

Internal Audit Annual Report & Head of Internal Audit Opinion 2023/24

Lancaster City Council

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1 Executive Summary

We are pleased to have provided your internal audit services for 2023/24. The highlights of the delivery of our services are summarised in this report.

This annual report provides your 2023/24 Head of Internal Audit Opinion, together with the planned internal audit coverage and outputs during 2023/24 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	<p>The overall opinion for the period 1st April 2023 to 31st March 2024 provides Moderate Assurance, that 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 of the organisation's objectives at risk.</p> <p><i>In considering the overall opinion, we have considered that Internal Audit resource has been directed into known risk areas by Council Officers and the Audit Committee. Moving forward, the Council needs to ensure that there is a continued focus on the strengthening of its control framework and completing management actions on a timely basis.</i></p> <p>This opinion is provided in the context that the Council like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to financial challenges and increasing collaboration across organisations and systems.</p> <p>In providing this opinion we can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. We also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.</p> <p>The purpose of our Head of Internal Audit (HoIA) Opinion is to contribute to the assurances available to the Accountable Officer and the Council which underpin the Council's own assessment of the effectiveness of the system of internal control. As such, it is one component that the Council takes into account in making its Annual Governance Statement (AGS).</p> <p>The opinion does not imply that we have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework.</p>
Planned Audit Coverage and Outputs	<p>The 2023/24 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:</p> <ul style="list-style-type: none"><li data-bbox="472 1321 1055 1353">• The organisation's assurance framework

Key Area	Summary
	<ul style="list-style-type: none"> • Core and mandated reviews, including follow up; and • A range of individual risk-based assurance reviews. <p><i>Please include the summary text in the table above when referring to the HoIA Opinion in your AGS.</i></p>
Recommendations / Management Actions	<ul style="list-style-type: none"> • We have raised 50 recommendations as part of the reviews undertaken during 2023/24 (not including confidential reviews). All recommendations raised by MIAA have been accepted by management. • Of these recommendations: none were critical and 5 were high risk recommendations in relation to the reviews of Contract Management and Payroll including Additional Payments. • During the course of the year, we have undertaken follow up reviews from 2019/20, 2021/22, 2022/23 and 2023/24 and can conclude that the organisation implemented/superseded 61 actions during 2023/24. • The total number of recommendations yet to be implemented as at April 2024 is 67, 17 of these are high risk and relate to the reviews of Purchase to Pay, Collection of Income and Reconciliations, Resilience and Emergency Preparedness, Time Recording Systems, Financial Controls, CCTV, Contracts, IKEN Review and Payroll. • Of the 67 actions yet to be implemented, none are critical risk 7 high risk, 10 medium risk and 17 low risk were overdue or overdue and in progress at April 2024. The remaining 33 recommendations were not yet due.
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA (2020), provides assurance of MIAA’s full compliance with the Public Sector Internal Audit Standards (PSIAS). We also undertake regular internal assessments to ensure our ongoing compliance with requirements. In year we completed our annual self-assessment of compliance with PSIAS and can continue to confirm full compliance with these standards.</p> <p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security 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 we are one of only circa 20 NHS organisations certified to the 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</p>

Key Area	Summary
	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.

2 Head of Internal Audit Opinion

Your internal audit service has been performed in accordance with MIAA's internal audit methodology which conforms with PSIAS. PSIAS require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform our work to obtain sufficient, appropriate evidence on which to base our conclusion.

2.1 Roles and Responsibilities

The whole Council is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The AGS is an annual statement by the Leader of the Council and Chief Executive, on behalf of the Council, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's assurance framework should bring together all of the evidence required to support the AGS requirements.

In accordance with PSIAS, the HoIA is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 4.

2.2 Opinion

Our opinion is set out as follows:

- Basis for the Opinion;
- Overall Opinion; and

- Commentary

2.2.1 Basis for the Opinion

The basis for forming our opinion is as follows:

- 1 An assessment of the design and operation of the underpinning strategic governance, risk management arrangements and supporting processes.
- 2 An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management’s progress in respect of addressing control weaknesses identified.
- 3 An assessment of the organisation’s response to Internal Audit recommendations, and the extent to which they have been implemented.

2.2.2 Overall Opinion

Our overall opinion for the period 1st April 2023 to 31st March 2024 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation’s objectives, and that controls are consistently applied in all areas reviewed.	
Substantial Assurance, can be given that that there is a good system of internal control designed to meet the organisation’s objectives, and that controls are generally being applied consistently.	
Moderate Assurance , can be given that 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 of the organisation’s objectives at risk.	✓
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation’s objectives at risk.	

