



# **Internal Audit Service**

## **Internal Audit – Progress Report**

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## 1. Summary of Progress against Internal Audit Plan

### Summary of Progress against the 2021/22 Annual plan.

Audit Review	Stage of Audit	Date Assurance Reported to A&G Committee
<b><u>Assurance</u></b>		
Ormskirk Market & Speciality Markets	Fieldwork	
Use of Council Assets by Commercial Organisations		
Allotments	Final Report Issued	28 <sup>th</sup> July 2021
Garden Waste Service		
Bulky Waste		
Property Services - Asbestos		
Voids		
Furnished Tenancies		
Housing Allocations		
Whistleblowing Policy	Pre-draft Report Issued	
Code of Conduct for Officers and Members		
Procurement	Fieldwork	
Tawd Valley Developments	Fieldwork complete	
Business Grants Covid - 19 Post Payment Assurance	Fieldwork	
<b><u>Main Financial Systems</u></b>		
Housing Benefits and CTRS		
Creditors		
Debtors		
Council Tax		
Business Rates		
Payroll	Pre-draft Report Issued	
Rents		
Treasury Management	Draft Report Issued	
Main Accounting		
<b><u>Cross Cutting</u></b>		
Business Continuity		
Corporate Land Allocation budget responsibilities	Pre-draft report	
Ground Rents and Wayleaves	Fieldwork	
Corporate Governance	Draft Report Issued	
<b><u>ICT Audit</u></b>		
GDPR – NHS DSC Toolkit Submission Review	Completed	28 <sup>th</sup> July 2021
<b><u>Annual Reviews</u></b>		
Public Sector Internal Audit Standards Review	Fieldwork	

1.1 For the period 1<sup>st</sup> April 2021 to 12<sup>th</sup> July 2021 progress against the plan for the financial year 2021/22 has been good with 31% of planned audit work either

completed or in progress. Since the last report to the Audit and Governance Committee in January 2021, two audit reviews for 2021/22 have been completed to completed/final report issued stage.

- 1.2 The Internal Audit Manager and one member of the Internal Audit Service have been working on two consultancy reviews not originally planned for 2021/22. The work on these reviews will continue throughout quarter 2 of the financial year. Further details of these reviews will be reported to this committee in due course.
- 1.3 The Internal Audit Service continues to provide support to a number of Council key projects, including Effective Data Management and Business Support. Additional unplanned work continued to be undertaken during the period following individual requests from management and Officers.

## 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.

<b>Substantial</b>	<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>
<b>Moderate</b>	<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>
<b>Limited</b>	<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>
<b>No</b>	<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.
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 2021/22

Details of the final reports relating to 2021/22, issued during the period 1<sup>st</sup> April 2021 to 12<sup>th</sup> July 2021 are as follows:

#### Final Reports Issued

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
Allotments	No	11	7	3
GDPR – NHS DSC Toolkit Submission Review	N/A	N/A	N/A	N/A

### 3.1 Allotments (No Assurance)

3.1.1 The following key areas in relation to the Council's management of Allotments were reviewed by Internal Audit:

- Process for Council owned sites
- Process for leased sites

3.1.2 Systems and procedures in relation to Allotments reviewed by Internal Audit were found to be unsatisfactory in that:

- Allotment records are not being adequately maintained.
- Annual billing of charges to societies is not being undertaken resulting in a loss of income for the Council.
- Compliance with lease requirements is not being monitored.
- Charges have not been reviewed or uplifted as stipulated in lease agreements.

3.1.3 Internal Audit have acknowledged that the management of Allotments has recently been transferred to a different team without any formal handover and that the new team are keen to ensure that all the recommendations are fully implemented. Internal Audit will be monitoring progress and will report back to this committee in due course.

## 3.2 **GDPR – NHS DSC Toolkit Submission Review**

3.2.1 The scope of this audit review was restricted to the provision of:

- Providing assurance of the evidence to support the annual submission of the NHS Data Security and Protection Toolkit.

3.2.2 The Data Security and Protection Toolkit (DSPT), which is an online self-assessment tool, allows organisations to measure their performance against the National Data Guardian's 10 data security standards. The requirements of the Toolkit are reviewed and updated to ensure they are aligned with current best practice. Organisations with access to NHS patient data must therefore review and submit their DSPT assessment in each financial year, which is also a contractual requirement specified in the NHS England standard conditions contract and it remains Department of Health and Social Care policy that all bodies that process NHS patient information for whatever purpose provide assurances via the DSPT.

