and Actions to be delivered.</p>
<b>2022/23 Audit Reviews</b>	<p>Since the previous Audit and Standards Committee, the following reviews have been finalised:</p> <ul style="list-style-type: none"><li>• <b>Council Resilience</b> – Limited Assurance</li><li>• <b>Externally Managed Events</b> – Substantial Assurance</li></ul> <p>The following 2022/23 reviews are progressing or are in draft report stage:</p> <ul style="list-style-type: none"><li>• <b>Data Protection and Policy Follow-up Review</b> (Draft Report)</li><li>• <b>Council Time Recording Systems</b> (Draft Report)</li><li>• <b>CCTV Compliance</b> (Draft Report)</li></ul>

	<ul style="list-style-type: none"> <li>• <b>Risk Management</b> (Draft Report)</li> <li>• <b>Assurance Mapping Exercise</b> (Draft Report)</li> <li>• <b>Project Management</b> (In progress)</li> <li>• <b>Key Financial Controls</b> (In progress)</li> <li>• <b>Contract Management</b> (In progress)</li> <li>• <b>Recruitment</b> (In progress)</li> </ul> <p>The following 2022/23 review is due to start imminently and is being scoped:</p> <ul style="list-style-type: none"> <li>• <b>Climate Change</b></li> </ul> <p><b>Appendix A</b> provides an overview of the delivery of your Head of Internal Audit Opinion for 2022/23.</p> <p><b>Appendix B</b> provides information on Internal Audit performance.</p>
Follow-up	<p>A summary of the status of audit actions was provided at the previous Audit Committee in March. We will continue to follow-up outstanding actions and will provide a further update at the July 2023 meeting.</p>
Audit Plan Changes	<p>Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.</p> <ul style="list-style-type: none"> <li>• There are no current proposals to amend the approved audit plan.</li> </ul>
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. Public Sector Internal Audit Standards (PSIAS) require MIAA to ‘develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.’ This programme must include internal and external assessments.</p> <p>External assessments must be conducted at least once every five years. Our last external assessment was completed in 2020 and concluded MIAA fully complies with PSIAS (as previously reported to Audit Committee).</p> <p>We also undertake regular internal assessments to ensure our ongoing compliance with requirements. We have recently completed our annual self-assessment of compliance with PSIAS and can confirm full compliance with PSIAS.</p>

Cyber Essentials	<p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security in order to protect not only our information and systems but to protect the data we collect and create through our audit and advisory activities with clients.</p> <p>We have consistently submitted a compliant NHS Data Security and Protection Toolkit return and have, for several years, been certified to the national Cyber Essentials standard.</p> <p>This October, however, we enhanced this further becoming one of only circa 20 NHS organisations certified to the more exacting Cyber Essentials Plus standard. Certification to this standard required rigorous independent testing of our cyber security controls across our devices. That we have achieved this certification is a demonstration not only of the security of our devices but also a validation of the proactive monitoring and maintenance that we have in place to protect data and systems from malicious threats.</p>
Insights	<p><a href="#">Collaborative Masterclass Events</a></p> <ul style="list-style-type: none"><li>• <a href="#">MIAA Audit Committee Members Event - MIAA</a> (21<sup>st</sup> June 2023)</li></ul>

## 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 2021/22 Internal Audit reviews. Please note, reviews which were not included in the 2021/22 Head of Internal Audit Opinion\*, will be included in the opinion for 2022/23

HOIA Opinion Area	Status	Assurance Level
<b>2021/22 Reviews</b>		
Collection of Income & Reconciliations*	Completed	Limited Assurance
Property Investment Strategy / Capital Schemes*	Completed	Substantial Assurance
Council Tax*	Completed	Moderate Assurance
Efficiency Programme Delivery *	Completed	Moderate Assurance
Effectiveness of HR Arrangements*	Completed	Not applicable

Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2022/23.

