

# Internal Audit Progress Report

## Audit Committee (12 November 2024)

Pendle Borough Council

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## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

## 1 Introduction

This report provides an update to the Accounts & Audit Committee in respect of progress against the 2024/25 Internal Audit Plan 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 Audit Committee.

This progress report covers the period 20 September 2024 to 31 October 2024.

## 2 Key messages for Accounts & Audit Committee

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

### Audit Reviews

The following reviews have been finalised:

- **Council tax & NNDR** – Substantial assurance
- **Sickness absence** – Substantial assurance
- **Follow up** – see **Appendix D**

Refer to **Appendix C** for details of Key Areas and Actions to be delivered.

The following reviews are at draft report stage:

- **Colne Muni project briefing note** (awaiting management responses)
- **Finance deep dive** (awaiting management responses)
- **Performance reporting & data quality** (awaiting management responses)
- **Homelessness** (undergoing QA)

The following reviews are currently in progress:

- **Complaints & Learning** (fieldwork)

- **Customer Care** (planning)
- **Risk Management** (planning)
- **IT Critical application (IDOX system)** (planning)

### Follow up of previous internal audit recommendations

A summary of the current status of follow-up activity is included in Appendix D, however, we would draw the committee's attention to the following:

Of the 53 recommendations set out in Appendix D, 33 of these have either been fully actioned or are in progress/partially addressed. The remaining 20 recommendations are not yet due for action.

There are no critical and 6 high priority recommendations; three of these relate to the Information Governance audit and are in progress with a revised date of 31 December 2024; the remaining three recommendations relate to the Staff performance/appraisals and Cyber resilience audits and are not yet due.

See **Appendix D** for further details.

### Audit Plan Changes

Audit Committee approval will be requested for any amendments to the original plan and highlighted separately below to facilitate the monitoring process.

- There are no proposed changes to the audit plan.

### Public Sector Internal Audit Standards

In January the Institute of Internal Auditors issued revised Global Internal Audit Standards (GIAS).

The Relevant Internal Audit Standard Setters (RIASS) for the UK Public Sector have agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector and have issued a consultation on applying GIAs in the UK public sector which is now live and available on the UK Public Sector

Internal Auditing Standards Advisory Board (IASAB) website [Consultation on Internal Audit Standards in the UK Public Sector | CIPFA \(iasab.org\)](https://www.iasab.org/consultation). Closing date of 31st October.

MIAA are represented on the IASAB and have directly contributed to the consultation documentation.

The implementation date for the new standards in the UK public sector will be 1st April 2025. Until then, the existing Public Sector Internal Audit Standards will continue to apply.

When the IASAB issues finalised material for application in the UK public sector MIAA will review this and amend our processes if required to continue to ensure full compliance with standards.

The latest updates from the IASAB can be accessed via the following link: <https://www.iasab.org/latest-news>

## MIAA Quality of Service Indicators

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 internal audit activity.' This programme must include internal and external assessments.

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).

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.

## Added Value

### Briefings

Our latest briefings/blogs/podcasts are:





[24/25 MIAA Insight - Conflicts of Interest Checklist \(Local Authorities\)](#)






### Events

- [Evidence Based Working \(22 Nov 2024\)](#) How Can a Better Evidence-Based Approach Support Local Government to Meet its Challenges? Rob Brinan, a Professor of Organisational Psychology in the School of Business and Management. will be joining us to explore what we know in relation to how local government responds to situations, and how a more evidence-based approach may improve practice.

## Appendix A: 2024/25 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 24/25:

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Core/Mandated Assurances				
Risk Management		Planning – ToR issued		
Finance Systems Deep Dive		Q4		
Revenue & Benefits		Q4		
Risk Based Assurances				
Performance Reporting & Data Quality		Draft report issued		
External Governance Review Response		Q3/Q4		
Complaints & Learning		Fieldwork		
Customer Care		Q2/3 – Planning		
Homelessness		Draft report stage		
Joint Ventures		Q4		
Building Control		Q4		

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Sickness Absence		Final report issued	Substantial	November 2024
IT Critical Application: IDOX System		Q3 - Planning		
Colne Municipal Theatre review		Draft briefing note issued	N/A	
2023/24 reviews not included in 2023/24 HOIAO				
IT Cyber resilience		Final report issued	Substantial	September 2024
Finance Deep Dives		Draft report issued		
Revenue and Benefits		Final report issued	Substantial	November 2024
Follow Up				
Qtr 1	N/A	Complete	N/A	July 2024
Qtr 2	N/A	Complete	N/A	September 2024
Qtr 3	N/A	Complete	N/A	November 2024
Qtr 4	N/A			



