

# Internal Audit Progress Report Accounts & Audit Committee (26<sup>th</sup> January 2021)

Pendle Borough Council

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# Contents

1. Introduction
2. Head of Internal Audit Opinion Delivery
3. Conformance with the Public Sector Internal Audit Standards during the pandemic
4. Key Messages for Accounts & Audit Committee Attention

Appendix A: Contract Performance

Appendix B: Critical & High Level Risk Action Plans

Appendix C: Risk Classification and Assurance Levels

## 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. Head of Internal audit Opinion Delivery

We are continuing to engage with you on a regular basis on the risks and issues they are facing and the assurances needed for year-end commitments. The focus remains on the delivery of the Head of Internal Audit Opinion (HOIAO). To deliver the HOIAO, we will form our opinion based on an assessment of:

- The organisation's Risk Management;
- Core and mandated reviews, including follow up; and
- A range of individual risk based assurance reviews reported in the year.

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. This is in accordance with the guidance issued by the Internal Audit Standards Advisory Board (May 2020) regarding conformance with the Public Sector Internal Audit Standards (PSIAS) during the coronavirus pandemic and was summarised in our Q1 and Q2 Audit Committee progress reports. All our work continues to be delivered in full compliance with the PSIAS.

## 3. Conformance with the Public Sector Internal Audit Standards during the pandemic

MIAA has recently been assessed against the requirements of the Public Sector Internal Audit Standards, an external quality assessment process which is required to be undertaken every 5 years.

The assessment was completed by an assessor from the Chartered Institute of Public Finance and Accountancy (CIPFA) and involved review of key documents and processes and interviews with a range of staff and a sample of key stakeholders (supplemented by a survey of wider key stakeholders).

We were assessed as being fully compliant with all standards, with the overall conclusion that "It is our opinion that MIAA fully conforms to the requirements of the Public Sector Internal Audit Standards".

The full report has been shared with the Accounts & Audit Committee Chair and Chief Executive and is available on request to all members.

## 4. 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:

<p><b>Revised Risk Assessment</b></p>	<p>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.</p>
<p><b>2020/21 Plan Reviews</b></p>	<p>Since the last meeting of the Accounts &amp; Audit Committee, the following reports have been finalised or in progress:</p> <ul style="list-style-type: none"> <li>• Treasury Management (final report – substantial assurance);</li> <li>• Client function – Contract Management (final report – substantial assurance);</li> <li>• Payroll &amp; Establishment (draft report);</li> <li>• Corporate Health &amp; Safety (draft report);</li> <li>• Risk Management (fieldwork in progress);</li> <li>• Key Financial Systems (scheduled for February 2021);</li> <li>• GDPR (fieldwork in progress); and</li> <li>• Elections/ Electoral Register (planning).</li> </ul> <p>The following reviews have been finalised (demonstrating the completeness of the 2019/20 plan):</p> <ul style="list-style-type: none"> <li>• Remote Working – Substantial Assurance;</li> <li>• Main Accounting System – Substantial Assurance; and</li> <li>• NNDR – Substantial Assurance.</li> </ul>
<p><b>Follow Up Position</b></p>	<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.</p>
<p><b>Request for Audit Plan Changes</b></p>	<p>Accounts &amp; 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"> <li>• There are no current proposals to amend the approved audit plan.</li> </ul>

<b>Advisory and Support Role</b>	We have represented the Council at the Lancashire Head of Audit Group and will be hosting the next meeting scheduled for the 6 <sup>th</sup> March 2021.
<b>Events:</b> <i>Events in 2020 are being held as webinars</i> <i>Please speak to your Engagement Manager for further details or go to:</i> <a href="https://www.miaa.nhs.uk/events">https://www.miaa.nhs.uk/events</a>	<b><u>Collaborative Masterclass</u></b> <ul style="list-style-type: none"><li>• Strengthening collaborative relationships with others (22nd January 2021)</li><li>• What have we learnt about mental health during the pandemic? (5th March 2021)</li><li>• Inspiring you and your organisation to greater health and wellbeing (26th March 2021)</li></ul>

## Follow Up Recommendations

**Objective:** To provide a combined update to the Accounts & Audit Committee meeting of the progress made in the implementation of recommendations for the organisation. The table below summarises the progress made in implementing the recommendations due for implementation.

Audit Report	Actions Ready for Review		Not Implemented	Partially Implemented	Implemented	Superseded
	Priority 1	Priority 2				
Corporate <sup>1</sup>	10	8	-	15	3	-
Democratic & Legal	-	2	-	1	1	-
Economic Development & Tourism	-	-	-	-	-	-
Engineering & Special Projects <sup>2</sup>	-	1	-	1	-	-
Environmental Health <sup>2</sup>	-	2	-	2	-	-
Executive Policy Unit	-	-	-	-	-	-
Housing Regeneration services	-	4	-	4	-	-
Human Resources <sup>2</sup>	-	7	-	7	-	-
ICT <sup>2</sup>	1	2	-	3	-	-

Waste Management <sup>2</sup>	-	1	-	1	-	-
Planning & Building Control <sup>2</sup>	-	4	-	4	-	-
Property Services <sup>2</sup>	-	1	-	1	-	-
<b>Total</b>	<b>11</b>	<b>32</b>	<b>-</b>	<b>39</b>	<b>4</b>	<b>-</b>

<sup>1</sup>The key financial system and GDPR recommendations raised by MIAA will be followed up as part of the annual assessment.

<sup>2</sup>waiting supporting evidence.

## 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	Green	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
<b>Governance, Democratic Governance &amp; Strategic Priorities</b>		
Client Function	Final Report	Substantial
Risk Management	Fieldwork in progress	
Annual Report	Q4	
<b>Core System/ Mandated Reviews</b>		
Payroll & Establishment	Draft Report	
Creditors & Purchasing	Q4	
Main Accounting System	Q4	
Collection of Income & Reconciliations	Q4	
<b>Service Delivery</b>		
Treasury Management	Final Report	Substantial
Corporate Health & Safety	Draft Report	
Elections/ Electoral Register	Fieldwork in progress	
GDPR	Fieldwork in progress	
Housing Benefits	Q4	
Council Tax	Q4	
NNDR	Q4	
<b>2019/20 Reviews</b>		
NNDR	Final Report	Substantial
Remote Working	Final Report	Substantial
Main Accounting System	Final Report	Substantial
<b>Follow Up</b>		
Q2	Completed	N/A
Q4	Scheduled April 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"> <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>	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"> <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>	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.