<b>2022/23 Reviews</b>		
HOIA Opinion Area	Status	Assurance Level
<b>Risk Management</b>		
Risk Management	Draft report	
<b>Risk Based Reviews</b>		
Key Financial Controls	In progress	
Budgeting	Completed	Substantial
Project Management	In progress	
Assurance Mapping	Draft report	
Climate Change/Carbon Neutral Work	Planning	

Recruitment	In progress	
Council Resilience/Emergency Preparedness	Completed	Limited
Contract Management	In progress	
Time Recording Systems	Draft report	
CCTV Compliance	Draft report	
Externally Managed Events	Completed	Substantial
Data Protection and Policy Follow-up	Draft report	
IT Resilience/Cyber	Completed	Confidential

### Follow Up

Quarter 2	Completed	N/A
Quarter 4	Completed	N/A

### Management

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	<p>There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.</p> <p>MIAA were appointed as the internal audit provider in November 2021 and as such, delivery of the 21/22 Internal Audit Plan did not commence until December 2021. It was agreed that delivery relating to 21/22 would continue into 22/23. In addition, there have been ongoing pressures at the council which have impacted on this delivery.</p> <p>These reviews will be included in the 2022/23 HoIAO.</p>
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: Key Areas from our Work and Actions to be Delivered

<b>Report Title</b>	<b>Effectiveness of HR arrangements</b>
<b>Executive Sponsor</b>	Chief Officer – Policy and People
<b>Objective</b>	To assess the progress in relation to the recommendations made within the 2020 HR Assurance report.
<b>Assurance Level</b>	Not applicable
<b>Summary</b>	<p>Since the publication of the HR Assurance Review in 2020, good progress has been made in the completion of the action plan.</p> <p>The HR Assurance review contained a total of 35 recommendations to be implemented, we have confirmed that all of these actions were transferred into the Council action plan. The Council plan contained an action for each recommendation along with a responsible officer, except for those which were no longer applicable.</p> <p>A summary of the status from our review of the 35 recommendations is as follows:</p> <ul style="list-style-type: none"> <li>• Nine actions are no longer applicable.</li> <li>• Five actions marked as complete by the Council have been assessed by MIAA as in progress and require further work, including the roll out of E-learning, and the update of the Electronic Signature Policy.</li> <li>• Four actions require the review and update of HR Policies. This is in progress.</li> <li>• One action requires an Internal Audit Review which is included in the 2023/24 Internal Audit Plan.</li> <li>• We have verified that the remaining 16 actions have been completed, although one action could be further enhanced with clarity on decisions and actions taken at Leadership Team meetings.</li> </ul> <p>We completed our review through discussions with staff and management, walkthrough of new processes and review of updated template documents.</p>

<b>Report Title</b>	<b>Council Resilience</b>			
<b>Executive Sponsor</b>	Chief Officer – Policy and People			
<b>Objective</b>	To evaluate the design and operating effectiveness of the arrangements that the Council has in place to ensure it as an organisation is prepared for emergencies are robust and tests emergency plans in place and that any lessons learnt had been identified and implemented			
<b>Assurance Level</b>	Limited			
<b>Recommendations</b>	0 X Critical	3 x High	3 x Medium	1 x Low
<b>Summary</b>	<p>Overall, the review identified that controls were in the process of being designed and established and as such need to be built upon and embedded across the organisation to ensure future operating effectiveness.</p> <p>The service resilience and emergency planning processes within the council are currently in development and this review was reflective of the progress made and outlined improvements that should be included in the ongoing work.</p> <p>The council are currently drafting a Corporate Resilience Plan and have also developed a service resilience plan template for all services to populate. At the time of our review some services still needed to fully complete their resilience plans. Once plans are completed, they will need to be tested with lessons learned actioned.</p> <p>The council is currently establishing a Resilience and Recovery Group providing oversight and accountability to the whole process.</p>			
<b>Key Risks Highlighted with No Agreed Action</b>	N/A			

