

Internal Audit Annual Report & Head of Internal Audit Opinion 2023/24

Pendle Borough Council

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1 Executive Summary

We are pleased to have provided your internal audit services for 2023/24. The highlights of the delivery of our services are summarised in this report.

This annual report provides your 2023/24 Head of Internal Audit Opinion, together with the planned internal audit coverage and outputs during 2023/24 and MIAA Quality of Service Indicators.

Key Area	Summary
Head of Internal Audit Opinion	<p>The overall opinion for the period 1st April 2023 to 31st March 2024 provides Substantial Assurance, that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.</p> <p>This opinion is provided in the context that the Council like other organisations across the public sector is facing a number of challenging issues and wider organisational factors particularly with regards to financial challenges and increasing collaboration across organisations and systems.</p> <p>In providing this opinion we can confirm continued compliance with the definition of internal audit (as set out in your Internal Audit Charter), code of ethics and professional standards. We also confirm organisational independence of the audit activity and that this has been free from interference in respect of scoping, delivery and reporting.</p> <p>The purpose of our Head of Internal Audit (HoIA) Opinion is to contribute to the assurances available to the Accountable Officer and the Council which underpin the Council's own assessment of the effectiveness of the system of internal control. As such, it is one component that the Council takes into account in making its Annual Governance Statement (AGS).</p> <p>The opinion does not imply that we have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework.</p>
Planned Audit Coverage and Outputs	<p>The 2023/24 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year. Review coverage has been focused on:</p> <ul style="list-style-type: none">• The organisation's assurance framework• Core and mandated reviews, including follow up; and• A range of individual risk-based assurance reviews. <p><i>Please include the summary text in the table above when referring to the HoIA Opinion in your AGS.</i></p>

Key Area	Summary
Recommendations / Management Actions	<ul style="list-style-type: none"> • We have raised 50 recommendations as part of the reviews undertaken during 2023/24. All recommendations raised by MIAA have been accepted by management. • Of these recommendations: 0 were critical and 8 were high risk recommendations in relation to the reviews of Procurement, Food Safety, Housing Inspections, Information Governance and Performance Management (Appraisals). • During the course of the year, we have undertaken follow up reviews and can conclude that the organisation implemented 75 actions during 2023/24. • The total number of recommendations yet to be implemented as at 14 May 2024 is 32, five of these are high risk. • Of the 32 actions yet to be implemented, 0 critical risk 0 high risk, 6 medium risk and 2 low risk were overdue at 14 May 2024. The remaining 24 recommendations were not yet due.
MIAA Quality of Service Indicators	<p>MIAA operate systems to ISO Quality Standards. The External Quality Assessment, undertaken by CIPFA (2020), provides assurance of MIAA's full compliance with the Public Sector Internal Audit Standards (PSIAS). We also undertake regular internal assessments to ensure our ongoing compliance with requirements. In year we completed our annual self-assessment of compliance with PSIAS and can continue to confirm full compliance with these standards.</p> <p>MIAA are committed to delivering and demonstrating the highest standards of information governance and cyber security 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 we are one of only circa 20 NHS organisations certified to the 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>

2 Head of Internal Audit Opinion

Your internal audit service has been performed in accordance with MIAA's internal audit methodology which conforms with PSIAS. PSIAS require that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform our work to obtain sufficient, appropriate evidence on which to base our conclusion.

2.1 Roles and Responsibilities

The whole Council is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The AGS is an annual statement by the Leader of the Council and Chief Executive, on behalf of the Council setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievements of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's assurance framework should bring together all of the evidence required to support the AGS requirements.

In accordance with PSIAS, the HoIA is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Accounts & Audit Committee, which can provide assurance, subject to the inherent limitations described below. The outcomes and delivery of the internal audit plan are provided in Section 4.

2.2 Opinion

Our opinion is set out as follows:

- Basis for the Opinion;
- Overall Opinion; and
- Commentary

2.2.1 Basis for the Opinion

The basis for forming our opinion is as follows:

- 1 An assessment of the design and operation of the underpinning strategic governance, risk management arrangements and supporting processes.
- 2 An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management's progress in respect of addressing control weaknesses identified.
- 3 An assessment of the organisation's response to Internal Audit recommendations, and the extent to which they have been implemented.

