

Internal Audit Progress Report

Audit Committee (19th March 2025)

Lancaster City Council

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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 November 2024 to March 2025.

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:

- Festival and Charter Markets (Moderate)
- Revenues and Benefits – Housing Benefit Overpayments (Moderate)
- Homelessness (Limited)
- Appraisals (Moderate)
- Heritage Action Zone Expenditure Assurance (Chief Internal Audit Declaration)

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

The remaining 2024/25 audit reviews are in progress as follows:

- Environmental Enforcement – Fly Tipping (fieldwork)
- IT Asset Management (fieldwork)

- Key Financial Controls (fieldwork)
- Risk Management (fieldwork)
- Social Housing Standards (fieldwork)

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Committee in November 2024. 18 recommendations have been completed since November 2024, 0 recommendations have been superseded, with 75 actions either in progress or not yet due.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.

We have undertaken a mid-year review of your Internal Audit Plan in conjunction with management and no changes are currently proposed.

Public Sector Internal Audit Standards

From April 2025 MIAA will be required to comply with the Global Internal Audit Standards and the UK Public Sector Application Note: *Global Internal Audit Standards in the UK Public Sector* (collectively referred to as GIAS here). These documents replace the Public Sector Internal Audit Standards (PSIAS).

To support our readiness to adopt the GIAS from April 2025 our Associate Director – Continuous Improvement has undertaken a baseline assessment of our current compliance levels with the GIAS.

Given MIAA's current full compliance with PSIAS we comply with the majority of GIAS requirements. We will ensure full compliance with all GIAS requirements from April 2025.

Added Value

Briefings

Our latest briefing

- [24/25 MIAA Insight - EU Artificial Intelligence Act and its wider implications](#)
- [24/25 MIAA Insight - Conflicts of Interest Checklist \(Local Authorities\)](#)







Events






- [The Power of Collaboration \(26th March 2025\)](#): This online Masterclass will build on the insights from the Messenger and Darzi review, and eagerly anticipating the release of the 10-year health plan. Additionally, the social care workforce plan emphasises transformation and a unified workforce approach, underscoring the necessity for partnership and collaboration in our operations


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 – Housing Benefit Overpayments		Complete	Moderate	March 2025
Key Financial Controls		Fieldwork		
Risk Management	Draft	Fieldwork		
Risk Based Reviews				
Air Quality Duty		Complete	Substantial	November 2024
Festival & Charter Markets		Complete	Moderate	March 2025
Homelessness		Complete	Limited	March 2025
Procurement Cards		Complete	None	November 2024

Income Cash and Cards		Complete	Limited	November 2024
Appraisals		Complete	Moderate	March 2025
IT Asset Management	Draft	Fieldwork		
Environmental Enforcement – Fly-tipping		Fieldwork		
Social Housing Standards		Fieldwork		
Follow Up				
Quarter 1	N/A	Complete	N/A	July 2024
Quarter 2	N/A	Complete	N/A	November 2024
Quarter 3	N/A	Complete	N/A	March 2025
Quarter 4			N/A	May 2025
Added Value/Support & Guidance				
Heritage Action Zone Expenditure Assurance	N/A	Complete	N/A	February 2025
2023/24 Reviews				
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	Festival and Charter Markets			
Executive Sponsor	Chief Officer – Sustainable Growth			
Objective	To identify and evaluate key controls and processes relating to the Festival and Charter Markets including rent collection, debt management, trader engagement and general maintenance.			
Assurance Rating	Moderate			
Recommendations	0 x Critical	1 x High	4 x Medium	2 x Low
Summary	<p>Overall, we found that there were defined processes in place to manage and monitor the various stalls at the markets, but they were not always operating effectively.</p> <p>Since the Markets Manager left and was not replaced, there was a dependency placed on one supervisor at each market to complete all tasks including processing stall applications, obtaining and maintaining key trader documentation such as stall holder licence agreements, risk assessments, public liability insurance, and also general market maintenance. This single dependency also meant that there was a lack of segregation of duties for invoicing arrangements with the supervisor responsible for submitting invoice requests, with no independent checking of accuracy or completeness. Consequently, identified priority areas for action are to ensure that business continuity arrangements are developed to reduce the risks associated with any extended absence by the supervisors and invoice checking measures are put in place.</p> <p>Stall holder documentation was not always complete or current, with some Risk Assessments dating back to 2015. At the time of the audit visit fundamental maintenance issues at the Festival Market had not been addressed with a lack of budget being given as a reason, which the Supervisors did not have access to the budget in order to review.</p>			

