

Internal Audit Progress Report

Audit Committee (31st July 2024)

Lancaster City Council

Contents

1 Introduction

2 Key Messages for Audit Committee Attention

Appendix A: Contract Performance

Appendix B: Performance Indicators

Appendix C: Key Areas and Actions to be Delivered

Appendix D: Follow-up of Previous Internal Audit Recommendations

Appendix E: Assurance Definitions and Risk Classifications

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 2023/24 and 2024/25 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 May 2024 to July 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:

- National Non Domestic Rates (NNDR) (Substantial Assurance)
- Climate Change (Substantial Assurance)
- Budget Management (Substantial Assurance)
- Reactive Repairs and Maintenance (Limited Assurance)

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

The following 2024/25 audit reviews are being planned and are being planned, in progress or at draft report stage:

- Procurement Cards (draft report)
- Air Quality Duty (fieldwork)

- Homelessness (fieldwork)
- Appraisals (fieldwork)
- Income Cash and Cards Review (fieldwork)
- Festival Market (planning)
- Revenues and Benefits (planning)

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 May 2024. 10 recommendations have been completed since May 2024, with 62 actions either in progress or not yet due. There are 14 actions which are overdue, and we are awaiting updates from management on progress.

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 proposals to amend the approved 2024/25 audit plan, due to emerging risks are as follows:

- Both the Q2 Food Standards Review and Energy Review to be replaced with a Q2 Income Cash and Cards Review. The Food Standards Review will be included in the 2025/26 audit plan. The Energy Review is no longer required due to the establishment of an internal working group at the council but will be considered for inclusion in the 2025/26 audit plan.
- Both the 2023/34 Corporate Health & Safety Review and Q4 Building Statutory Compliance Review to be deferred until 2025/26 and replaced with a Q3/4 Social Housing Standards Regulations, to focus on the new regulatory regime.
- The Revenues and Benefits Review is to focus on Benefit Overpayments and take place in Q3, as agreed with Preston City Council Shared Service.

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

Events





- [How to Lead in a Hybrid World 16 Oct 2024](#) This Masterclass explores the ways in which organisations can help generate team spirit /culture and support leaders to effectively lead a team with people who aren't in the room.
- [Evidence Based Working \(22 Nov 2024\)](#) How Can a Better Evidence-Based Approach Support Local Government to Meet its Challenges? Rob Brinan, a Professor of Organisational Psychology in the School of Business and Management. will be joining us to explore what we know in relation to how local government responds to situations, and how a more evidence-based approach may improve practice.



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 of your Head of Internal Audit Opinion for 2024/25.

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core Reviews				
Revenues and Benefits – Benefit Overpayments	Draft	Planning		
Key Financial Controls		Q3		
Risk Management		Q4		
Risk Based Reviews				
Air Quality Duty	✓	Fieldwork		
Festival & Charter Markets	Draft	Planning		
Homelessness	✓	Fieldwork		
Procurement Cards	✓	Draft Report		

Income Cash and Cards (was Energy and Food Standards Reviews)		Fieldwork		
Appraisals		Fieldwork		
IT Asset Management		Q3		
Environmental Enforcement		Q3		
Social Housing Standards (was Buildings Statutory Compliance)		Q3/4		
Follow Up				
Quarter 1	N/A	Complete	N/A	July 2024
Quarter 2			N/A	
Quarter 3			N/A	
Quarter 4			N/A	
2023/24 Reviews				
Budget Management		Complete	Substantial	July 2024
NNDR		Complete	Substantial	July 2024
Corporate Health & Safety		Review deferred to 2025/26		

Reactive Maintenance*		Complete	Limited	July 2024
Climate Change*		Complete	Substantial	July 2024
Management				
Head of Internal Audit Opinion/Annual Report/Annual Governance Statement		Ongoing	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.

*These reviews were/will be delivered during 2024/25 as requested by the Council, and as such will be included in the 2024/25 Head of Internal Audit Opinion.