2.2.2 Overall Opinion

Our overall opinion for the period 1st April 2023 to 31st March 2024 is:

High Assurance, can be given that there is a strong system of internal control which has been effectively designed to meet the organisation's objectives, and that controls are consistently applied in all areas reviewed.	
Substantial Assurance , can be given that that there is a good system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently.	✓
Moderate Assurance , can be given that 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 of the organisation's objectives at risk.	
Limited Assurance, can be given that there is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls impacts on the overall system of internal control and puts the achievement of the organisation's objectives at risk.	
No Assurance, can be given that 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 organisation's objectives.	

2.2.3 Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our opinion covers the period 1st April 2023 to 31st March 2024 inclusive, and is underpinned by the work conducted through the risk-based internal audit plan.

Risk Management

Our work has consisted of reviewing the Council's risk management arrangements as part of the 2023/24 internal audit plan which provided an overall substantial assurance rating. Two recommendations were made regarding ensuring that there is a defined terms of reference for both the Corporate Governance Steering Group and the Risk Management Working Group together with ensuring that risk management training is planned and delivered in line with the risk management strategy and that compliance is monitored.

Core & Risk-Based Reviews Issued

We issued:

0 high assurance opinions:	Not applicable	2 limited assurance opinions:	Information Governance Performance Management (Appraisals) (draft)
6 substantial assurance opinions:	Risk Management Key Financial Systems (22/23) Budget setting & monitoring Third party suppliers – Liberata Planning applications Mandatory Training	0 no assurance opinions:	Not applicable
3 moderate assurance opinions:	Procurement (22/23) Food Safety Housing Inspections	0 reviews without an assurance rating	Not applicable

Follow Up

During the course of the year we have undertaken follow up reviews and can conclude that the organisation has made **good progress** with regards to the implementation of recommendations. We will continue to track and follow up outstanding actions.

Chris Harrop

Managing Director, MIAA
March 2024

Louise Cobain

Assurance Director, MIAA
March 2024

3 Internal Audit Coverage and Outputs

The 2023/24 Internal Audit Plan has been delivered with the focus on the provision of your Head of Internal Audit Opinion. This position has been reported within the progress reports across the financial year.

Of the reviews completed in the year, assurance ratings were given in 11 cases. The audit assignment element of the Opinion is limited to the scope and objectives of each of the individual reviews. Detailed information on the limitations (including scope and coverage) to the reviews has been provided within the individual audit reports and through the Accounts & Audit Committee Progress Reports throughout the year.

A summary of the reviews performed in the year is provided below:

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
1	Risk Management	Substantial	-	-	1	1	2
2	Key Financial Systems (22/23)	Substantial	-	-	1	1	2
3	Budget setting & monitoring	Substantial	-	-	1	2	3
4	Third party suppliers – Liberata	Substantial	-	-	2	2	4
5	Planning applications	Substantial	-	-	2	2	4
6	Mandatory Training	Substantial	-	-	5	-	5
7	Procurement (22/23)	Moderate	-	1	2	2	5
8	Food Safety	Moderate	-	1	4	-	5
9	Housing Inspections	Moderate	-	1	4	1	6

	Review	Assurance Opinion	Recommendations Raised				
			Critical	High	Medium	Low	Total
10	Information Governance	Limited	-	3	2	3	8
11	Performance Management (Appraisals) (draft)	Limited	-	2	4	-	6
	TOTAL		-	8	28	14	50

We will continue to follow up progress against all recommendations as part of the 2024/25 Internal Audit Plan.

ADVISORY SUPPORT AND GUIDANCE: Areas where MIAA have supported the organisation in strengthening arrangements in respect of governance, risk management and internal control.

Attendance at Corporate Governance Steering Group – MIAA attend this group to update on internal audit delivery and the implementation status of previous internal audit recommendations as well as provide any support and guidance on governance, risk management and internal control issues.

CONTRIBUTION TO GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ENHANCEMENTS: *Additional areas where MIAA have provided added value contributions.*

Involvement and relationship with the organisation (e.g. attendance at the Corporate Governance Steering Group).

Ongoing discussion with lead Officers, Managers and Non-Executive Directors throughout the year.

