



Internal Audit Service

Internal Audit – Progress Report

May 2021

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1. Summary of Progress against Internal Audit Plan

Summary of Progress against the 2020/21 revised plan.

Audit Review	Stage of Audit	Date Assurance Reported to A&G Committee
<u>Assurance</u>		
Section 106/ CiL Monies	Fieldwork	
Key Control - Vehicle and Plant	Final Report Issued	May 2021
Fuel Management	Final Report Issued	January 2021
Waste Transfer Site – Admin & Storage	Final Report Issued	May 2021
Parks and Playgrounds Inspection Regime		
Service Charges - Leaseholders	Final Report Issued	May 2021
Disabled Facilities Grants	Final Report Issued	January 2021
Estates – Rent Accounts & Utilities		
Tawd Valley Developments	Ongoing work	
C-19 Business Grants – Post Event Assurance	Report to BEIS	
<u>Main Financial Systems</u>		
Housing Benefits and CTRS	Final Report Issued	May 2021
Creditors	Final Report Issued	May 2021
Debtors	Draft Report Issued	May 2021
Council Tax	Final Report Issued	January 2021
Business Rates	Draft Report Issued	May 2021
Rents	Pre-Draft Report	
Payroll	Fieldwork	
Treasury Management	Moved to 2021/22	
Main Accounting	Fieldwork	
<u>Cross Cutting</u>		
Corporate Governance	Pre-Draft Report Issued	
<u>ICT Audit</u>		
GDPR	Ongoing support	N/A
Total	21	

- 1.1 For the period 1st July 2020 to 12th May 2021 progress against the plan for the financial year 2020/21 has been good with 85% of planned audit work either completed or nearing completion, compared to 83% in 2019/20. Since the last report to the Audit and Governance Committee in January 2021, six audits relating to 2020/21 have been completed to final report issued stage and two completed to draft report issued stage.
- 1.2 A review of the Internal Audit Annual Plan was undertaken by the Internal Audit Manager and the following audits postponed to enable staffing resource to be transferred to undertake C-19 Business Grants – post assurance checks, review of Public Sector Internal Audit Standards, recommendation implementation follow up and project support work:
- Parks and Playgrounds Inspection Regime
 - Estates – Rent Accounts and Utilities
 - Treasury Management
- 1.3 One member of the internal audit team has historically been involved in non-audit work relating to parishes and payroll finance. From November 2020 part of the payroll element transferred to Finance Business Partners thus increasing available

audit resources. The Finance and Audit Manager is giving consideration to the transfer of the remaining non-audit work to Finance.

1.4 Additional unplanned work continued to be undertaken during the period following individual requests from management and Officers:

- Work to advise management on new systems and procedures within the Council.
- General advice on Council processes and controls.
- Advice was sought from a variety of service areas regarding the Covid-19 response as processes and procedures had to change in line with Government advice.
- Continued support on a number of Council projects, acting as a critical friend and providing advice on internal controls and risk where required.

Summary of Progress against the 2021/22 draft plan.

Audit Review	Stage of Audit	Date Assurance Reported to A&G Committee
<u>Assurance</u>		
Ormskirk Market & Speciality Markets		
Use of Council Assets by Commercial Organisations		
Allotments	Fieldwork	
Garden Waste Service		
Bulky Waste		
Property Services - Asbestos		
Voids		
Furnished Tenancies		
Housing Allocations		
Whistleblowing Policy	Fieldwork	
Code of Conduct for Officers and Members		
Procurement		
Business Grants Covid - 19 Post Payment Assurance		
<u>Main Financial Systems</u>		
Housing Benefits and CTRS		
Creditors		
Debtors		
Council Tax		
Business Rates		
Rents		
Treasury Management	Fieldwork	
Main Accounting		
<u>Cross Cutting</u>		
Business Continuity		
Corporate Land Allocation budget responsibilities		
Ground Rents and Wayleaves		
Corporate Governance		
<u>ICT Audit</u>		
GDPR		
<u>Annual Reviews</u>		
Public Sector Internal Audit Standards Review		

Audit Review	Stage of Audit	Date Assurance Reported to A&G Committee

2. Audit Opinions and Priorities for Recommendations

2.1 Assurance rating system

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following levels of assurance are provided following Internal Audit's work.