## 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: Key Areas from our Work and Actions to be Delivered

Report Title (Assurance Level)	Council tax & NNDR (Substantial assurance)			
Executive Sponsor	Director of Resources			
Objective	The overall objective was to review the Council's council tax and NNDR policies aligned to best practice and to provide assurance around the debt management processes in place for Council Tax and NNDR collection.			
Recommendations	0 x Critical	0 x High	1 x Medium	3 x Low
Summary	<p>The system in place for the management of debts was found to be well administered, up to date and with a clear audit trail available for each individual debt. The council's information available in respect of exemptions and discounts was found to align to national guidance for the main sections used.</p> <p>There was an overall liability for council tax due to the council at the commencement of 2024/25 of £62m of this over £10 million related to council tax arrears. There was £20 million due in relation to NNDR charges, £2 million of which related to arrears.</p> <p>It was noted through sample testing and discussion that there is a perceived sense of apathy taken towards council tax debt by some debtors with correspondence not being responded to and bailiffs ignored. There is no sanction of imprisonment and there aren't always assets to seize if the bailiffs can gain entry to a property. The debt will not appear on the credit record of the customer and the attachment of earnings in respect of benefits received can be for amounts of £4.20 week, meaning the debt rises following the levy of each annual charge.</p> <p>Two systems, Northgate and Comino, are used to manage the debt with a clear audit trail being available for all outstanding debts (37) tested. All had clear contact notes and dates of contact indicating that all in the sample had been recently reviewed. Meetings with Liberata and also internally, to discuss the debt, were noted. Reconciliations were found to have been accurately maintained with the two Enforcement Agencies being used and the write offs and refunds had all been appropriately authorised prior to being transacted.</p>			

	<p>Key findings arising from our review were:</p> <p>There are settings in the Northgate system that allow customers to change their payment methods which will set them back to the bill stage, this can be used to reset the clock for court appearance or bailiff visits. <b>(Medium priority)</b></p> <p>There was one transaction noted where action by the team at Liberata were required, this was to remedy a system error. <b>(Low priority)</b></p> <p>From over 200 procedure notes for council tax and NNDR at Liberata over 100 were developed in 2015 and had not been reviewed since. <b>(Low priority)</b></p> <p>There were a few areas noted in the comparrison between discounts and exemptions offered by PBC and the government where the council had not included certain elements on their internet site for cutomers to note. <b>(Low priority)</b></p>
Key Areas Agreed for Action	<ul style="list-style-type: none"> <li>• We will raise with NEC to see if enhancements can be made to the CA system. <b>(Medium priority, action date TBC)</b></li> <li>• The action required by Liberata regarding system glitch has now been resolved. <b>(Low priority)</b></li> <li>• Liberata's knowledge hub is there to cover all eventualities and policies of all the contracts Liberata undertake work for. There are specific procedures for Pendle with any contractual differences shown in those. The Billing and Recovery team leaders along with the Policy team regularly update and amend any policy changes. We do however keep historic procedures as we may have process to undertake that relate back to several years earlier. I will recommend to the policy team that a review is undertaken again to ensure we do not have information on there that is no longer required. <b>(Low priority, action by 31 March 2025)</b></li> <li>• Will review the Council's website and amend/update discount and exemption information as and when required. <b>(Low priority, action by 31 March 2025)</b></li> </ul>
Key Risks Highlighted with No Agreed Action	N/A

Report Title (Assurance Level)	Sickness absence management (Substantial assurance)			
Executive Sponsor	Director of Resources			
Objective	The overall objective of the review was to evaluate the systems and processes in place to ensure that managers were proactively managing sickness absence, ensuring compliance with policy.			
Recommendations	0 x Critical	0 x High	3 x Medium	0 x Low
Summary	<p>The council has one of the highest sickness absence rates for local authorities within the region, this is a long-standing issue. The council has an in-house Waste Services Department which other local authorities currently outsource; this staff group has the highest rate of sickness absence.</p> <p>The sickness absence management processes in place were generally found to be robust and being followed by all departments. The Council uses the Jadu system for all staff to record and monitor sickness absence.</p> <p>There was a clear Attendance policy &amp; Procedure in place and the workforce strategy was being reviewed. Training was available for all managers and for all staff upon induction, whilst not all managers selected in this review had undertaken the training offered, the uptake has increased over the past two years. <b>(Medium priority)</b></p> <p>Our testing covered 22 individuals, over 61 occurrences, and 603 sick days across all service areas. It was found that Return-to-work forms had been completed on all but one occasion. Fit notes were retained for those reviewed where applicable and there was clear evidence of assistance being offered to employees through 'employee assist' or local groups. Fit notes, where applicable, had been received for all staff reviewed, trigger points highlighted, and formal meetings undertaken.</p> <p>The management of sickness absence is overseen by the Corporate Management Team, CMT, with Heads of Service discuss sickness absence in performance clinics with the CMT on a quarterly basis.</p> <p>Managers receive comprehensive absence reports from Liberata, and Liberata, in February 2024, presented a paper to the CMT in respect of improvement ideas for consideration. Minutes of the CMT meeting, where this improvement paper was presented, did not reflect fully the discussion of all the ideas that were presented. <b>(Medium priority)</b></p>			