Effective utilisation of internal audit including in year communication, and changes to the audit plan in respect of inclusion of review of Budgetary Control/Medium term financial plan.

To keep our clients informed on emerging governance and wider policy developments we ran 10 events in 23/24 as part of our North West Masterclass Collaboration. Each event was accompanied by an event summary published on our website. We also issued a Risk Management Checklist for Local Authorities to support organisations in assessing their risk maturity.

Continued involvement and representation on National Bodies including the Institute of Internal Auditors (IIA) and CIPFA enabling us to be proactive in sharing best practice, wider benchmarking and providing early insights on national issues.

4 Areas for Consideration – your AGS

The Head of Internal Audit Opinion is one source of assurance that the organisation has in providing its AGS other third party assurances should also be considered. In addition the organisation should take account of other independent assurances that are considered relevant.

We have identified a number of other strategic challenges that should be considered by the Council when drafting the AGS. Whilst the scope of the Internal Audit Plan would have considered elements of these, it is important that the Council reflects more widely on how these should be factored into the AGS.

Areas for consideration include:

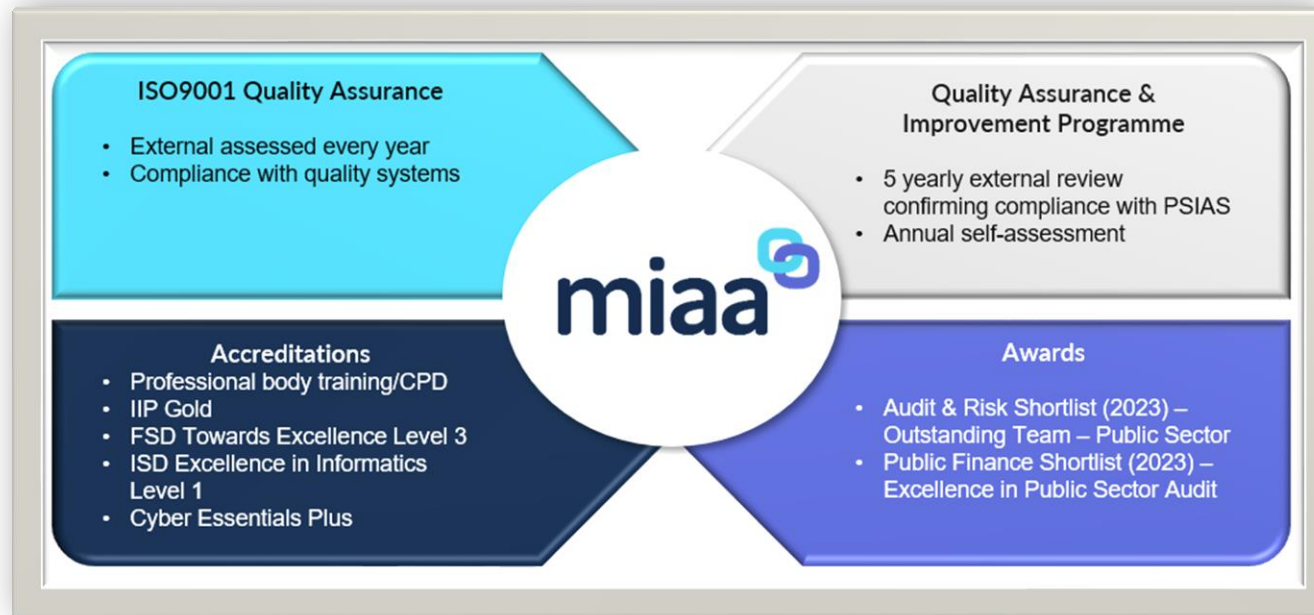
- Wider partnership/ collaborative working and engagement across the Lancashire Footprint (e.g. Lancashire Resilience Forum).
- Continued establishment and delivery of cross-organisation arrangements for the Better Care Fund and other pooled budgets development (e.g. Education, Lancashire County Council, Nelson & Colne College and the Health & Wellbeing Board)
- Ability to deliver major programmes and projects such as Nelson Town Deal and Joint Venture Partnership schemes.
- Impact of the revised financial regime on decision making, achieving financial duties, ongoing financial viability, delivery of savings, service pressures and key relationships/ performance of third parties.
- Changes to governance, risk management and internal control arrangements (including the impact on decision making processes).
- Impact of the COVID-19 response on the ongoing delivery of services and compliance with legislative and regulatory requirements (e.g UK Corporate Governance Code). Maintenance and improvement of the quality of services alongside and overall organisation performance, including the delivery of targets.
- Council leadership, including any significant changes to the Council and Senior Management Team
- Workforce capacity, engagement, wellbeing and development.
- Ensuring there is a fit for purpose infrastructure.
- Cyber security, information governance risks and any associated reportable incidents to the Information Commissioner.
- Relationship and management of 3rd party providers upon which the organisation places reliance, and the provision of assurances from these (e.g. Liberata).
- Compliance with all relevant laws, standards and regulations.
- Organisation performance, including challenges in achieving financial duties, delivery of Priority Based Budgets and service pressures managed in year.
- Wider partnership working risks and challenges.

