



Internal Audit Service

Internal Audit – Progress Report

January 2022

Contents

1. Summary of Progress against Internal Audit Plan	3
2. Audit Opinions and Priorities for Recommendations	4
2.1 Assurance rating system.....	4
2.2 Recommendation Priority Levels.....	5
3. Assurance reports.....	5
3.1 Tawd Valley Developments – Governance Arrangements (Moderate Assurance)...	5
3.2 Duplicate Payments (Moderate Assurance)	6
3.3 Bulky Waste (Limited Assurance)	6
3.4 Public Service Internal Audit Standards (PSIAS)	7
4. Follow-Up Reviews	7
4.1 Works after Sale of Council Houses (Upgraded to Moderate Assurance)	7
5. Fraud	7
6. Performance Indicators	8
7. Internal Audit Recommendation Summary Information	9
8. Conclusion	12

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
<u>Assurance</u>		
Ormskirk Market & Speciality Markets	Final Report Issued	26 th October 2021
Use of Council Assets by Commercial Organisations	Cancelled	
Allotments	Final Report Issued	28 th July 2021
Garden Waste Service	Audit Brief Issued	
Bulky Waste	Final Report Issued	22 nd January 2022
<u>Property Services – Asbestos</u>		
Voids	Audit Brief Issued	
Furnished Tenancies	Fieldwork Completed	
Housing Allocations		
Whistleblowing Policy	Final Report Issued	26 th October 2021
Code of Conduct for Officers and Members	Draft Report Issued	
Procurement	Fieldwork	
Tawd Valley Developments	Final Report Issued	22 nd January 2022
Business Grants Covid - 19 Post Payment Assurance	Complete	
<u>Main Financial Systems</u>		
Housing Benefits and CTRS	Fieldwork	
Creditors – D100	Fieldwork	
Debtors – Credits & Cancellations	Pre-Draft Report	
Council Tax		
Business Rates		
Payroll	Final Report Issued	26 th October 2021
Rents		
Treasury Management	Final Report Issued	26 th October 2021
Main Accounting	Final Report Issued	26 th October 2021
<u>Cross Cutting</u>		
Business Continuity	Pre-Draft Report	
Corporate Land Allocation budget responsibilities	Final report Issued	26 th October 2021
Ground Rents and Wayleaves	Pre-Draft Report	
Corporate Governance	Final Report Issued	26 th October 2021
Duplicate Payments	Final Report Issued	22 nd January 2022
<u>ICT Audit</u>		
GDPR – NHS DSC Toolkit Submission Review	Completed	28 th July 2021
<u>Annual Reviews</u>		
Public Sector Internal Audit Standards Review	Completed	22 nd January 2022

1.1 For the period 1st April 2021 to 15th January 2022 progress against the plan for the financial year 2021/22 has been good with 74% of planned audit work either

completed or in progress. Since the last report to the Audit and Governance Committee in October 2021, four audit reviews for 2021/22 have been completed to final report issued stage. A further four are completed to pre-draft/draft report status and further details of these audit reviews will be provided to this committee in May 2022.

- 1.2 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.

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.
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 16th October 2021 to 15th January 2022 are as follows:

Final Reports Issued

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
Tawd Valley Developments – Governance Arrangements	Moderate	0	1	1
Duplicate Payments	Moderate	0	1	0
Bulky Waste	Limited	6	5	0
PSIAS Review	N/A	-	-	-

3.1 Tawd Valley Developments – Governance Arrangements (Moderate Assurance)

3.1.1 The scope of this audit review was restricted to the to the Governance Arrangements in place. Internal Audit did not undertake any work in relation to individual developments or detailed financial transaction testing.

3.1.2 The main scope of the audit review included:

- TVD has been approved by Council
- TVD has been fully incorporated and registered with Companies House.
- Roles and responsibilities are clearly defined
- Financial systems have been set up including other requirements such as bank account etc.
- There is a business plan in place.
- There is a risk register in place.

- There are appropriate policies and procedures to enable effective governance arrangements.
- Progress is reported back to the Council on a frequent basis.
- The impact that COVID19 on the development company was assessed.

3.1.3 Internal audit noted that governance arrangements were in place for Tawd Valley Development Company, and they appeared satisfactory. The following key findings were noted:

- Roles and responsibilities of council staff in relation to TVD should be formally documented and articulated as necessary.
- Consideration should be given to replacing the Head of Finance, Procurement and Commercial Services as a Director of TVD to preserve his financial independence and avoid any potential conflicts of interests.

3.2 Duplicate Payments (Moderate Assurance)

3.2.1 The following key areas in relation to the Council's management of Duplicate Payments were reviewed by Internal Audit:

- Review what controls are in place to prevent duplicate payments
- Review the NFI potential duplicate payments matches from the 20/21 data submission.

3.2.2 Systems and procedures in relation to Duplicate Payments reviewed by Internal Audit were found to be satisfactory. The following key findings were noted:

- Two duplicate payments were identified, and the Creditors Team will endeavour to recover these.
- The Creditors Team are proactive in trying to identify and stop any potential duplicate payments.

3.3 Bulky Waste (Limited Assurance)

3.3.1 This audit review was a follow up of the previous audit review undertaken in 2019/20 at the request of the previous Head of Service, as there had been some key systems changes to the Service. The following key areas in relation to the Council's management of Bulky Waste were reviewed by Internal Audit:

- Processes and Procedures
- Fees and Charges
- Service Delivery
- Budget Monitoring and Income Management
- Progress on the implementation of audit recommendations made at the last audit review
- Service risks and appropriate internal controls are recorded on Pentana and subject to regular review.