Substantial	<p>Level of Assurance = High</p> <p>The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives being achieved.</p> <p>There is a low risk of fraud, negligence, loss or damage to reputation.</p>
Moderate	<p>Level of Assurance = Medium</p> <p>The controls evaluated are generally well designed, appropriate in scope and applied in the main consistently and effectively, but some weaknesses have been identified that require management attention. These issues increase the risk that some objectives may not be fully achieved.</p> <p>There is a medium/low risk of fraud, negligence, loss or damage to reputation.</p>
Limited	<p>Level of Assurance = Low</p> <p>Some controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively. However, issues of poor design, gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues if unresolved, mean that objectives may not be achieved.</p> <p>There is a medium risk of fraud, negligence, loss or damage to reputation.</p>
No	<p>Level of Assurance = None</p> <p>Expected controls are absent, or where evaluated are flawed in design, scope or application leaving the system open to error or abuse. The auditor is unable to form a view as to whether objectives will be achieved.</p> <p>There is a high risk of fraud, negligence, loss or damage to reputation.</p>

2.2 Recommendation Priority Levels

In order to assist management in using our reports all recommendations made in all internal audit reports are given a priority level as set out in the table below:

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
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Priority 2	A significant system weakness, whose impact of frequency presents risk to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

- 2.3 No system of internal control can eliminate every possible risk and increasing the level of control in a system frequently increases costs. Balancing risk appropriately against the costs of control is management's responsibility.
- 2.4 Internal Audit's role is to evaluate and improve the effectiveness of risk management and control processes.
- 2.5 It is important to recognise that the scope of the work in each area examined defines the limits of the assurance which can be provided and to give context to the assurance provided work is summarised in Section 3 below.

3. Assurance reports

Audit Year 2020/21

Details of the final reports and draft reports relating to 2020/21, issued during the period 1st January 2021 to 12th May 2021 are as follows:

Final Reports Issued

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
Key Control – Vehicle & Plant	Limited	8	2	1
Housing Benefits / CTRS	Moderate	1	2	0
Creditors	Moderate	0	10	6
Council Tax	Moderate	2	7	7
Waste Transfer Site	Moderate	3	2	2
Service Charges-Leaseholders	Limited	6	8	6

3.1 Key Control – Vehicle & Plant (*Limited Assurance*)

3.1.1 The following key areas in relation to the Council's management of key control for vehicle & plant were reviewed by Internal Audit:

- Key control for Council vehicles, plant and machinery.
- Policy and procedures in place.
- Arrangements in place for duplicate keys.
- Processes in place for lost or stolen keys.

3.1.2 Systems and procedures reviewed by Internal Audit were found to be weak, the following key findings were identified:

- The list of vehicle registrations provided to Internal Audit did not match information held by the service managers thus potentially impacting on the Council's insurance arrangements.
- There are no documented policy or procedures for staff to follow.
- There is no guidance or procedure to follow for lost or stolen keys.
- Issues surrounding access to one council facility were identified.

3.2 Housing Benefits and CTRS (*Moderate Assurance*)

3.2.1 The following key areas in relation to the Housing Benefits and CTRS were reviewed by Internal Audit:

- Input of parameters into the Northgate system
- Processing of Claims
- Awarding of the CTR COVID-19 Hardship Fund
- Reconciliation processes.

3.2.2 Systems and procedures in relation to Housing Benefits and CTRS, reviewed by Internal Audit were found to be satisfactory, the following key findings were identified:

- There is no evidence that a reconciliation is undertaken between Rent Allowances and Council Tax Reduction.
- From sample testing undertaken a few errors were noted. These are being rectified by the service area at the time of the audit.

3.3 Creditors (*Moderate Assurance*)

3.3.1 The following key areas in relation to Creditors, were reviewed by Internal Audit:

- Temporary Covid-19 procedures for payment processing.
- Controls to identify duplicate payments.
- Controls for changing supplier bank account details.

3.3.2 Systems and procedures in relation to Creditors, reviewed by Internal Audit, were found to be satisfactory, however, there were some areas of weakness identified:

- There are some instances where the temporary Covid-19 procedures in place are conflicting with the requirements of the Council's authorisation matrix that is maintained by Internal Audit. For example, an individual, who has new supplier and purchase order approval permissions on the matrix was also given invoice authorisation permissions on the temporary procedures, a function under the matrix that they do not usually have. This has resulted in no separation of duties for this officer.
- From sample checking undertaken, segregation of duty controls that the authorisation matrix stipulates had been bypassed in a number of ways.
- Purchase Orders are not always being raised by officers and therefore controls are being circumvented.
- A small number of duplicate payments, four in total, from the period 1/4/20 to 30/9/20 were identified by Internal Audit. Rectification of the duplicate payments made was commenced at the time of the audit.