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	National Non-Domestic Rates (NNDR)			
Executive Sponsor	Chief Officer Resources & Section 151 Officer			
Objective	The overall objective was to identify and evaluate the controls in place to manage key risks which would impact the effective operation of the National Non-Domestic Rates (NNDR) system.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	1 x Low
Summary	<p>The Council has robust processes for establishing business rates due, after applying the appropriate reliefs. Reliefs and exemptions are awarded in line with latest policy requirements and legislation. It was confirmed that annual billing is conducted in a timely manner. In-year cash collections are reconciled monthly and allocated into the nominal ledger accounts accordingly. The Council has a Shared Service Revenues Recovery Policy which provides guidance on recovery process to be adopted to reduce debt and this was being adhered to. The generation of reminder letters and final notices was controlled by preset run dates which made them timelier and up to date.</p> <p>The Council uses outside Enforcement Agencies (EAs) who are performance managed through KPIs and quarterly liaison meetings. The Council has access to the EAs portal and therefore can view any account at any time.</p> <p>The audit identified the following areas to strengthen systems of internal control.</p> <ul style="list-style-type: none"> • The SLA between Preston and Lancaster City Councils should be formally signed and sealed. 			

	<ul style="list-style-type: none"> • The audit trail for refunds approval should be adequately evidenced within the Academy System and the authoriser should have the necessary approval limit in line with the Scheme of Delegation of the Council. • Information provided in support of application for discretionary relief should be evidenced as checked and confirmed to justify new year relief. • There is no debt aged analysis report produced for management. In addition, there is no set response time for management to respond to organisations who apply for hardship relief to enable recovery procedures to be undertaken if the relief is not granted. • The daily cash receipts analysis should be evidenced as checked for accuracy to ensure that there is no misallocation.
--	--

Report Title	Climate Change			
Executive Sponsor	Chief Officer Planning and Climate Change			
Objective	Recognising the council's commitment to achieving carbon neutral status by 2030 and the enabling corporate projects/initiatives, the review looked to evaluate the processes in place to monitor and deliver the projects/initiatives designed to implement the council's action plan.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	1 x Low
Summary	Overall, the review identified that there is a good system of controls around climate change projects and achievement of the carbon zero target by 2030.			

	<p>A previous audit has been undertaken looking at the overall Project Management Framework and controls, there were some recommendations raised in that report which are also applicable to this review, and therefore have not been raised again, such as the lack of formal project documentation.</p> <p>Lancaster City Council is considered a leader amongst district councils for its work on tackling climate change. In recognition of this it has won a number of awards for projects around the climate emergency and topped a leaderboard for district councils in an assessment of the actions being taken to achieve net zero by Climate Emergency UK. It was also the winner of the 2022 APSE (Association for Public Service Excellence) Awards: Best Decarbonisation Initiative for the Salt Ayre Leisure Centre Decarbonisation Project. Following the adoption of the Council Plan (2024-2027) the Planning & Climate Change Service have produced a Service Business Plan which links service priorities for 2024/25 to the strategic ambitions within the Council Plan.</p> <p>The review did highlight some areas with room for improvement, following consideration of projects such as Salt Ayre, Burrow Beck and Co-Wheels. The main areas for development were the direct reporting of the achievement and challenges of meeting the overall carbon zero target, and review and update of the original Climate Change Action Plan. The Council should also ensure that there is clear consistent internal reporting on milestones and financial information relating to individual climate change projects.</p>
--	---

Report Title	Budgetary Control			
Executive Sponsor	Chief Officer Resources & Section 151 Officer			
Objective	To assess the systems and processes the Council has in place for budgetary control and management reporting.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	4 x Medium	3 x Low