<b>Report Title</b>	<b>Externally Managed Events</b>			
<b>Executive Sponsor</b>	Chief Officer – Environment & Place			

Objective	To evaluate the design and operating effectiveness of the arrangements that the Council had in place for events managed by third parties on Council property and land.			
Assurance Level	Substantial			
Recommendations	0 X Critical	0 x High	1 x Medium	6 x Low
Summary	<p>The review highlighted that whilst there was generally a good system of control, there were some weaknesses in relation to externally managed events, and as such we have noted some areas for further enhancement.</p> <p>Areas for improvement include operational procedures to be put in place set out the process to be followed by Council Officers for event applications received, the name of the Council Officer and the date of booking form appraisals and risk assessment reviews to be noted on forms, and the Councils website to be updated to include the booking form template and guidance notes relating to events held in Parks, Open Spaces and on the Promenade.</p> <p>The Council is an active member of the multi-agency Lancaster District Event Safety Advisory Group (ESAG), which provides organisers with safety advice and where large events are appraised. The posts of Chair and Secretary of ESAG are both held by representatives of Lancaster City Council.</p>			
Key Risks Highlighted with No Agreed Action	N/A			

## Appendix D: Follow-up of previous internal audit recommendations

The status of the actions is as at March 2023 a further update will be provided in July 2023.

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
<b>Previous Audit Team Reviews</b>										
Debt Legal Recovery Services (2021/22)	5	Limited	3	2	-	-	-	-	-	-
Insurance (2019/20)	11	Limited	7	4	-	-	-	-	-	-
Procurement & Contract Management (2018/19)	18	Limited	6	3	9	-	-	-	-	-
GDPR	Being followed up as a separate review which is at draft report stage									
HR Assurance	Followed up as a separate review included in this report.									
<b>MIAA Audit Reviews</b>										
Main Accounting System (2021/22)	4	Substantial	1	1	-	2	-	-	-	3
Treasury Management (2021/22)	5	Substantial	2	-	-	3	-	-	1	2
Business Support Grants (2021/22)	4	Substantial	1	-	-	3	-	-	1	2
Council Tax (2021/22)	8	Moderate	3	-	-	5	-	1	4	-
P2P System (2021/22)	4	Limited	-	1	-	3	-	2	2	-
Conflicts of Interest (2021/22)	9	Substantial	4	-	-	5	-	-	1	4
Risk Management (2021/22)	5	No Assurance	5	-	-	-	-	-	-	-
Efficiency Delivery (2021/22)	5	Moderate	-	-	-	5	-	1	3	1

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS			
			✓/S	P	X	Not due	C	H	M	L
Property Investment Strategy (2021/22)	2	Substantial	-	-	-	2	-	-	1	1
Collection of Income and Reconciliations (2021/22)	4	Limited	1	-	-	3	-	2	-	1
Budgetary Controls (2022/23)	3	Substantial	-	-	-	3	-	-	1	2
<b>TOTALS</b>	<b>87</b>		<b>33</b>	<b>11</b>	<b>9</b>	<b>34</b>	<b>-</b>	<b>6</b>	<b>14</b>	<b>16</b>

Key to recommendations:

- ✓/S Implemented or Superseded
- P Partially implemented/recommendation in progress
- X Recommendation not implemented
- ND Not due for follow up
- C Critical priority recommendation
- H High priority recommendation
- M Medium priority recommendation
- L Low priority recommendation

**Debt Recovery** – Key actions outstanding are regarding exploring the reporting functions of the systems in use.

**Insurance** – Key actions are around improvements to be made to the claims spreadsheet. These are all in progress.

**Procurement & Contract Management** – We will include the points outstanding from this review in our Contract Management Review.

**Risk Management** – This review has been superseded with the 2022/23 Risk Management Review, where the actions will be followed up.

## 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"> <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.