3.4 Council Tax (*Moderate Assurance*)

3.4.1 The following key areas in relation to Council Tax, were reviewed by Internal Audit:

- Review of Single Person Discount (SPD)
- Direct Debit Process
- Parameters
- Review of a sample of current Council Tax accounts

3.4.2 Systems and procedures in relation to Council Tax reviewed by Internal Audit were found to be satisfactory, the following key findings were identified:

- The National Fraud Initiative (NFI) matches are not being investigated.
- Regular review is not undertaken of discounts that have been awarded.

3.5 Waste Transfer Site (*Moderate Assurance*)

3.5.1 The following key areas in relation to the Waste Transfer Site were reviewed by Internal Audit:

- Guidance and procedures in place in respect of the waste transfer station and weighbridge.
- Actions that were identified as part of Environment Agency audit have been implemented.

- Results of the Green Triangle Management Systems audits and implementation of actions.
- Process for collections at WLBC and disposals sent to LCC.
- Management of Health & Safety risks in relation to the Waste Transfer Station.

3.5.2 Systems and procedures in relation to the Waste Transfer Site, reviewed by Internal Audit were found to be satisfactory, the following key findings were identified:

- The Waste Transfer Site did not have the correct Environment Agency permit in place, however, work to rectify this has been ongoing and an application made for the appropriate permit;
- The Council lost its Competent Person with the Waste Management Industry Training and Advisory Board (WAMITAB) qualification as part of SORP and the new Waste Services Manager is currently undertaking training to gain this qualification.
- The Health & Safety Documentation is out of date.

3.6 Service Charges – Leaseholders (*Limited Assurance*)

3.6.1 The following key areas in relation to Leaseholders were reviewed by Internal Audit:

- Leaseholder system, policies and procedures
- Methodology for leaseholder charges for 2019/20 and 2020/21 financial years.
- Application and monitoring of leaseholder charges.
- Split of costs between leaseholders and tenants.
- Council's compliance with guidelines for leaseholders.
- Leaseholder billing process and procedure.

3.6.2 Systems and procedures in relation to Leaseholders, reviewed by Internal Audit were found to be weak, the following key findings were identified:

- There are no policy or procedures in respect of the Leaseholder Service apart from a limited Income Recovery process.
- The calculation of the Advanced Payment Fund (APF) is not accurate.
- Section 20's, which is a notice to tell the leaseholder that the Council intends to carry out work or provide a service that leaseholders will have to pay towards, are not being undertaken in all incidences where major work is required.
- There is a lack of recovery for aged debt.

Draft Reports Issued

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
Debtors	Moderate	2	7	7
Business Rates	Moderate	0	3	3

3.7 Debtors (*Moderate Assurance*)

3.7.1 The following key areas in relation to Debtors were reviewed by Internal Audit:

- Covid-19 procedures for raising debtors, including return to recovery procedures.
- Additional methods of payment introduced to encourage payment.
- Impact and resolution with late delivery of reminder letters in August 2020.

3.7.2 Systems and procedures in relation to Debtors, reviewed by Internal Audit were found to be satisfactory, the following key findings were identified:

- There are no corporate instructions available for WLBC Officers to follow in relation to the creation of debtor accounts and their responsibilities.
- Appropriate reconciliations to ensure that all income due is received are not always undertaken by service areas.

- There are no payment terms listed on the front of the debtors invoice, and whilst the reverse states that the invoice should be paid within 7 days there are instances in some service areas where the payment terms differ and are subject to a lease or other agreement.
- There are no corporate instructions in relation to payment terms.

3.8 Business Rates (*Moderate Assurance*)

3.8.1 The following key areas in relation to Business Rates were reviewed by Internal Audit:

- Accounts processed correctly
- Reliefs and exemptions
- Changes to Business Rates Liability
- Previous audit recommendations
- Post Covid-19 Business Grant checks

3.8.2 Systems and procedures in relation to Debtors, reviewed by Internal Audit were found to be satisfactory, the following key findings were identified:

- There are no review dates on reliefs and exemptions granted resulting in them continuing indefinitely or until the customer makes contact with the Council.
- The income maximisation project recommended by SORP had been suspended for year-end processing but had not recommenced due to the team providing support in relation to Covid-19 business grant work. Therefore the income target had not been achieved.