	<p>Festival Market had accumulated debts of £145k, with Business Services taking over credit control activities to improve collection rates. It was noted record keeping needed to be improved and what was considered to be an ineffective debt collection agency was being replaced at the time of the review.</p> <p>Engagement was found to be good with regular contact and opportunities for traders to raise concerns or make suggestions for improvement. The Council website had dedicated pages for the markets with useful information and they were advertised through social media and promotions to encourage footfall and new traders to take up stalls.</p>
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Report Title	Revenues and Benefits – Housing Benefit Overpayments			
Executive Sponsor	Chief Officer - Resources			
Objective	To provide assurance that the key controls in relation housing benefit overpayments are appropriately designed and operating effectively in practice			
Assurance Rating	Moderate			
Recommendations	0 x Critical	0 x High	5 x Medium	1 x Low
Summary	<p>Overall, the audit identified that there was an adequate system of internal control, however, in some areas weaknesses in design and inconsistent application of controls put the achievement of some aspects of the system objectives at risk. Areas of good practice related to policies and procedures being in place around overpayments and related write offs. The policies and procedures were saved on a central teams file, this also included all key reports, guidance and overpayment data for staff to access. Areas of improvement related to training not being in place for assessment or recovery staff. The Shared Service was currently changing the performance monitoring process for overpayments due to the previous</p>			

	process being overly complex and so the current process did not match with the process stated in the policy. Processes for write offs were not in line with what was stated in the policy, and gaps were identified when sample testing benefit overpayments and calculations. Small, low risk findings were identified in relation to policies and procedures.
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Report Title	Homelessness			
Executive Sponsor	Chief Officer – Housing and Property			
Objective	To evaluate the design and operating effectiveness of the arrangements that the Council has in place to manage the key risks of Homelessness.			
Assurance Rating	Limited			
Recommendations	0 x Critical	2 x High	3 x Medium	2 x Low
Summary	<p>Whilst our audit has provided a limited assurance opinion, the Chief Officer - Housing and Property has provided context to the challenging environment under which the service is operating which has significantly impacted on the findings of the audit.</p> <p>The Cabinet approved the Homelessness and Rough Sleeping Strategy 2023 - 2028 in October 2023, which included priorities and actions for the three years from October 2023 to September 2026. The Homelessness Forum, which includes representation from a range of stakeholder organisations, was assigned responsibility for overseeing the delivery of the Strategy. Progress reports to Cabinet are required on an annual basis.</p> <p>The Housing Options Team has been carrying vacant posts for a number of months including the Assistant Manager role and the Policy and Project Officer role. A focus of the Assistant Manager role, which was out to advert at the time of the audit, is to manage, review and improve the performance of the team. Whilst the Principal Housing Options Manager was supporting staff and assisting, particularly</p>			

	<p>with cases brought to her attention, there were insufficient resources to fully monitor and review casework files. Our sample testing of case files identified examples of failure to fully establish and/ or evidence eligibility, local connection and intentionality. Hence it is possible that the Council has undertaken a duty (prevention, relief or main duty) where it was not required or where the case could have been referred to another authority. There were also examples of failure to notify customers in writing of the opening and ending of a duty. Procedure notes were not available for the team.</p> <p>At the Homelessness Forum on 14th December 2023, attendees had discussed the delivery of one of the Strategy actions within priority area two. However, there has not been a meeting of the Forum since and therefore the arrangements in place for overseeing delivery of the actions and the other three priorities within the Strategy had not been progressed. These quarterly meetings and the monthly meetings of the Homeless Advisory Group had lapsed since the Policy & Project Officer post was vacated in February 2024. However, arrangements were being put in place at the time of the audit for review of the action plan to enable annual reporting of the Strategy to Cabinet and for the re-introduction of both meetings.</p>
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Report Title	Appraisals			
Executive Sponsor	Chief Officer – People & Policy			
Objective	To ensure systems in place for annual conversations have appropriate controls in place, with effective reporting and monitoring processes.			
Assurance Rating	Moderate			
Recommendations	0 x Critical	1 x High	2 x Medium	3 x Low