No Assurance, can be given that 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 organisation’s objectives.

2.2.3 Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our opinion covers the period 1st April 2023 to 31st March 2024 inclusive, and is underpinned by the work conducted through the risk-based internal audit plan.

Assurance Framework

Our work has consisted of assessing progress with implementing the recommendations from the internal audit review of risk management that was completed in 2022/23 and provided moderate assurance. Since the review the Council’s Risk Management Strategy & Policy have been updated and approved which incorporates a risk scoring model. All of the recommendations from the 2022/23 Risk Management have been completed. A further review of Risk Management has been completed in 2023/24, providing substantial assurance.

Core & Risk-Based Reviews Issued

We issued:

No high assurance opinions:	No reviews received High Assurance	Two limited assurance opinions:	Payroll including Additional Payments Contract Management*
Four substantial assurance opinions:	Risk Management Efficiency Savings Financial Controls – Budgetary Management National Non-Domestic Rates (NDR) - <i>Draft</i>	No no assurance opinions:	No reviews received No Assurance

	Climate Change* - <i>Draft</i>		
One moderate assurance opinions:	IKEN Case Management System	One review without an assurance rating/assurance rating to be provided verbally	Mobile Device Management**

*22/23 reviews which were concluded during 23/24 and were not included within the 22/23 HoIAO.

**To be provided verbally

Follow Up

During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made **reasonable progress** with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.

Chris Harrop

Managing Director, MIAA
March 2024

Louise Cobain

Assurance Director, MIAA
March 2024

3 Internal Audit Coverage and Outputs

The 2023/24 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year.

Of the reviews completed in the year, assurance ratings were given in 9 cases. Assurance rating were not applicable in 1 review, due to the nature of this work. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Audit Committee Progress Reports throughout the year.

A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
1	Risk Management	Substantial	-	-	1	5	6
2	Efficiency Savings	Substantial	-	-	3	1	4
3	Financial Systems – Budgetary Management <i>Draft</i>	Substantial	-	-	4	3	7
4	Iken Case Management	Moderate	-	1	3	2	6
5	National Non-Domestic Rates – <i>Draft</i>	Substantial	-	-	4	1	5
6	Payroll including Additional Payments	Limited	-	1	5	-	6
7	Mobile Device Management Solution	Verbal Update	Verbal Update Provided				

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
8	Climate Change - <i>Draft</i>	Substantial	-	-	4	1	5
9	Contract Management	Limited	-	3	6	2	11
		TOTAL	-	5	30	15	50

We will continue to follow up progress against all recommendations as part of the 2024/25 Internal Audit Plan.

ADVISORY SUPPORT AND GUIDANCE: Areas where MIAA have supported the organisation in strengthening arrangements in respect of governance, risk management and internal control.

Review and Chief Internal Auditor Declaration of Changing Places Grant Fund 2021/22 and 2022/23

Review and Chief Internal Auditor Declaration of Defra Food Waste Collections 2024

Advisory work on Eden Project Governance

Advisory work on Eden Project Funding claims

CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS: *Additional areas where MIAA have provided added value contributions.*

Ongoing discussion with lead Officers, Managers and Members throughout the year.

Specific audit review of third party assurances to the Council (e.g. Preston City Council).

Providing an Audit Committee Development Session, Risk Management Training session and input into Audit Committee events.

Facilitation of committee workshops, effectiveness sessions, including an Audit Committee effectiveness survey and facilitation of session with briefing document provided.

Effective utilisation of internal audit including in year communication, requests for changes to the audit plan in respect of Air Quality Duty replaced with National Non Domestic Rates (NNDR), Housing Inspections Review replaced with a Reactive Maintenance Review and the focus of the Financial Controls Review was a Budgetary Management Review.

To keep our clients informed on emerging governance and wider policy developments we ran 10 events in 23/24 as part of our North West Masterclass Collaboration. Each event was accompanied by an event summary published on our website. We also issued a Risk Management Checklist for Local Authorities to support organisations in assessing their risk maturity.

Continued involvement and representation on National Bodies including the Institute of Internal Auditors (IIA) and CIPFA enabling us to be proactive in sharing best practice, wider benchmarking and providing early insights on national issues.