Summary	<p>The economic climate and associated pressures have increased the demands on council budgets. The budget proposals for 24/25 were approved by the Council 28th February 2024. The Council had processes in place to monitor and report against the budgets. However, our review identified some areas for improvement.</p> <p>At Q3, the Council had a projected outturn of £22.044m against a budget of £21.091m, representing an overspend of £0.953m reduced to £0.677m following a net increase in income of £0.276m from business rates.</p> <p>As part of the 2024/25 budget setting process; in October 2023 the Finance team met with the Chief Officers to discuss projected outturn and future base budget position. The Finance team challenge budget requests where appropriate and consider the overall Council budget. Although evidence of budget acknowledgement from the Chief Officers is not retained.</p> <p>On a quarterly basis Chief Officers receive budget reports, which are discussed with Finance Business Partners. Explanations for variances over £5k are documented, and confirmation of the narrative accuracy is required. However, a review of Q3 reports and sample testing highlighted an instance where a variance of £13k did not have an explanation and only four Chief Officer confirmations out of ten were received. Additionally, whilst a narrative was provided there were no action plans to address variances and a lack of monthly reporting could result in adverse performance not being identified timely.</p> <p>The Council provided quarterly financial reporting through the “Delivering Our Priorities” reports to the Cabinet and Budget and Performance Panel.</p>
---------	--

Report Title	Reactive Repairs and Maintenance
Executive Sponsor	Chief Officer Housing and Property
Objective	To provide assurance that reactive repairs and maintenance activities for Council owned properties are adequately controlled and managed, with competitive prices obtained for services and materials provided.

Assurance Rating	Limited			
Recommendations	0 x Critical	4 x High	5 x Medium	0 x Low
Summary	<p>At present there is no overarching Repairs and Maintenance Policy for the Council. This is currently in progress but still needs to be reviewed by senior managers and cabinet/portfolio holders.</p> <p>The key areas of weakness were identified concerning expenditure controls and their operation. Expenditure with a number of contractors (16) in 2023/24 was not aggregated as required by the Councils Contract Procedure Rules (CPR). In one case the total aggregated expenditure should have resulted in a formal tendering process being undertaken. There is no evidence of any supplier framework being in place at the Council for the use of these contractors. Expenditure testing highlighted issues with authorisation and payment of several invoices.</p> <p>A management direction designed to reduce the monthly average contractor spend was evident in February and March 2024, however this was not sustained in April 2024 with expenditure rising.</p> <p>The process of using standard rate cards was not robust, with cards exceeded, inaccurate recording, failure to add all the elements of the job and failure to update the rate cards with correct details when on the job.</p> <p>A sample of job priorities reviewed identified that some jobs were not correctly prioritised.</p> <p>The target time for job completion was not always achieved with some jobs taking in excess of 100 days to complete against a target of 28 days for standard priority jobs.</p>			

Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at July 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	6	2	-	-	-	-	2	-	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	9	-	-	-	-	-	-	-	All recommendations completed
Collection of Income and Reconciliations	4	Limited	2	-	2	-	-	2	-	-	All remaining recommendations are overdue.
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	3	4	-	-	-	1	2	1	All remaining recommendations in progress.
Time Recording Systems	7	Moderate	6	1	-	-	-	1	-	-	All remaining recommendations in progress.
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.
Recruitment	5	Moderate	5	-	-	-	-	-	-	-	All recommendations completed
Contracts	11	Limited	-	10	-	1	-	3	6	2	Recommendations in progress or not yet due with revised completion date of August 2024.
2023/24											
IKEN Review	6	Moderate	1	5	-	-	-	1	2	2	All remaining recommendations in progress.
Payroll	6	Limited	-	-	1	5	-	1	5	-	5 recommendations are not yet due, with one overdue.
Risk Management	6	Substantial	-	-	-	6	-	-	1	5	All recommendations not yet due.
National Non- Domestic Rates (NNDR)	5	Substantial	-	-	-	5	-	-	4	1	All recommendations not yet due.
Climate Change	5	Substantial	-	-	-	5	-	-	4	1	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	
Reactive Repairs and Maintenance	9	Limited				9	-	4	5	-	All recommendations not yet due.
Mobile Device Management	Confidential										
TOTALS	116		40	30	14	32	-	18	38	20	

Key to recommendations:

✓/S Implemented or Superseded

P Partially implemented/recommendation in progress

X Recommendation not implemented/awaiting update

C Critical priority recommendation

H High priority recommendation

M Medium priority recommendation

L Low 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.

Louise Cobain

Engagement Lead

Tel: 07795 564916

Email: Louise.Cobain@miaa.nhs.uk

Fiona Hill

Engagement Manager

Tel: 07825 592842

Email: Fiona.Hill@miaa.nhs.uk