Summary	<p>A new policy and process has been developed and implemented by the council, which was the focus of the review. The review found that overall, whilst the control design was largely in place, the processes were not operating effectively.</p> <p>It was noted that there was a low completion rate for the annual conversations of 51% for 2024, this being a decrease from 2023 which was 61%. The new policy had been drafted and introduced in April 2023, alongside the Performance Framework which guides the users through the processes. The policy was due for renewal in April 2024, this has yet to be completed. A review of processes and a sample of conversations showed that there was a template form in place, all forms had agreed objectives, and there was a learning platform used to maintain uniformity across all departments. Team appraisals were carried out for those working together with shared goals and barriers to achievement, with the opportunity for these to be carried out individually if required. However, testing highlighted that elements of the conversations were incomplete, mainly in respect of allocating impact ratings and aligning performance to the councils' values. The personal development and training sections were completed in only 60% of those sampled.</p> <p>It was also noted that the personal development plans (PDPs), are not produced directly from the learning system, with the Managers concerned having to record these separately for the Learning and Development team. There was a small number of instances where the quality of the objectives was not in line with the policy, for example the objective was a potential part of the appraisees job description. The leadership team have received regular updates on the completion rate of the annual conversations, and a summary report in September on the progress for 2024. The Chief Officers should produce a standard report discussing themes and training requirements arising from conversations for discussion at SLT. However, these reports had been completed by only two out of seven Service Areas.</p>
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Appendix D: Follow up of previous internal audit recommendations

The status of the actions is as at March 2025.

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	7	1	-	-	-	-	1	-	Remaining recommendation delayed due to a County Council programme being put in place to address the action.
P2P System	4	Limited	1	1	2	-	-	2	1	-	Awaiting evidence for remaining recommendations.
2022/23											
Budgetary Controls	3	Substantial	2	1	-	-	-	-	-	1	Remaining recommendation in progress.
Externally Managed Events	7	Substantial	5	2	-	-	-	-	-	2	Awaiting evidence for outstanding recommendations.
Cyber Security	Confidential										
Data Protection: Policy and Process Follow up	Confidential										
Resilience and Emergency Preparedness	7	Limited	6	1	-	-	-	-	1	-	Remaining recommendation in progress.
CCTV	4	Limited	-	4	-	-	-	4	-	-	All recommendations are in progress.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due	C	H	M	L	
Contracts	11	Limited	2	9	-	-	-	3	5	1	All recommendations are in progress.
2023/24											
IKEN Review	6	Moderate	1	5	-	-	-	1	2	2	All remaining recommendations in progress.
Payroll	6	Limited	4	-	2	-	-	1	1	-	Awaiting evidence for remaining recommendations
Risk Management	6	Substantial	4	-	-	2	-	-	-	2	Remaining recommendations not yet due.
National Non-Domestic Rates (NNDR)	5	Substantial	4	1	-	-	-	-	1	-	Remaining recommendation in progress.
Climate Change	5	Substantial	3	-	-	2	-	-	1	1	Recommendations not yet due.
Reactive Repairs and Maintenance	9	Limited	4	2	-	3	-	3	2	-	All recommendations in progress or not yet due.
Budgetary Controls	7	Substantial	3	3	-	1	-	-	2	2	Three recommendations in progress and one not yet due.
Mobile Device Management	Confidential										
2024/25											
Air Quality Duty Review	5	Substantial	-	-	4	1	-	-	1	4	Awaiting evidence or 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	
Income – Cash and Cards Review	12	Limited	3	-	1	8		1	6	2	Recommendations in progress or not yet due.
Procurement Cards	10	No	-	-	5	5	1	1	6	2	Awaiting evidence or recommendations not yet due.
Homelessness	7	Limited	1	-	-	6		2	3	1	Recommendations not yet due.
Markets	7	Moderate	-	-	-	7	-	1	4	2	Recommendations not yet due.
Revenue and Benefits	6	Moderate	2	-	-	4	-	-	3	1	Recommendations not yet due.
Appraisals	6	Moderate	-	-	-	6	-	1	2	3	Recommendations not yet due.
TOTALS	141		52	30	14	45	1	20	42	26	

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.

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