

Internal Audit Progress Report

Audit Committee (25 March 2025)

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 21 January – 14 March 2025.

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:

- **Homelessness** – Substantial assurance
- **Finance Deep Dive** – Moderate assurance
- **Follow up** – see Appendix D

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

The following reviews are currently in progress:

- **Risk Management** (fieldwork concluding, report being drafted)
- **Customer Care** (fieldwork)
- **IT Critical application (IDOX system)** (fieldwork)
- **Council tax & NNDR** (fieldwork)
- **Finance Deep Dives** (fieldwork)
- **Emergency planning** (fieldwork)
- **Disabled Facilities Grant** (fieldwork)

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 66 recommendations set out in Appendix D, 25 of these are not due for follow up.
- This leaves 41 recommendations of which 24 have been fully actioned and 17 recommendations which are in progress.
- There are no critical and 6 high priority recommendations outstanding/not yet due:
 - Three relate to the Information Governance audit and are in progress with a revised date of 31 May 2025.
 - Two relate to the staff performance/appraisals review are not due until 31 March 2025.
 - The remaining high recommendation relates to the cyber resilience review which now has a revised date of 31 March 2025.

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 is one proposed change to the audit plan:

- It is requested that the planned review of the council's response to the External Audit Governance Review is cancelled and the days carried over to the 2025/26 audit plan. The rationale is that the review would no longer be of value as the Council's external auditors have followed up on these recommendations. The days allocated for this review will be utilised in 2025/26 for an audit of the Nelson Town Deal.

The Accounts & Audit Committee are requested to consider the above proposal for approval.

Added Value

Briefings

Our latest briefing

[24/25 MIAA Insight - EU Artificial Intelligence Act and its wider implications](#)








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


Events

- [The Power of Collaboration \(26th March 2025\)](#): This online Masterclass will build on the insights from the Messenger and Darzi review, and eagerly anticipating the release of the 10-year health plan. Additionally, the social care workforce plan emphasises transformation and a unified workforce approach, underscoring the necessity for partnership and collaboration in our operations

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		Fieldwork concluding, report being drafted		
Finance Systems Deep Dive		Fieldwork		
Council tax & NNDR (Revenue & Benefits)		Fieldwork		
Risk Based Assurances				
Performance Reporting & Data Quality		Final report issued	Substantial	January 2025
External Audit Governance Review Response		Proposal to cancel review – days carried forward to 25/26.		
Complaints & Learning		Final report issued	Moderate	January 2025
Customer Care		Fieldwork		
Homelessness		Final report issued	Substantial	March 2025

HOIA Opinion Area	TOR Agreed	Status	Assurance Level	Audit Committee Reporting
Emergency Planning (was Joint Ventures)		Fieldwork		
Disabled Facilities Grant (was Building Control)		Fieldwork		
Sickness Absence		Final report issued	Substantial	November 2024
IT Critical Application: IDOX System		Fieldwork		
Colne Municipal Theatre review		Final briefing note issued	N/A	January 2025
2023/24 reviews not included in 2023/24 HOIAO				
IT Cyber resilience		Final report issued	Substantial	September 2024
Finance Deep Dives		Final report issued	Moderate	March 2025
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	Complete		January & March 2025

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	Homelessness			
Executive Sponsor	Director of Place			
Assurance opinion	Substantial			
Objective	<p>The overall objective of the audit was to evaluate the design and operating effectiveness of the arrangements that the Council has in place to manage the key risks of Homelessness.</p> <p>Scope Limitation: The scope of this review focused on the objectives described in the terms of reference and was limited to the controls in operation at the Council. The review does not provide assurance that legal requirements have been met. Our review did not include review and testing of controls around approval of temporary accommodation costs; these controls will be reviewed as part of our 2024/25 Finance Deep dive review.</p>			
Recommendations	0 x Critical	0 x High	2 x Medium	0 x Low
Summary	<p>Overall, our review found that there was a good system of control appropriately designed and operating effectively. The Council had a Homeless and Rough Sleeping strategy in place covering 2019 – 2024 although it is recognised that this now requires update.</p> <p>At the time of the audit the Council's Housing team had had issues with resources within the team, although a new member of team had recently commenced in their role. The numbers of potential homeless have also increased over the last few years resulting in further pressures on the team and on the Council's finances. Despite this the Housing Team was found to be meeting its Key Performance Indicator targets.</p> <p>Review of a sample of cases within the Locata system found that required documentation had been completed, cases had been closed in a timely manner and there was evidence of communication with the client.</p>			

	<p>The Council's Housing Team works closely with partners across the Borough and in other areas in order to prevent and reduce homelessness.</p> <p>Our key findings relate to reviewing and updating the Council's Homelessness and Rough Sleeping Strategy and action plan as these were out of the date of the time of the audit. (Medium priority) The Housing team also have a number of policies and procedures in place which require review, updating and consolidation. (Medium priority)</p>
Key Areas Agreed for Action	<ul style="list-style-type: none"> • This is a reasonable recommendation and helps ensure the council continues to undertake a strategic approach towards addressing homelessness in the borough. A homelessness review, strategy and action plan have been produced which will be considered by the council in March 2025. (Medium priority, action by 31 March 2025) • All staff need to continue to be fully aware of all internal policies and procedures to ensure the service continues to meet all legislative requirements and provides this vital service for all. This is a reasonable recommendation and a review of all policies and procedures is already underway. It is anticipated this process will be completed by the end of March 2025. (Medium priority, action by 31 March 2025)
Key Risks Highlighted with No Agreed Action	N/A

