

Internal Audit Progress Report Accounts & Audit Committee (23rd March 2021)

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. Head of Internal Audit Opinion Delivery

We are continuing to engage with you on a regular basis on the risks and issues the organisation 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 processes;
- 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. 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	Since the last meeting of the Accounts & Audit Committee, the following reviews have been finalised or in progress: <ul style="list-style-type: none">• Corporate Health & Safety (final report – Substantial Assurance);• GDPR (final report – Moderate Assurance);• Risk Management (draft report);

	<ul style="list-style-type: none"> • Payroll & establishment (draft report); • Housing Benefits (fieldwork completed); • Key Financial Systems (fieldwork in progress); • Council Tax/ NNDR – scheduled for April 2021; and • Elections – scheduled for June 2021.
Follow Up Position	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.
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	MIAA recently hosted and represented the Council at the Lancashire Head of Audit Group held on the 6 th March 2021. Minutes of the meeting will be shared with the Council.
<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 or go to:</i></p> <p>https://www.miaa.nhs.uk/events</p>	<p><u>Collaborative Masterclass</u></p> <ul style="list-style-type: none"> • The outlook for the Public Sector (22nd April 2021) • Leading for Inclusion – what does this look like? The Big Question with John Amaechi (13th May 2021) • Leading for Change - the future for Integrated care systems (11th June 2021)

Follow Up Recommendations

Objective: To provide a combined update to the Accounts & Audit Committee meeting of the progress made in the implementation of recommendations by 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	Awaiting Mgmt response
	Priority 1/ High Risk	Priority 2/ Medium Risk					
Corporate and Financial Services ¹	-	8	2	-	2	1	3
Democratic & Legal	-	1	-	-	-	-	1
Engineering & Special Projects	-	1	-	-	-	-	1
Environmental Health	-	2	-	2	-	-	-
Housing Regeneration services	-	4	-	1	3	-	-
Human Resources	-	4	-	-	4	-	-
ICT	3	6	-	5	4	-	-
Waste Management	-	1	-	-	1	-	-
Planning & Building Control	-	4	-	-	-	-	4
Property Services	-	1	-	-	-	-	1
Total	3	32	2	8	14	1	10

¹The key financial system recommendations raised by MIAA are being followed up as part of the annual assessment.

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
Governance, Democratic Governance & Strategic Priorities		
Client Function	Final Report	Substantial
Risk Management	Draft Report	
Annual Report	Fieldwork in progress	
Core System/ Mandated Reviews		
Payroll & Establishment	Draft Report	
Creditors & Purchasing	Fieldwork in progress	
Main Accounting System	Fieldwork in progress	
Collection of Income & Reconciliations	Fieldwork in progress	
Service Delivery		
Treasury Management	Final Report	Substantial
Corporate Health & Safety	Final Report	Substantial
Elections/ Electoral Register	Scheduled for June 2021	
GDPR	Final Report	Moderate
Housing Benefits	Fieldwork completed	
Council Tax	Scheduled for April 2021	
NNDR	Scheduled for April 2021	
2019/20 Reviews		
NNDR	Final Report	Substantial
Remote Working	Final Report	Substantial
Main Accounting System	Final Report	Substantial
Follow Up		
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

The following critical/ high risk recommendations have been raised.

GDPR Review

Recommendations	Risk Rating	Implementation Date
The Council should ensure that the Information Asset Register is reviewed and updated. Use of pick lists, risk assessment and finance information assets should be considered and captured where necessary.	High	September 2021
The Council should consider whether the use of the email subfolder is suitably formalised and meets the Council's requirements, with specific consideration of business continuity in the event of the member of staff being absent or leaving the organisation.	High	

Appendix C: 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 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.
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.