

Internal Audit Progress Report Accounts & Audit Committee (October 2021)

Pendle Borough Council

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Your Team

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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.

Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

1 Introduction

This report provides an update to the Accounts & Audit Committee in respect of the progress made in against the Internal Audit Plan for 2021/22 and brings to your attention matters relevant to your responsibilities as members of the Accounts & 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 Accounts & Audit Committee. This progress report covers the period July 2021 to August 2021.

2 Executive Summary

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

2021/22 Audit Reviews	<p>Since the last meeting of the Accounts & Audit Committee, the following 2020/21 reviews have been finalised:</p> <ul style="list-style-type: none">• Payroll (Substantial Assurance);• Collection of Income & Debtors (Moderate Assurance); and• Creditors & Purchasing (Limited Assurance). <p>The following 2021/22 reviews are currently in progress:</p> <ul style="list-style-type: none">• Main Accounting System (draft report issued);• Conflicts of Interest (fieldwork completed);• Emergency Preparedness (fieldwork completed);• ICT Strategy (fieldwork in progress);• Cyber Security (fieldwork in progress); and• Disabled Facilities Grant (planning).
Follow Up	<p>A summary of the current status of all follow-up activity has been provided to management.</p>
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> <p>Audit Committee training</p> <p>The Accounts & Audit Committee is tasked with setting the organisation's risk appetite and ensuring that the framework of governance, risk management and control is in place to manage risk within this. The Committee plays a crucial role in supporting the Council meets these</p>

	<p>obligations. The role is a challenging one and needs strong, independent members with an appropriate range of skills and experience. It benefits from a strong collaborative relationship with the organisation to ensure that the committee gets the support and information that it needs. MIAA would support the Committee members by providing training regarding their roles and responsibilities, and role of the Committee.</p> <p>The Economic Recovery & Development Strategy was presented to the Policy & Resources Committee in July 2020, and a further report highlighting how the Strategy will be delivered is expected. Due to developments across the County, it is proposed that the Committee training would replace the review of Covid Recovery Plan.</p> <p>Restart Grant</p> <p>The Grant was offered by the Department for Business, Energy and Industrial Strategy (BEIS) as part of the wider set of measures to support the nation's economy and its businesses in response to Coronavirus (Covid-19) and specifically for businesses that have been affected by national restrictions and need support to reopen and start trading safely as the restrictions ease. The BEIS is to issue guidance for the Chief Executive and Chief Internal Auditor to sign and confirm the grant conditions have been complied with. It is proposed that this review replaces that of Contract audit.</p>
Insights	<p>Collaborative Masterclass Events</p> <p><u>Political Leadership: Learning How Democratic and Participatory Approaches Make a Difference Across Public Services</u> (16th September 2021)</p> <p><u>The energised workplace: Designing Work So That People Flourish</u> (14th October 2021)</p> <p><u>Leading for Social Change: Becky Margiotta, The Billions Institute</u> (11th November 2021)</p> <p><u>How the North West is facing the Building Back Fairer Challenge: Professor Sir Michael Marmot</u> (18th November 2021)</p> <p>Governance, Assurance and Risk Network (GARNET)</p> <p><u>Health & Care Bill & update of ICS developments in the Northwest</u> (15th September 2021)</p>

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 for your Head of Internal Audit Opinion for 2021/22:

HOIA Opinion Area	Status	Assurance Level	Planned Days
Core/ Mandated Assurances			
Key Financial Controls	Q4		Planned: 30 Actual: 0
Council Tax & NNDR	Q4		Planned: 15 Actual: 0
Housing Benefits	Q4		Planned: 10 Actual: 0
Restart Grant (previously Contract Audit)	Planning		Planned: 10 Actual: 1
Disabled Facilities Grant	Planning		Planned: 10 Actual: 1
Land Charges	Q4		Planned: 9 Actual: 0
Risk Based Assurances			
Leisure Trust	Planning		Planned: 10 Actual: 0.5
Partnership Working	Q3		Planned: 10 Actual: 0
Insurance	Q3		Planned: 9 Actual: 0
Conflicts of Interest	Fieldwork completed		Planned: 9 Actual: 8

HOIA Opinion Area	Status	Assurance Level	Planned Days
Audit Committee Training (previously COVID-19 Recovery Plan)	Planning		Planned: 10 Actual: 1
Joint Ventures	Q3		Planned: 10 Actual: 0
Emergency Preparedness	Fieldwork in progress		Planned: 10 Actual: 2
Client function	Planning		Planned: 10 Actual: 0.5
ICT Strategy	Fieldwork in progress		Planned: 10 Actual: 2
Cyber Security	Fieldwork in progress		Planned: 10 Actual: 2
Follow Up			
Qtr 2		N/A	Planned: 10
Qtr 4			Actual: 5
Management			
Head of Internal Audit Opinion/ Annual Report	Ongoing	N/A	Planned: 5 Actual: 1
Planning & Management			Planned: 10 Actual: 5
Reporting & Meetings			Planned: 10 Actual: 5
Contingency			Planned: 3 Actual: 0
Anti-Fraud Support			Planned: 20 Actual: 0

As the 2020/21 and 2021/22 internal audit plans were reprioritised nationally due to the impact of covid, the above table sets out the position for the remaining reviews; to be delivered by June 2022.

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: 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.	Each Audit Assignment	Green	100%
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	100%
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	Creditors & Purchasing (2020/21)			
Executive Sponsor	Interim Chief Finance Officer			
Objective	To provide assurance that the most significant key controls in the creditors and purchasing systems were appropriately designed and operating effectively in practice.			
Assurance Level	Limited Assurance			
Recommendations	0 X Critical	4 x High	3 x Medium	0 x Low
Summary/ Key Areas Agreed for Action	<p>During 2020/21 the Financial Services Team has made amendments to creditor payments processes, which were previously reliant on manual processes/ paperwork, to adapt to remote working arrangements. Due to the pandemic, working arrangements changed quickly and the Finance Team had to adapt to maintaining essential services, whilst also ensuring appropriate controls and checks were maintained.</p> <p>The Finance Team will revise the current policy and supporting procedures to incorporate all internal Finance processes. Best practice would be to review and amend annually to reflect current practices.</p> <p>Management will reinstate the monitoring in respect of setting up/ amending creditors and the independent checking process are being followed, until these are embedded.</p> <p>Bank detail grant application checks were being performed by the Chief Financial Officer and Financial Services Manager during 2020/21. For 2021/22 a check of all creditor details on the grant payment runs has been set up. Any differences between the details held on the creditor's module and those on the application are flagged to the Grants team.</p> <p>The Council will review the Authorised Signatory List for completeness and ensure all departments reflected are still required and form part of the Council structure. Further to this the Authorised Signatory List should be updated to reflect current individuals within the department.</p>			
Key Risks Highlighted with No Agreed Action	N/A			