

# Internal Audit Progress Report

## Audit Committee (21<sup>st</sup> May 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 2024/25 and 2025/26 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 March 2025 to May 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 review has been finalised:

- Social Housing Standards (Substantial Assurance)

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 (draft report)
- Risk Management (draft report)

The following 2025/26 audit reviews are being planned as follows:

- Health & Safety
- Food Safety
- Building Statutory Compliance

## 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Audit Committee in March 2025. 7 recommendations have been completed since March 2025, 1 recommendation has been superseded and a further 2 recommendations have been completed where we are awaiting evidence to confirm. There are 65 actions either in progress or not yet due. There are 19 actions which are overdue, and we are awaiting updates from management on progress.

Management are working with MIAA to ensure that actions are implemented.

## 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.

- There are no current proposals to amend the approved audit plan.

## 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





- [Climate Change and the Public Sector](#) - Wed 21 May 2025 - Climate change poses a major threat to our health and wellbeing, as well as our planet. The environment is changing, that change is accelerating, and this has direct and immediate consequences for the delivery of health and social care services, and above all those people who receive care and support.
- [Thriving Culture in The Era of Psychological Safety](#): Wed 11<sup>th</sup> June 2025 - We will hear from experts in the field and consider how the leaders role is essential in role modelling this approach. This means considering our own bias', ways of working and willingness to embrace uncertainty and change.

## 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 2025/26.

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
<b>Core Reviews</b>				
Key Financial Controls	Q3			
Risk Management	Q4			
Treasury Management	Q2			
Revenue and Benefits	Q3			
Mandatory Training	Q2			
Cyber	Q3			
<b>Risk Based Reviews</b>				
Fleet Stock	Q2			
Food Safety	Q1	Planning		
Building Maintenance Stock	Q4			
Corporate Health and Safety	Q1	Planning		

Social Housing Regulator	Q3			
Building Statutory Compliance	Q1	Planning		
Follow Up				
Quarter 1	N/A		N/A	
Quarter 2	N/A		N/A	
Quarter 3	N/A		N/A	
Quarter 4	N/A		N/A	
2024/25 Reviews				
Key Financial Controls		Draft Report		
Risk Management		Draft Report		
IT Asset Management		Fieldwork		
Environmental Enforcement – Fly-tipping		Fieldwork		
Social Housing Standards		Complete	Substantial	May 2025
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 2025/26 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.
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	100%

Element	Reporting Regularity	Status	Summary
Percentage of recommendation which are implemented	Each Audit Committee	Amber	<p>There are a total of 144 recommendations made as at Appendix D. 18 of these are not due for follow up, as the original implementation date has not passed. Of the remaining 126 recommendations, 60 (47%) have been actioned and 47 (37%) are in progress. There are 19 overdue (15%). There is one critical and 20 high priority actions outstanding.</p> <p>MIAA are working with management to ensure actions are completed.</p>

## Appendix C: Key Areas from our Work and Actions to be Delivered

Report Title	Social Housing Rent Setting			
Executive Sponsor	Chief officer - Housing and Property			
Objective	To assess the design and operation of the controls in place for the Social Housing Rent Setting for the financial year 2025/26.			
Assurance Rating	Substantial			
Recommendations	0 x Critical	0 x High	2 x Medium	1 x Low
Summary	<p>The Rent Setting Policy is not approved by the Council as a policy as it is a Housing policy. The latest policy dated January 2024 should be reviewed at least annually so is overdue for review.</p> <p>The rent increase permitted for 2025/26 by the Regulator of Social Housing is published annually. For 2025/26 this increase will be 2.7% and this was approved by the Council in February 2025.</p> <p>The rents uploaded to the property system for 2025/26 were reviewed and found to be accurate to the source data calculations.</p> <p>During the audit a minor number of anomalies were identified in the formula rents set, which did not affect rents as the properties were not on the formula rent basis. These were immediately corrected and were based on incorrect bedroom weighing factors being applied.</p> <p>For those rents that are not on formula rents, the calculations for the rents (based on bedroom weightings) are historic and due to their longevity are unable to be periodically checked to ensure the calculations are still accurate.</p> <p>The Council has the option of charging market rents if a tenant earns over £60,000pa. This option has not been taken by the Council, but there is no record of this decision having been recorded,</p>			

The Council has a clear complaints page on its website, which states complaints will not be investigated for a variety of reasons including complaints concerning the level of rent or service charge or the amount of the rent or service charge increase.

Annual reports are submitted to both National Social Regulator of Social Housing (NROSH and the Local Authority Housing Statistics (LAHS) and our review found the information accurate to the source data.

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

The status of the actions is as at May 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 in progress.
P2P System	4	Limited	1	1	2	-	-	2	1	-	Awaiting update and 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. Council have advised they are completed.
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	Remaining recommendation in progress.
2023/24											
IKEN Review	6	Moderate	1	5	-	-	-	1	2	2	Remaining recommendations in progress. Awaiting evidence for some which have been advised as completed.
Payroll	6	Limited	4	-	2	-	-	1	1	-	Awaiting update and evidence for remaining recommendations
Risk Management	6	Substantial	5	-	-	1	-	-	-	1	Remaining recommendation 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	5	-	-	-	3	2	-	All recommendations in progress.
Budgetary Control	7	Substantial	3	4	-	-	-	-	2	2	All recommendations in progress.
Mobile Device Management	Confidential										
2024/25											
Air Quality Duty Review	5	Substantial	-	-	5	-	-	-	1	4	Awaiting update and evidence for recommendations

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	9	-	-		1	6	2	All recommendations in progress
Procurement Cards	10	No	-	-	10	-	1	1	6	2	Update received. Awaiting evidence for actions taken on recommendations
Homelessness	7	Limited	2	-	-	5		2	3	-	Recommendations not yet due.
Markets	7	Moderate	-	2	-	5	-	1	4	2	Recommendations in progress or not yet due.
Revenue and Benefits	6	Moderate	6	-	-	-	-	-	-	-	All actions have been completed.
Appraisals	6	Moderate	2	2	-	2	-	1	2	1	Recommendations in progress or not yet due.
Social Housing Rent Setting	3	Substantial	-	-	-	3	-	-	2	1	Recommendations not yet due.
<b>TOTALS</b>	<b>144</b>		<b>60</b>	<b>47</b>	<b>19</b>	<b>18</b>	<b>1</b>	<b>20</b>	<b>41</b>	<b>22</b>	

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"> <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 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"> <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.



## 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.

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