4. Follow-Up Reviews

4.1 Internal Audit have been contacting officers throughout the audit year in respect of recommendation implementation. The Internal Audit Manager has acknowledged that progress to implement audit recommendations may have been delayed or halted due the impact of Covid-19. Further details regarding the status of Internal Audit recommendations are detailed below in Section 8 of this report.

5. Fraud

5.1 The Council is taking part in the National Fraud Initiative (NFI) and required data sets have been provided to the Cabinet Office for data matching purposes. Reports of data matches have been received for a number of categories and work to investigate high risk matches will commence in the coming weeks.

5.2 The annual review of the Council's compliance with CIPFA Managing the Risk of Fraud has been hold while the Internal Audit Manager was undertaking Covid-19 work. This review is now underway and the outcome, in the form of an action plan, will be reported to this committee in due course.

6. Project Support

6.1 The Internal Audit Team has provided support on a number of Council projects during 2020/21 and this will continue throughout 2021/22. In order to preserve Internal Audit independence, Internal Audits role in project work is to act as a critical friend and provide advice on internal controls, risk and governance. The main projects Internal Audit will be working on are:

- Income Management
- Procurement
- Business Support

- Information Governance (GDPR)
- Revenues and Benefits

7. Performance Indicators

7.1 The Internal Audit Service introduced a suite of Performance Indicators (PI's) for 2020/21. However, due to the impact of Covid-19 three out of the five were suspended.

Performance Indicator	Target	As at 12 th May 2021
1. Completion of the audit plan	90% of the audit plan completed by the end of plan review period	85%
2. Customer satisfaction	Through key question customer satisfaction surveys – target 90% satisfaction of Very Good, Good or Average rating.	100%
3. % of recommendations confirmed fully implemented at time of formal follow up	90% of recommendations made	Suspended
4. Timely production of draft report	80% of draft reports issued within 4 weeks of end of fieldwork	Suspended
5. Timely agreement and issue of the final report	80% of final reports (including agreed management action plan) issued within 5 weeks of draft report	Suspended

7.2 As part of the Internal Audit Annual improvement review a refresh of the performance indicators has been undertaken and the following will be reported to CMT and Audit and Governance Committee at every meeting. It should be noted that implementation of recommendations will be subject to a separate section of this progress report and will contain more detail:

Indicator	Target	Purpose
% Completion of the Internal Audit Annual Plan	90% of the audit plan completed by the end of the financial year, 31 st March 2022	This measures the extent to which the Internal Audit Plan agreed by Audit and Governance Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council's systems.
% audit recommendations	Priority 1 = 100% Priority 2 = 95%	Acceptance of audit recommendations by

Indicator	Target	Purpose
accepted by management, analysed by Priority Level	Priority 3 = 90%	<p>Management ensures that where improvements are required to the internal control environment, appropriate action will be taken to secure these enhancements.</p> <p>However, there can be occasions where recommendations are disputed. In these cases, there may be justifiable reasons for management not supporting the recommendation, e.g. compensating controls have been put in place.</p> <p>Conversely, management can take the decision to accept the risks identified, particularly if insufficient resources preclude action being taken.</p> <p>However, this will mean that there are vulnerabilities in systems of internal control, which are not being addressed and details of which must be recorded on Pentana.</p>
Timely agreement and issue of the final report	80% of final reports (including agreement and completion of the Management Action Plan) issued within 5 weeks of the draft report.	Ensures that Audit Reports are issued in a timely manner with any findings and recommendation being relevant.
Customer Satisfaction Feedback	95% of feedback is Very Good, Good or Average rating	Ensures that the service being provided by Internal Audit continues to add value. Any negative feedback will be treated constructively and help to improve the service as required.