	<p>From the sample selected there were a small number of instances noted where processes had not been followed or documentation was incomplete. These were in respect of one short-term absence meeting being missed due to staffing issues, one missed call after 4-days absence and one return to work form not being completed and a formal stage 1 meeting not being undertaken. The correct processes to follow should be reinforced throughout the council by means of updated messages on the intranet, emails and increased offers of training for managers. <b>(Medium priority)</b></p>
Key Areas Agreed for Action	<ul style="list-style-type: none"> <li>• Consideration will be given to adding this to the Council's mandatory training programme. HR will ensure training is refreshed on an annual basis and appropriate records are made. This can be done as part of a presentation of annual sickness data. <b>(Medium priority, ongoing)</b></li> <li>• Improvement paper to be included as part of overall attendance report in paper to CMT to ask for further clarity on recommendations. <b>(Medium priority, action by 30 November 2024)</b></li> <li>• Whilst we feel that this is already happening, we will improve our processes into issuing targeted messages to managers via guidance text added to the reminder emails for 4 days and 8 days to help managers on asking and documenting appropriate questions. Training to be organised and made mandatory for all managers, potentially at future Extended Management Team (EMT) sessions. Consideration also being given to sharing the Annual Absence Report to CMT with EMT which will contain reminders of the correct processes for absence management. <b>(Medium priority, action by 30 November 2024)</b></li> </ul>
Key Risks Highlighted with No Agreed Action	N/A

## Appendix D: Follow up of previous internal audit recommendations

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Joint Ventures (2021/22)	5	Substantial	3	2	-	-	-	-	2	-	The two outstanding recommendations relate to ensuring there are terms of reference in place for any JV working groups and defining the performance information the Council requires from the JV as well as formalising role of executive officers involved in JV and handling of conflicts of interest. These recommendations will be followed up as part of the Joint Venture audit to take place in Q4.
Council Tax and NNDR (2022/23)	3	Substantial	2	1	-	-	-	-	1	-	One recommendation is in progress in regard to production of debt write off policy with a revised implementation date of 31/10/24.
Key Financial Systems (2022/23)	2	Substantial	2	-	-	-	-	-	-	-	All recommendations actioned.
Mandatory Training (2023/24)	5	Substantial	-	-	-	5	-	-	5	-	Recommendations not due for follow up – revised dates have been provided for these recommendations 30/11/24 – 31/1/25. (Original dates were June/July 2024).
Housing Inspections (2023/24)	6	Moderate	6	-	-	-	-	-	-	-	All recommendations actioned.
Budget setting & monitoring (2023/24)	8	Substantial	5	2	-	1	-	-	1	2	One recommendation relating to budget holder training is not due until 31 December 2024. The two other recommendations relate to updating of Financial Procedure Rules document (revised date 31 December 2024) and providing more timely financial reporting information to the Executive and Council (revised date 31 October 2024).

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Third Party Suppliers – Liberata (2023/24)	4	Substantial	3	1	-	-	-	-	1	-	Outstanding recommendation is in progress with revised implementation dates of 30/11/24 (Original implementation date 31 August 2024) The outstanding recommendation relates to development of Customer Contact Strategy & Digital Strategy.
Information Governance (2023/24)	5	Limited	-	5	-	-	-	3	2	-	Recommendations in progress. Revised dates of 31 December 2024 (original implementation date 31 August 2024). The high priority recommendations relate to review of Council's IG resources, identifying IG training needs, ensuring there is a Record of Processing Activity including policy, ensuring all information assets are recorded in an Information Asset Register with IAO and IAA identified and ensuring that any contracts with suppliers which have an IG implication or provide support to IT systems that process council data are identified and that the contracts include the relevant IG clauses and a DPIA is undertaken.
Staff Appraisals (2023/24)	6	Limited	-	-	-	6	-	2	4	-	Recommendations not due for follow up until 31 March 2025. The two high priority recommendations relate to review of the performance review process and ensuring this is followed by managers and putting in place a monitoring system to follow up any non-compliance.
IT Cyber Resilience (2023/24)	2	Substantial	-	-	-	2	-	1	1	-	Recommendations not due for follow up until 30 November 2024. The high priority recommendation relates to putting in place a Council back up policy, review of Recovery Point Objectives and Recovery Time Objectives and ensuring completion of full back up restore test.
Council tax & NNDR (2024/25)	4	Substantial	1	-	-	3	-	-	1	2	Recommendations not due for follow up. Implementation date 31 March 2025.
Sickness absence (2024/25)	3	Substantial	-	-	-	3	-	-	3	-	Recommendations not due for follow up. Implementation date 30 November 2024.
<b>Totals</b>	<b>53</b>	<b>-</b>	<b>22</b>	<b>11</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>6</b>	<b>21</b>	<b>4</b>	

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 E: 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 is likely to 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.

## 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.

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