Report Title	Finance Deep Dives – Fixed Assets & Ledger			
Executive Sponsor	Director of Resources			
Assurance opinion	Moderate			
Objective	<p>The overall objective of the review was to provide assurance that the most significant key controls in the areas of General Ledger and Fixed Assets are appropriately designed and operating effectively in practice.</p> <p>Scope Limitation: The controls reviewed relate to the 2023-24 financial year. Tests relating to fixed assets were not able to be completed because the ledgers were not up to date at the time of the audit.</p>			
Recommendations	0 x Critical	1 x High	4 x Medium	0 x Low
Summary	<p>The Council had a financial processes control schedule for ensuring that all nominal ledger feeder systems (such as cash and bank, revenues, creditors, journals and payroll) are processed in a timely manner, either weekly or monthly. This provides for inputs from feeder systems to be checked before processing. Accounts that require regular reconciliations have been identified and responsibility for review allocated to senior staff. This confirmed that there is integrity in the financial information produced from the ledgers.</p> <p>Access to General Ledger records is well controlled with a single final approval point by the Systems Accountant. There are access profiles aligned to role requirements with authorisation limits for invoice processing built into the workflow.</p> <p>Fixed Assets are recorded both in the Finance ledger and in the asset registers within the operational areas controlled by the budget holders. Finance records were noted to be up to date and used for cash budget monitoring purposes by project type. Key findings include:</p> <ul style="list-style-type: none"> For the financial year 2023/24, there has been no reconciliation between the fixed asset registers and the financial ledgers as required by the Council Financial Procedure Rules. This was due to the Council, at the time of this audit, focusing on finalising the accounts for 2022/23. There is a risk that fixed assets may not be accounted for on a timely basis. (High priority) 			

	<ul style="list-style-type: none"> • Not all balance sheet reconciliations were evidenced as reviewed by a senior official in a timely manner. (Medium priority) • The financial journals log was not being evidenced as reviewed after posting into the general ledger. (Medium priority) • There is no oversight on the inputs of super users to the finance systems. (Medium priority) • Approval of the ledger systems is from the service head, helpdesk and Systems Accountant but there is no formal Standard Operating Procedure to ensure all are aware of their respective accountabilities. (Medium priority)
Key Areas Agreed for Action	<ul style="list-style-type: none"> • The Council already undertakes annual fixed asset stocktakes. The 2024/25 process will be undertaken as at 31st March 2025 and reflected in the 2024/25 Statement of Accounts. (High priority, action now completed) • The issue was due to backlog following transfer of cash reconciliation process from Liberata. The reconciliations are now up to date and reviewed monthly. (Medium priority, action now completed) • The Head of Finance receives and reviews the monthly journal list. (Medium priority, action now completed) • This is an accepted risk in order to deliver the service. Changes are only made for leavers/new starters or on manager request and there is a full audit trail within the system. (Medium priority, no further action) • The Council will develop a standard operating procedure for approval of system users. (Medium priority, action by 31 March 2025)
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. We have requested an update on these recommendations.
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, work on this is ongoing.
Mandatory Training (2023/24)	5	Substantial	-	5	-	-	-	-	5	-	Recommendations not due for follow up – revised dates have been provided again for these recommendations 30 June & 31 July 2025. (Original dates were June/July 2024, then revised to 30 Nov 24 & 31 January 2025). The recommendations are in progress, work has begun to collect information in terms of what training has been provided. Two training systems currently in use, review being undertaken to assess if Sharepoint can be used to record all training.
Budget setting & monitoring (2023/24)	8	Substantial	7	-	-	1	-	-	1	-	The outstanding recommendation is regarding the update of the Financial Procedure Rules to include a procedure for virements in excess of £100,000. Review of the FPR's is underway as part of a wider constitution review. (Original implementation date 30 September 2024)
Third Party Suppliers – Liberata (2023/24)	4	Substantial	3	1	-	-	-	-	1	-	Outstanding recommendation is in progress with revised implementation dates of 31 March 2025. (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 May 2025 (original implementation date 31 August 2024, then revised to 31 December 2024). The high priority recommendations relate to review of Council's IG resources,

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
											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. Work is ongoing to implement these recommendations.
Staff performance /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	-	Revised dates for implementation have been provided of 31 March 2025 (original dates were 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	2	1	-	-	-	-	1	-	Outstanding recommendation relates to the decisions regarding recommendations in the sickness absence improvement paper. These have been further discussed with EMT and a proposal made to CLT in March 2025 regarding the way forward.
Colne Municipal Theatre (2024/25)	4	N/A	2	2	-	-	-	-	-	-	Outstanding recommendations are in progress - a working group has been set up to develop a suite of project/ programme management documents.
Complaints & Learning (2024/25)	10	Moderate	-	-	-	10	-	-	6	4	Follow up not due until 31 March 2025.

AUDIT TITLE (YEAR)	NO OF RECS	ASSURANCE LEVEL	PROGRESS ON IMPLEMENTATION				OUTSTANDING RECOMMENDATIONS				COMMENTS
			✓/S	P	X	Not due/ FUIP	C	H	M	L	
Homelessness (2024/25)	2	Substantial	-	-	-	2	-	-	2	-	Follow up not due until 31 March 2025.
Finance Deep Dives	5	Moderate	4	-	-	1	-	-	1	-	Follow up not due until 31 March 2025.
Totals	66	-	24	17	-	25	-	6	28	6	Plus 2 recommendations 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/Follow up in progress
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"> 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 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"> 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.

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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