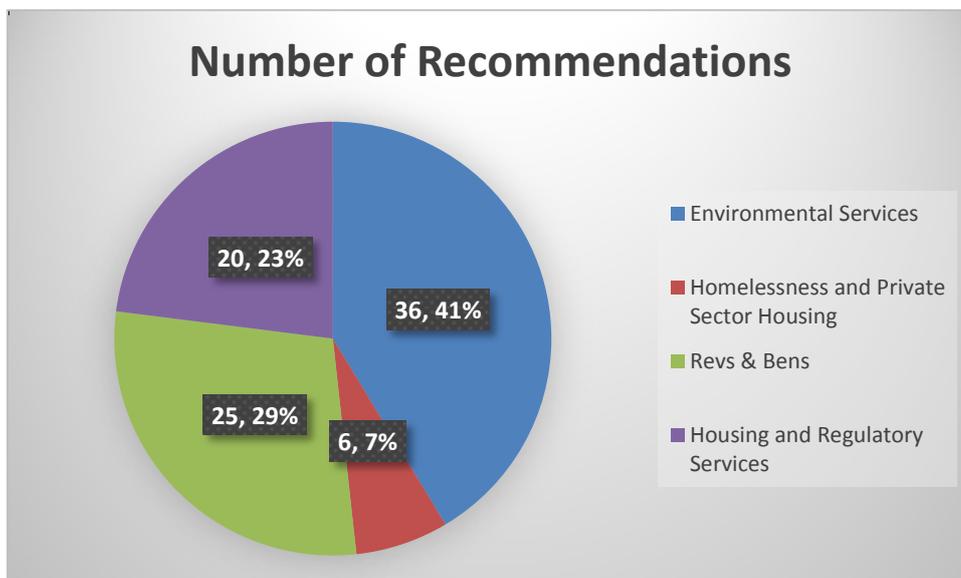
8. Internal Audit Recommendation Summary Information

8.1 The reporting of recommendation implementation progress will be provided to this committee at each meeting. Recommendation implementation progress is also reported to the Corporate Management Team on a quarterly basis.

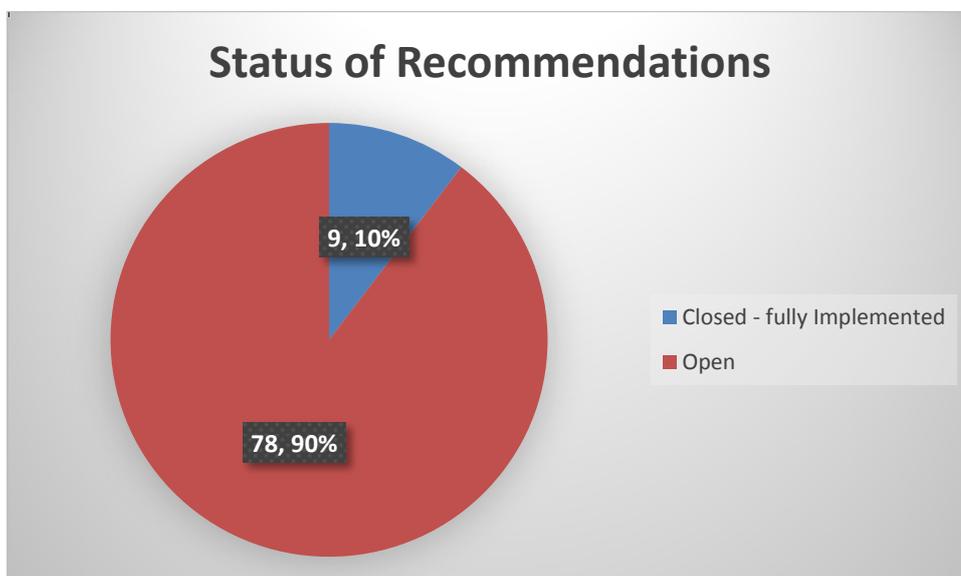
8.2 The following information represents the current status of 2019/20 and 2020/21 recommendations made. All recommendations are recorded on an internal spreadsheet and Internal Auditors regularly track progress of implementation.

2020/21

8.3 From the Final Audit Reports issued to date for 2020/21, Internal Audit have made 87 recommendations. The breakdown of recommendations across service areas as at 12th May 2021 are as follows:

