

Internal Audit Progress Report Accounts & Audit Committee (10th November 2020)

Pendle Borough Council

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1. Introduction

This progress report provides an update to the Accounts & Audit Committee in respect of the assurances, key issues and progress against the Internal Audit Plan for 2020/21 and to support the Head of Internal Audit Opinion.

A consolidated follow up position is reported on a periodic basis to the Accounts & Audit Committee.

2. Conformance with the Public Sector Internal Audit Standards during the pandemic

The Internal Audit Standards Advisory Board have issued guidance regarding conformance with the Public Sector Internal Audit Standards (PSIAS) during the coronavirus pandemic (May 2020). All our work continues to be delivered in full compliance with the PSIAS.

If, however, 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.

We are continuing to engage with the Council on a regular basis on the risks and issues you are facing and the assurances needed for year-end commitments.

3. Key Messages for Accounts & Audit Committee Attention

Since the last meeting of the Accounts & Audit Committee, there has been the focus on the following areas:

Revised Risk Assessment	The impact on the organisation of COVID-19 has required us to review your internal audit risk assessment and plan for 2020/21. We will continue to communicate with you on a regular basis to ensure the focus remains on the delivery of your Head of Internal Audit Opinion.
2020/21 Plan Reviews	The reviews below are currently in progress: <ul style="list-style-type: none">• Payroll & Establishment (fieldwork in progress);• Corporate Health & Safety (fieldwork in progress);• Risk Management (planning);• Treasury Management (fieldwork in progress);• Client function – Contract Management (fieldwork in progress);• GDPR (planning); and• Elections/ Electoral Register (planning).

	<p><u>2019/20 position</u></p> <p>The reviews of the Remote Working, Main Accounting System and NNDR are at draft report stage and will be reported to the committee in due course.</p>
Follow Up Position	<p>The current follow up position is reported on page 6 of this report. MIAA will undertake the follow up and ascertain the implementation status of all agreed recommendations. This will be reported to the Accounts & Audit Committee in January 2021.</p>
Request for Audit Plan Changes	<p>Accounts & 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"> • There are no current proposals to amend the approved audit plan.
Advisory and Support Role	<p>We will be involved in the Lancashire District councils Heads of Audit Meeting, and will feed back to the Council on key matters arising.</p>
<p>Events:</p> <p><i>Events in 2020 are being held as webinars</i></p> <p><i>Please speak to your Engagement Manager for further details</i></p>	<p><u>Collaborative Masterclass</u></p> <ul style="list-style-type: none"> • Inclusive Leadership - How to develop a culture that promotes intentional inclusion (9th October) • Uncovering hidden drivers that determine our motivation & build resilience (6th November) • Inspiring Behavioural Change (27th November)

Follow Up Recommendations

The table below provides a combined update to the Accounts & Audit Committee meeting of the progress made in the implementation of recommendations for the Council. Detailed progress against the individual recommendations still outstanding, together with original management responses and current status will be reported to senior management and revised timescales for implementation agreed. Fieldwork is in progress and an update will be provided to the next Committee meeting.

	Actions ready for review (in progress/ overdue)				
	Risk rating				
Service area – in progress/ overdue	Priority 1	Priority 2	High	Medium	Low
Raised by in-house team					
Corporate	12	11			
Democratic & Legal	-	1			
Economic Development & Tourism	-	-			
Engineering & Special Projects	-	1			
Environmental Health	-	2			
Executive Policy Unit	-	-			
Financial services	-	7			
Housing Regeneration services	-	4			
Human Resources	-	1			
ICT	1	2			

Waste Management	-	1			
Planning & Building Control	-	4			
Parks & Recreation	-				
Property Services	-	1			
Treasury Services	5	8			
Raised by MIAA					
Financial Services			1	3	2
Treasury Services			-	6	7
ICT			1	1	-
TOTAL	18	43	2	10	9

The recommendations agreed for the reviews within Financial and Treasury Services will be followed up as part of the annual audit.

Appendix A: Contract Performance

The primary measure of your internal auditor's performance is the outputs deriving from work undertaken. For 2020/21, we will be fulfilling our mission in a range of different ways that will enable us to provide sufficient assurance to support audit opinions, the Head of Internal Audit Opinion and the Annual Governance Statement.

The plan has been discussed with lead officers to determine the appropriate timing of individual work-streams to accommodate Council priorities, availability, mandatory requirements and external audit views.

General Performance Indicators

The following provides some general performance indicator information to support the Committee in assessing the performance of Internal Audit.

Element	Status	Summary
Delivery of the Head of Internal Audit Opinion	Green	There is ongoing engagement and communications regarding delivery of key reviews to support the Head of Internal Audit Opinion.
Timeliness	Amber	Reviews are in progress.
Qualified Staff	Green	MIAA Audit Staff consist of: 65% Qualified (CCAB, IIA etc.) 35% Part Qualified.
Quality	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.

Overview of the Head of Internal Audit Opinion Delivery

As set out in Section 1, due to the pandemic, Internal Audit will be fulfilling its mission in a range of different ways. Below sets out the overview of delivery for your Head of Internal Audit Opinion for 2020/21:

Head of Internal Audit Area	Status	Assurance Level
Governance, Democratic Governance & Strategic Priorities		
Client Function	Fieldwork in progress	
Risk Management	Planning	
Annual Report	Q4	
Core System/ Mandated Reviews		
Payroll & Establishment	Fieldwork in progress	
Creditors & Purchasing	Q4	
Main Accounting System	Q4	
Collection of Income & Reconciliations	Q4	
Service Delivery		
Treasury Management	Fieldwork in progress	
Corporate Health & safety	Fieldwork in progress	
Elections/ Electoral Register	Planning	
GDPR	Planning	
Housing Benefits	Q4	
Council Tax	Q4	
NNDR	Q4	
Follow Up		
Q2	Fieldwork in progress	N/A
Q4	Scheduled January 2021	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.

Appendix B: Critical/ High Risk Recommendations

There are no critical and/ or high risk recommendations to bring to the Committee's attention.

Appendix C: Assurance Definitions and Risk Classifications

MIAA Definitions		Pendle Borough Council Definitions	
Level of Assurance	Description	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.	Full	There is a sound system of internal control designed to achieve the system's objectives.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.	Substantial	While there is a basically sound system of control, there are weaknesses which may put the system objectives at risk.
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.	Limited	Weaknesses in the system of internal controls are such as to put 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.	None	There is either very weak or no control leaving the system open to significant error or abuse.

MIAA Definitions		Pendle Borough Council Definitions	
Risk Rating	Assessment Rationale	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. 	Priority 1	Major issues that we consider need to be brought to the attention of senior management.
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"> 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. 	Priority 2	Important issues which should be addressed by management in their areas of responsibility.
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.	Priority 3	Minor issues which provide scope for operational improvement.