

# Internal Audit Progress Report Accounts & Audit Committee (July 2023)

Pendle Borough Council

# Contents

## 1 Introduction

## 2 Key Messages for Accounts & Audit Committee Attention

**Appendix A:** Contract Performance 2022/23 & 2023/24

**Appendix B:** Performance Indicators

**Appendix C:** Follow up of previous audit recommendations

**Appendix D:** Assurance Definitions and Risk Classifications

## 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 respect of closure of the Internal Audit Plan for 2022/23 and progress on delivery of the 2023/24 Internal Audit Plan 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 Accounts & Audit Committee.

This progress report covers the period 15 March 2023 to 18 July 2023.

## 2 Executive Summary

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

2022/23 Audit Reviews	<p>Work on delivery of the 2022/23 internal audit plan is almost complete and we have completed sufficient audit work to enable us to form our 2022/23 Head of Internal Audit Opinion. Since the previous meeting of the Accounts and Audit Committee the following reviews have been finalised:</p> <ul style="list-style-type: none"><li>• <b>Nelson Town Deal</b> – Moderate assurance</li><li>• <b>Corporate Peer Review</b> - Substantial assurance</li><li>• <b>Budgetary Control</b> – Substantial assurance</li></ul> <p>The following reviews are at draft report stage awaiting management responses:</p> <ul style="list-style-type: none"><li>• <b>Procurement</b></li><li>• <b>Council Tax and NNDR</b></li><li>• <b>Housing Benefits</b></li></ul> <p>The following reviews are in progress:</p> <ul style="list-style-type: none"><li>• <b>Key Financial Systems</b> – fieldwork</li></ul> <p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2022/23.</p>
2023/24 Audit Reviews	<p>Work on delivery of the 2023/24 internal audit plan has commenced. The following reviews are in progress:</p> <ul style="list-style-type: none"><li>• <b>Housing inspections</b> (fieldwork)</li><li>• <b>Mandatory training</b> (planning)</li><li>• <b>IT Cyber security/IT resilience</b> (planning)</li><li>• <b>IT information security</b> (planning)</li><li>• <b>Food safety</b> (planning)</li></ul>

	<p>Since the previous Audit Committee we have also attended the Council's Corporate Governance Steering Group in July 2023.</p> <p>Appendix A provides an overview of the delivery of your Head of Internal Audit Opinion for 2023/24.</p> <p>Appendix B provides information on Internal Audit performance.</p>
Follow Up	<p>A summary of the current status of follow-up activity is included in Appendix C, however, we would draw the committee's attention to the following:</p> <p>There are four high priority recommendations outstanding, these relate to the following areas:</p> <ul style="list-style-type: none"> <li>• <b>Cyber Security</b> – there is one part of one high priority recommendation outstanding relating to implementation of new teams telephony system. The telephony replacement programme is underway with timescales for the DDi migration being negotiated with the required 3rd party providers. The aim was to have this rolled out by the end of May 2023; however, one provider cannot commit to a date in advance of this deadline. The speed dial facility is available as a standard function to all users and will be promoted to users during the rollout. Also guidance notes, FAQs and some externally provided training is being developed and provided.</li> <li>• <b>Payroll</b> – the one high priority recommendation in progress relates to ensuring that a robust process for verifying all requests regarding changes to bank details is in place including a documented process with this being made available to all staff via the intranet. This process should at least include phoning the employee to verify the request but implementing additional checks such as proof of ID should also be considered going forward. Implementation date was 30 April 2023.</li> <li>• <b>IT Chris Payroll system</b> - there are two high priority recommendations outstanding which both have revised implementation dates of 31 July 2023. The recommendations relate to review of Liberata's IT risk register and that the Council should seek third party assurances that controls over the Frontier technical operating environment are adequate in terms of both design, and operational adequacy. Both these recommendations are in progress.</li> </ul>
Audit Plan Changes	<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> <p>There are no proposed changes to the Audit Plan.</p>
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. Public Sector Internal Audit Standards (PSIAS) require MIAA to 'develop and maintain a quality assurance and improvement programme that covers all aspects of the</p>