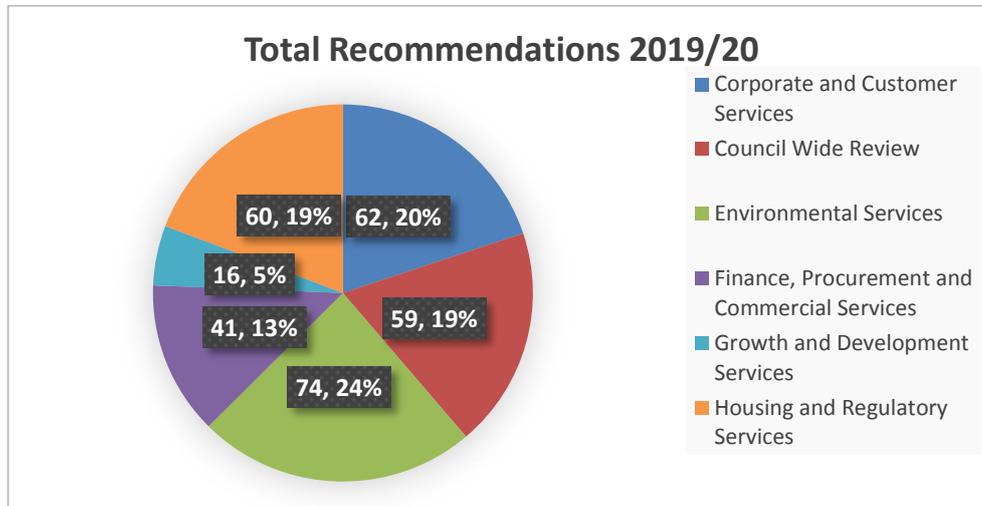


8.4 Of the 87 audit recommendations made these can be broken down further to show their current status. It should be noted that many of these recommendations are not yet due for escalation.

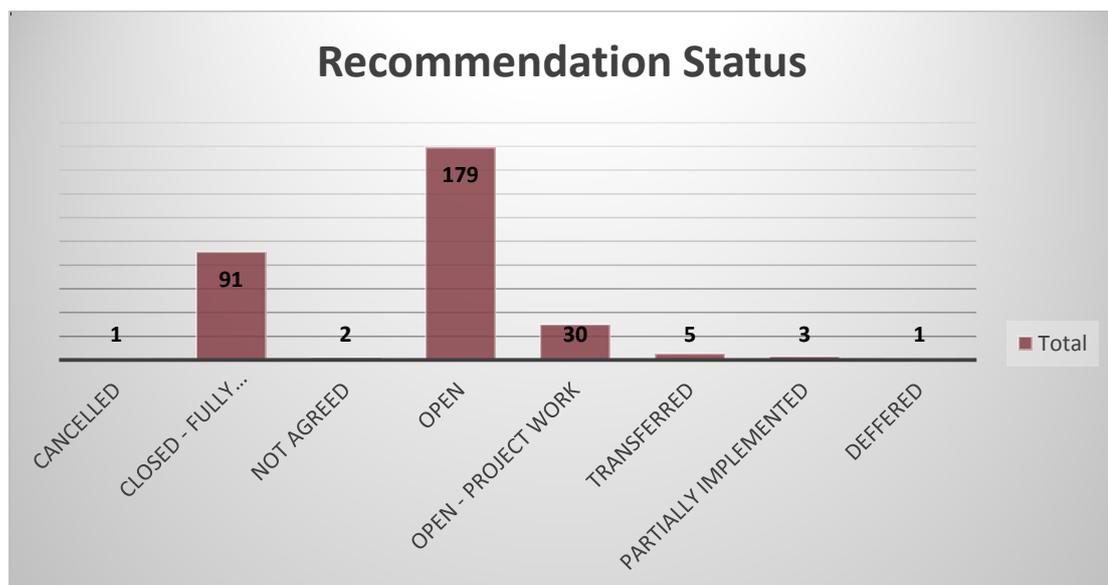


2019/20

8.5 From the 19 Final Audit Reports issued during 2019/20 Internal Audit made 312 audit recommendations. The breakdown of recommendations across service areas as at 12th May 2021 are as follows:



8.6 Of the 312 audit recommendations made these can be broken down further to show their current status, it should be noted that of the 209 current open/open-project work, 182 (58%) are overdue, the remainder are within their implementation date. There have been instances where recommendations overdue or about to become overdue have had their implementation dates renegotiated due to implications out of the control of the service area e.g. Covid-19, staff vacancies. However, The Internal Audit Manager will be undertaking a complete review of all outstanding recommendations for 2019/20 and will contact the relevant recommendation owners to understand the current status and reasons for non-implementation. Where required the Internal Audit Recommendation Escalation Procedure will be utilised.



9. Other matters of note

- 9.1 Covid-19 has had an impact on the Internal Audit Team during financial year 2020/21. It is hoped that during 2021/22 stability will resume and the service can undertake all the work planned, however, it should be noted that the Internal Audit Annual Plan 2021/2022 will be under regular review to ensure that it meets any changes to the Council's risks and any such changes will be notified to this committee at the next available meeting.
- 9.2. The remaining 2020/21 audit reports that are currently work in progress will be reported to this committee in July 2021.

10. Conclusion

- 10.1 The 2020/21 and 2021/22 Internal Audit Plans are designed to fulfil the Council's duty under the Accounts and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards. Despite the impact of Covid-19 on the Internal Audit Service since March 2020, good progress has been made in delivering the 2020/21 plan.