3.2.3 Following the review of evidence provided by the Councils Data Protection Officer (DPO), Project Manager and ICT Strategic Client Manager, the DPO completed the assessment online which resulted in a "Standards Met" assessment outcome.

3.2.4 Internal Audit had noted a number of improvements and further work that should be undertaken which will result in a formal audit report and action plan to be provided to the DPO and ICT Strategic Client Manager for action.

## 4. **Follow-Up Reviews**

During the period 1<sup>st</sup> April 2021 to 12<sup>th</sup> July 2021 three follow up reviews have been undertaken as follows:

### 4.1 **Commercial Waste**

4.1.1 Internal Audit noted that progress had been made to implement the recommendations made in the 19/20 audit report. In total the auditor had made 14 recommendations all of which were checked in this follow up audit review. It was identified that 10 out of 14 (71%) of the recommendations tested had been fully implemented and 3 of the remaining 4 have been partially implemented.

4.1.2 This represents a clear improvement in systems; however, it was noted that one recommendation has not yet been implemented, but this is due to a change of software that will be installed shortly.

4.1.3 Accordingly, in relation to Commercial Waste processes, the opinion as to the adequacy of the control environment has increased from Limited Assurance to Moderate Assurance.

### 4.2 **Property Services - Gas and Electric**

4.2.1 Internal Audit had noted that there had been limited implementation of audit recommendations by relevant Property Services officers for both audit reviews. Internal Audit have liaised with the Head of Housing and Regulatory Services and New Property Services Manager, who are taking action to address the lack of implementation and have arranged for an independent review to be undertaken. The findings from the independent review were due to be reported to Housing Management and Internal Audit at the time of writing. An update will be provided to this committee in due course.

## 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 has commenced with some favourable outcomes already found.

## 6. Performance Indicators

- 6.1 As part of the Internal Audit Annual improvement review a refresh of the performance indicators was undertaken for 2021/22 and the following Performance Indicators introduced:

Indicator	Target	As at 12 <sup>th</sup> July 2021
% Completion of the Internal Audit Annual Plan	90% of the audit plan completed by the end of the financial year, 31 <sup>st</sup> March 2022	31%
% audit recommendations accepted by management, analysed by Priority Level	Priority 1 = 100% Priority 2 = 95% Priority 3 = 90%	Priority 1 = 100% Priority 2 = 100% Priority 3 = 100%
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.	100%
Customer Satisfaction Feedback	95% of feedback is Very Good, Good or Average rating	100%

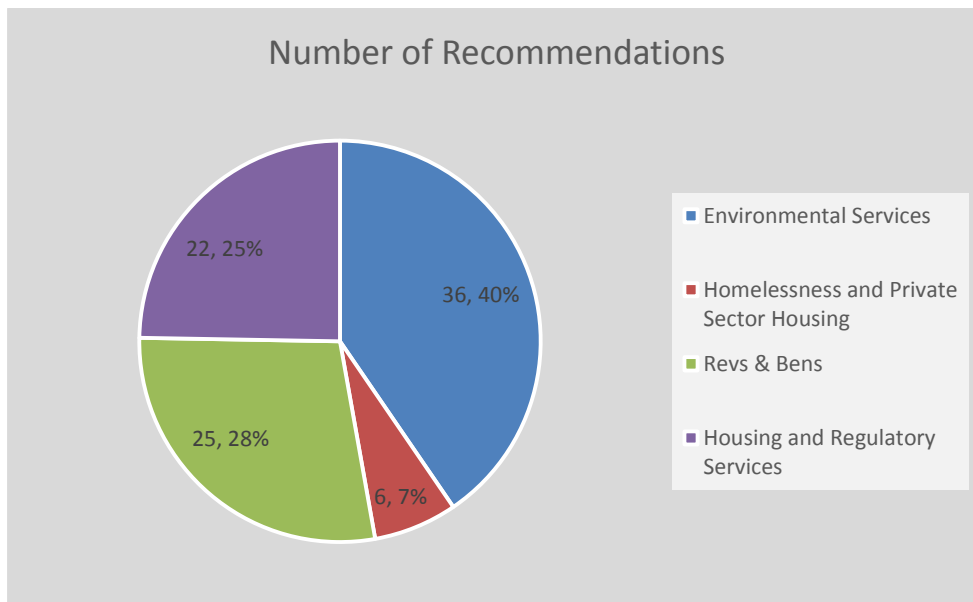
## 7. Internal Audit Recommendation Summary Information