	<p>internal audit activity.’ This programme must include internal and external assessments.</p> <p>External assessments must be conducted at least once every five years. Our last external assessment was completed in 2020 and concluded MIAA fully complies with PSIAS (as previously reported to Audit Committee).</p> <p>We also undertake regular internal assessments to ensure our ongoing compliance with requirements. We have recently completed our annual self-assessment of compliance with PSIAS and can confirm full compliance with PSIAS.</p>
Cyber Essentials	<p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security in order to protect not only our information and systems but to protect the data we collect and create through our audit and advisory activities with clients.</p> <p>We have consistently submitted a compliant NHS Data Security and Protection Toolkit return and have, for several years, been certified to the national Cyber Essentials standard.</p> <p>This October, however, we enhanced this further becoming one of only circa 20 NHS organisations certified to the more exacting Cyber Essentials Plus standard. Certification to this standard required rigorous independent testing of our cyber security controls across our devices. That we have achieved this certification is a demonstration not only of the security of our devices but also a validation of the proactive monitoring and maintenance that we have in place to protect data and systems from malicious threats.</p>
Insights	<p>Events</p> <ul style="list-style-type: none"> <li>• <a href="#"><u>Strengthening our sector – How we can harness our community assets through effective community leadership (15<sup>th</sup> September 2023)</u></a></li> </ul>

## Appendix A: 2022/23 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 2022/23:

HOIA Opinion Area	Status	Assurance Level
Core/ Mandated Assurances		
Risk Management	Final report issued	Substantial
Key Financial Controls	Fieldwork	
Council Tax & NNDR	Draft report	Substantial
Housing Benefits	Draft report	Substantial
Risk Based Assurances		
Nelson Town Deal	Final report	Moderate
Corporate Peer Review	Final report	Substantial
Grants	Days used for grant claim	N/A
Budgetary Control	Final report	Substantial
Procurement	Draft report	Moderate
Treasury Management	Final report issued	Substantial
Payroll	Final report issued	Moderate
Critical application – Payroll system	Final report issued	Limited
2021/22 reviews (to be reflected in 2022/23 HOIA)		
Key Financial Systems	Final report issued	Moderate
Housing Benefits	Final report issued	Substantial
Council tax and NNDR	Final report issued	Substantial
Leisure Trust	Final report issued	Substantial
Follow Up		
Qtr 1	Complete	N/A

HOIA Opinion Area	Status	Assurance Level
Qtr 2	Complete	N/A
Qtr 3	Complete	N/A
Qtr 4	Complete	N/A

#### Management

Head of Internal Audit Opinion/ Annual Report	Ongoing	N/A
Planning & Management		
Reporting & Meetings		
Contingency		

## Appendix A: 2023/24 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 2023/24:

HOIA Opinion Area	Status	Assurance Level
Core/ Mandated Assurances		
Risk Management Core Controls	Q3	
Finance Systems Deep Dive	Q4	
Revenue & Benefits	Q4	
Risk Based Assurances		
Third party suppliers	Q3	
Transformation Programme	Q3	
Planning	Q3	
Housing inspections	Q1/2	Fieldwork
Food Safety	Q2	Planning
Mandatory Training	Q2	Planning
Performance Management	Q4	
IT Cyber Security/IT resilience	Q1	Planning
IT information security	Q2	Planning
Follow Up		
Qtr 1	Complete	Final
Qtr 2		
Qtr 3		
Qtr 4		
Management		
Head of Internal Audit Opinion/ Annual Report	Ongoing	N/A



HOIA Opinion Area	Status	Assurance Level
Planning & Management		
Reporting & Meetings		
Contingency		