5 Ensuring Quality

MIAA's strategy has quality at the heart of everything we do and our overall approach to quality assurance includes ISO9001:2015 accreditation, compliance with PSIAS, the quality of our people and how we supporting them, staffing levels, compliance and outcome measures.

Professional Standards and Accreditations

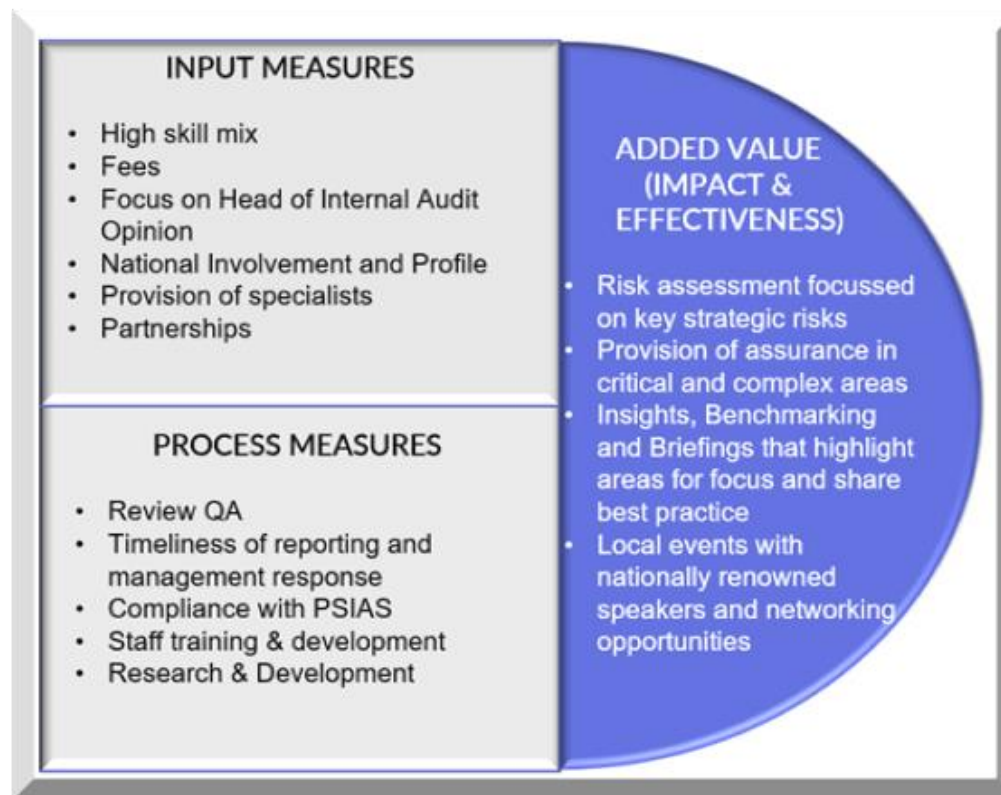
MIAA comply fully with professional best practice, internal audit standards and legal requirements.



Service delivery and outcome measures

It is important that client organisations ensure an effective Internal Audit Service, and whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. The infographic on this page confirms the measures that we believe demonstrate an effective service to you.

MIAA regularly report on input and process KPIs as part of our Audit Committee Progress reports, and the impact and effectiveness measures can be assessed through the HOIA Opinion.



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