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

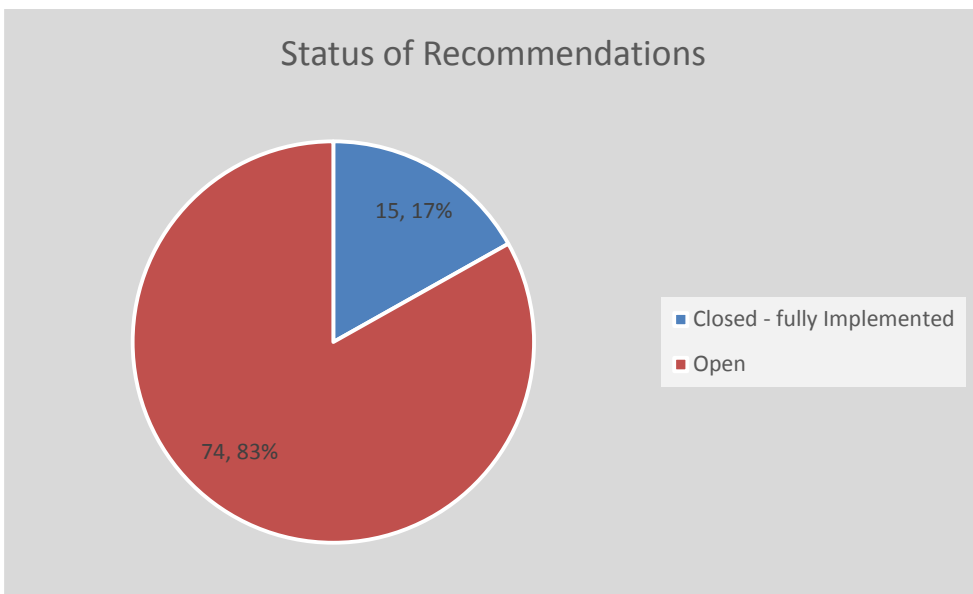
7.2 The following information represents the current status of 2019/20 and 2020/21 recommendations made. All recommendations are recorded on an internal spreadsheet and Internal Auditors regularly track progress of implementation.

### 2020/21

7.3 From the Final Audit Reports issued to date for 2020/21, Internal Audit have made 89 recommendations. The breakdown of recommendations across service areas are as follows:



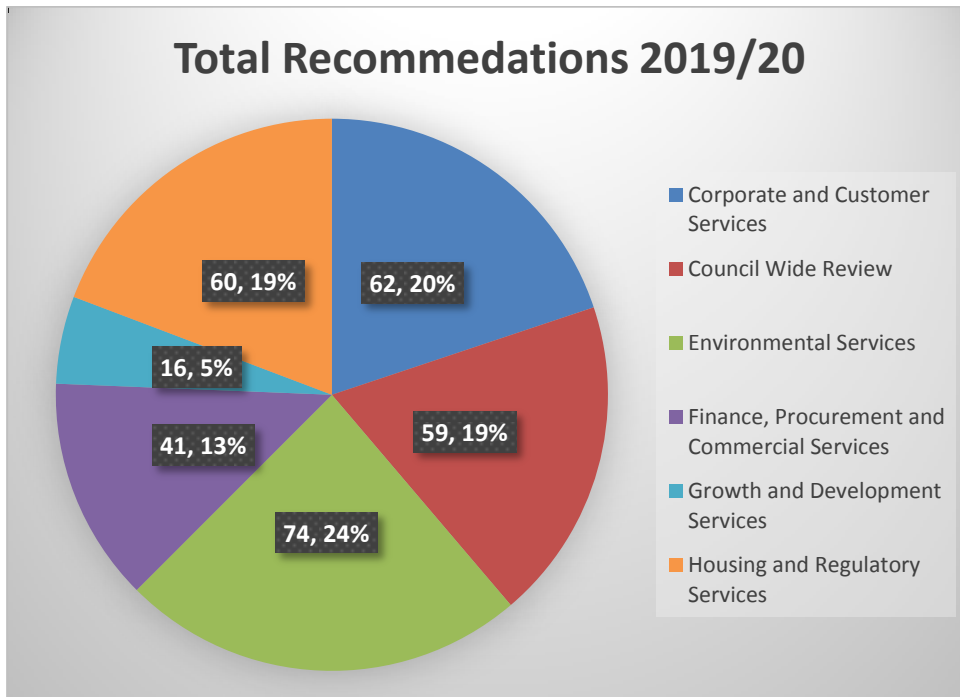
7.4 Of the 89 audit recommendations made these can be broken down further to show their current status. It should be noted that of the 74 that are currently open, 48 are or have just become overdue, the remainder are within their implementation date.