## 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	We are on track to be able to provide the Council with a Head of Internal Audit Opinion in line with the required timescales.
Issue a Client Satisfaction Questionnaire following completion of every audit.	Each Audit Assignment	Green	Questionnaire issued with each audit report.
Percentage of recommendations raised which are agreed	Each Audit Committee	Green	Actions agreed by the Council on all recommendations raised.
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: Follow up of previous audit recommendations

### Follow Ups

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Client Function (2020/21)	6	Substantial	3	3	-	-	-	-	1	2	Remaining recommendations have revised date of 31 July 2023
Conflicts of Interest (2021/22)	11	N/A	3	6	2	-	-	-	-	-	Partially implemented recommendations have a revised implementation date of 31/7/23 and 30/11/23. Note that recommendations were not risk rated.
Client Function – Liberata (2021/22)	4	Substantial	3	1	-	-	-	-	1	-	Remaining recommendation has revised date of 31 July 2023.
Joint Ventures (2021/22)	5	Substantial	2	-	-	3	-	-	3	-	These recommendations fall within the portfolio of the Head of Economic Growth. This post is being appointed to. Follow up to be undertaken in Q4 2022/23.
ICT Strategy (2021/22)	5	Limited	4	1	-	-	-	-	1	-	One medium priority recommendation outstanding.
Cyber Security Remote working (2021/22)	5	Moderate	-	5	-	-	-	1	4	-	Recommendations mostly complete, but some parts of each recommendation are still in progress. MIAA to review the Information Security Handbook. High risk recommendation in respect of rollout of teams telephony was not actioned by original implementation date.
Emergency Preparedness (2021/22)	6	Limited	6	-	-	-	-	-	-	-	All recommendations actioned.

Accounts & Audit Committee Progress Report (July 2023)  
Pendle Borough Council

AUDIT TITLE (YEAR)	NO OF RECS MADE	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Housing Benefits (2021/22)	2	Substantial	2	-	-	-	-	-	-	-	Recommendations superseded.
Council tax & NNDR (2021/22)	4	Substantial	4	-	-	-	-	-	-	-	All recommendations actioned/superseded.
Key Financial Controls (2021/22)	7	Moderate	6	1	-	-	-	-	1	-	Follow up of remaining recommendation underway as part of ongoing audit.
Leisure Trust (2021/22)	2	Substantial	2	-	-	-	-	-	-	-	All recommendations actioned.
IT Payroll CHRIS system	4	Limited	2	2	-	-	-	2	-	-	Partially implemented high risk recommendations have a revised implementation date of 31/7/23.
Treasury Management (2022/23)	4	Substantial	3	-	-	1	-	-	-	1	Three recommendations actioned, remaining recommendation being followed up.
Risk Management (2022/23)	2	Substantial	-	-	-	2	-	-	1	1	The recommendations have a revised implementation date of 31/7/23.
Payroll (2022/23)	5	Moderate	2	1	-	2	-	1	1	1	High recommendation due 30/4/23 is currently in progress.
Corporate Peer Challenge (2022/23)	3	Substantial	2	-	-	1	-	-	1	-	Recommendations actioned through report to Executive June 2023. Further clarification requested regarding one recommendation.
Budgetary Control (2022/23)	2	Substantial	-	-	-	2	-	-	2	-	Recommendations not due until 31 October 2023.
<b>Totals</b>	<b>77</b>	<b>-</b>	<b>44</b>	<b>20</b>	<b>2</b>	<b>11</b>	<b>-</b>	<b>4</b>	<b>16</b>	<b>5</b>	

\*Conflicts of interest recommendations were not risk rated.

Key to recommendations:

✓/S      Implemented or Superseded  
P        Partially implemented/recommendation in progress  
X        Recommendation not implemented  
ND/FUIP   Not due for follow up

C      Critical priority recommendation  
H      High priority recommendation  
M      Medium priority recommendation  
L      Low priority recommendation

## Appendix D: 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 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>
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.