Continued involvement and representation on Local Bodies including the Lancashire Local Government Head of Internal Audit Group and the Lancashire Local Government Information Technology Group.

4 Areas for Consideration – your AGS

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant.

We have identified a number of other strategic challenges that should be considered by the Council when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Council more widely on how these should be factored into the AGS. Areas for consideration include:

- Wider partnership/ collaborative working and engagement across the Lancashire Footprint (e.g. Lancashire Resilience Forum).
- Continued establishment and delivery of cross-organisation arrangements for the Better Care Fund and other pooled budgets development (e.g. Lancashire County Council)
- Impact of the revised financial regime on decision making, achieving financial duties, ongoing financial viability, delivery of savings, service pressures and key relationships/ performance of third parties.
- Changes to governance, risk management and internal control arrangements (including the impact on decision making processes).
- Council/Service leadership, including any significant changes to the Council and Senior Management Team
- Workforce capacity, engagement, wellbeing and development.
- Ensuring there is a fit for purpose infrastructure.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- Relationship and management of 3rd party providers upon which the organisation places reliance, and the provision of assurances from these (e.g. Preston City Council).
- Compliance with all relevant laws, standards and regulations.
- Organisation performance, including challenges in achieving financial duties, delivery of Priority Based Budgets and service pressures managed in year.
- Wider partnership working risks and challenges.

5 Ensuring Quality

MIAA's strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with PSIAS, the quality of our people and how we supporting them, staffing levels, compliance and outcome measures.

Professional Standards and Accreditations

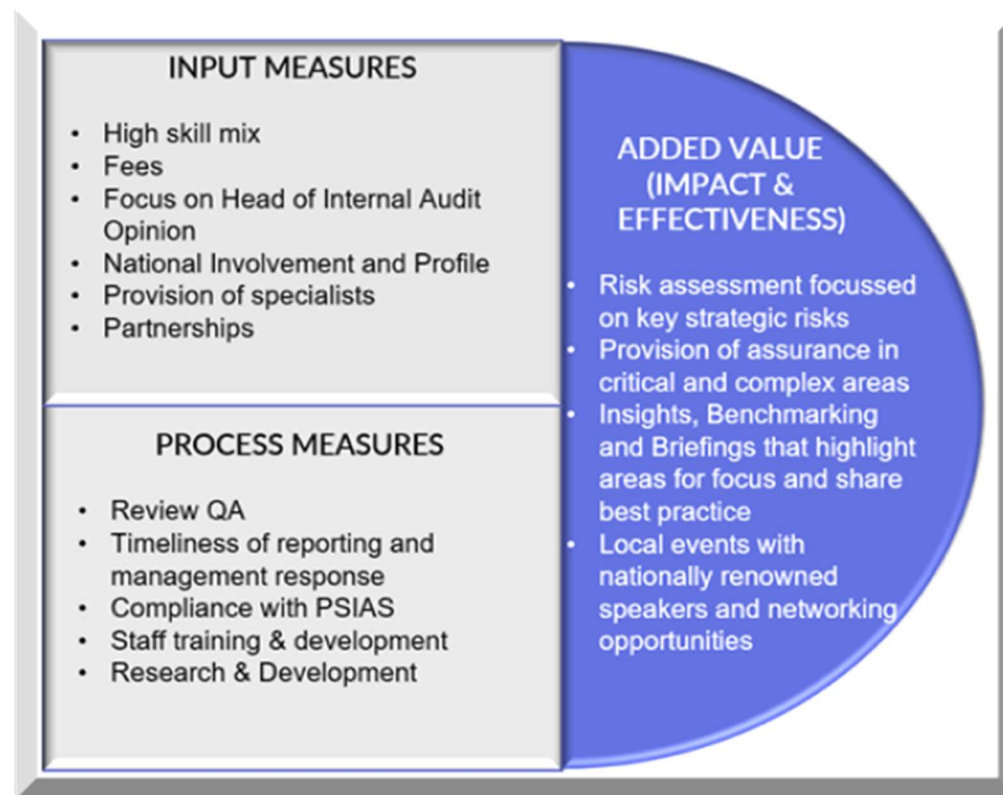
MIAA comply fully with professional best practice, internal audit standards and legal requirements.



Service delivery and outcome measures

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. The infographic on this page confirms the measures that we believe demonstrate an effective service to you.

MIAA regularly report on input and process KPIs as part of our Audit Committee Progress reports, and the impact and effectiveness measures can be assessed through the HOIA Opinion.



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