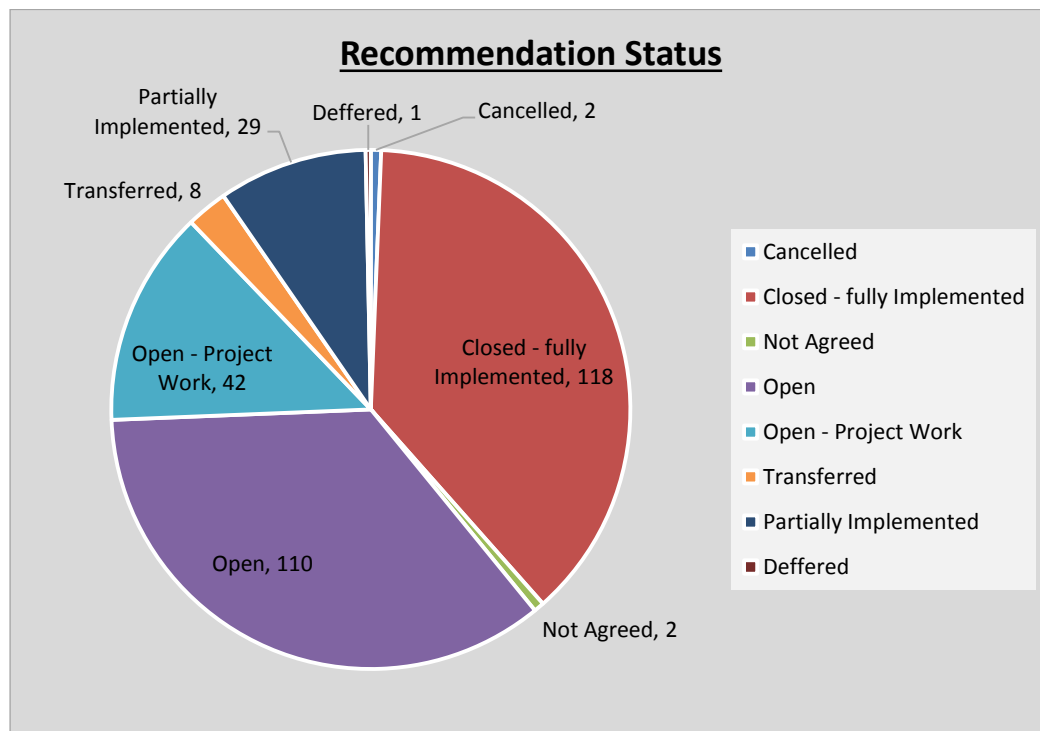


2019/20

7.5 From the Final Audit Reports issued during 2019/20 Internal Audit made 312 audit recommendations. The breakdown of recommendations across service areas are as follows:



7.6 Of the 312 audit recommendations made these can be broken down further to show their current status, it should be noted that of the 110 that are currently open, 77 are overdue, the remainder are within their implementation date.



## **8. Other matters of note**

- 8.1 In respect of the question raised by members at the Audit and Governance meeting held on 28<sup>th</sup> May 2021 regarding unauthorised access to Council fuel, the Internal Audit Manager has established that in order to dispense fuel from the Council fuel pumps the user must have a vehicle fob and a driver fob. This safeguards unauthorised access to fuel by external parties.

## **9. Conclusion**

- 9.1 The 2021/22 Internal Audit Plan is 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.