3.3.2 Systems and procedures in relation to Bulky Waste reviewed by Internal Audit were found to be unsatisfactory. The following key findings were reported:

- Adequate budget monitoring is not undertaken by the service area.
- There has been no review of fees and charges to ensure that they cover the cost of delivering the service.
- A reconciliation of income is not undertaken.
- Checks are not completed to ensure that additional items are not collected

- All items go to landfill (unless scrap metal) without any consideration for recycling or reuse options.
- Recommendations made in the previous Internal Audit Report had not been implemented.

3.3.3 The Management of Bulky Waste had passed to new personnel not involved in the original audit. The new team are keen to ensure that all the recommendations that Audit have made in this review are implemented.

3.4 Public Service Internal Audit Standards (PSIAS)

3.4.1 A member of the Internal Audit Service, in liaison with the Internal Audit Manager has undertaken the annual review of the Internal Audit Services compliance with PSIAS. Findings and recommended actions from this self-assessment will be reported to this committee as part of the Internal Audit Managers annual reporting requirements.

3.4.2 There will be a requirement for the Internal Audit Service to undergo an external assessment in March 2023 and arrangements for this will need to be agreed by the Audit and Governance Committee in due course. The Internal Audit Manager will provide this committee with options available to the Council later in the 2022/23 financial year.

4. Follow-Up Reviews

For the period 16th October 2021 to 15th January 2022, one follow-up review has been undertaken for Works after the Sale of Council Houses.

4.1 Works after Sale of Council Houses (Upgraded to Moderate Assurance)

4.1.1 In the original audit report of September 2020, four recommendations were made, all of which were followed up in this audit review. It was identified that:

- Two out of the four recommendations made had been fully implemented.
- One recommendation had been partially implemented; however, the new interim Compliance Manager is working to fully implement this recommendation with immediate effect.
- Given changes recently made to systems in place it was established that one recommendation is no longer valid and that there are now controls in place to mitigate any risks.

5. Fraud

5.1 As mentioned at the last Audit and Governance meeting in October 2021, the Council is taking part in the National Fraud Initiative (NFI) where required data sets were provided to the Cabinet Office for data matching purposes. Work has been ongoing by a number of officers across the Council on the high-risk data matches received and this has resulted in some favourable outcomes for the Council. Work continues on the matches and the Internal Audit Manager will provide a detailed report at the May 2022 Audit and Governance Committee Meeting.

5.2 The annual exercise for the upload of Electoral Register and Council Tax information has been completed and we are awaiting reports from the Cabinet Officer containing matches that require further investigation.

6. Performance Indicators

6.1 The Internal Audit Service continue to make good progress and this has been demonstrated by the positive results displayed in the Performance Indicator information: below:

Indicator	Target	As of 15 th January, 2022
% Completion of the Internal Audit Annual Plan	90% of the audit plan completed by the end of the financial year, 31 st March 2022	74%
% 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%

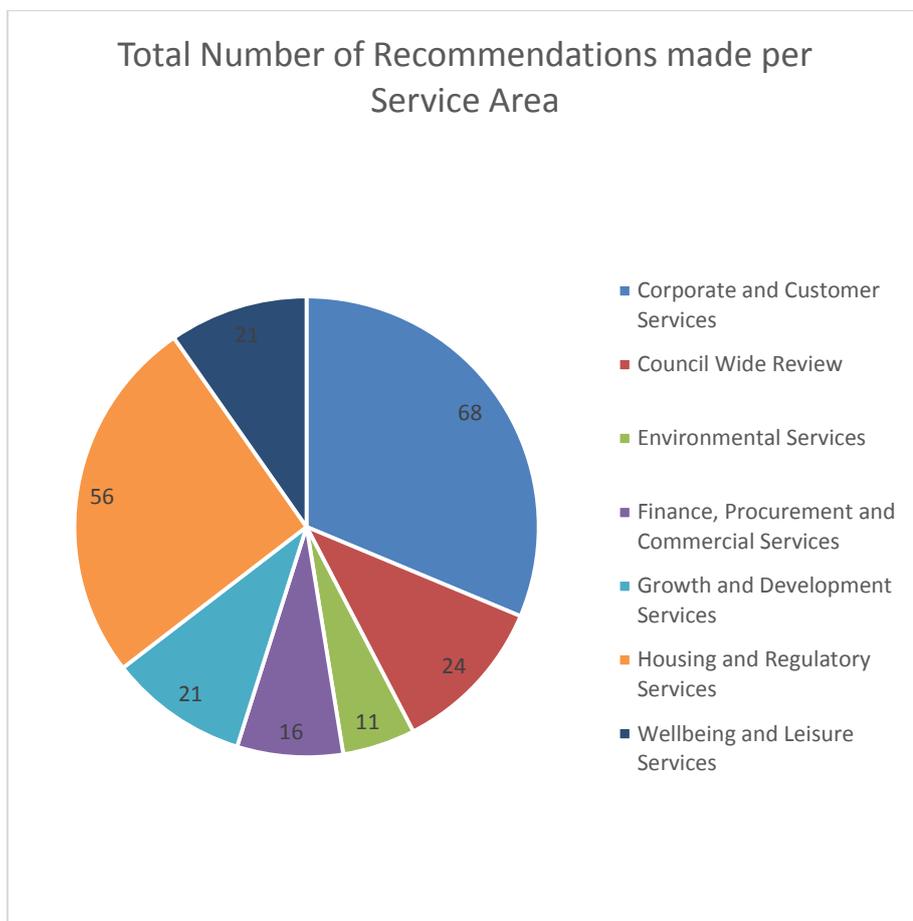
7. Internal Audit Recommendation Summary Information

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.

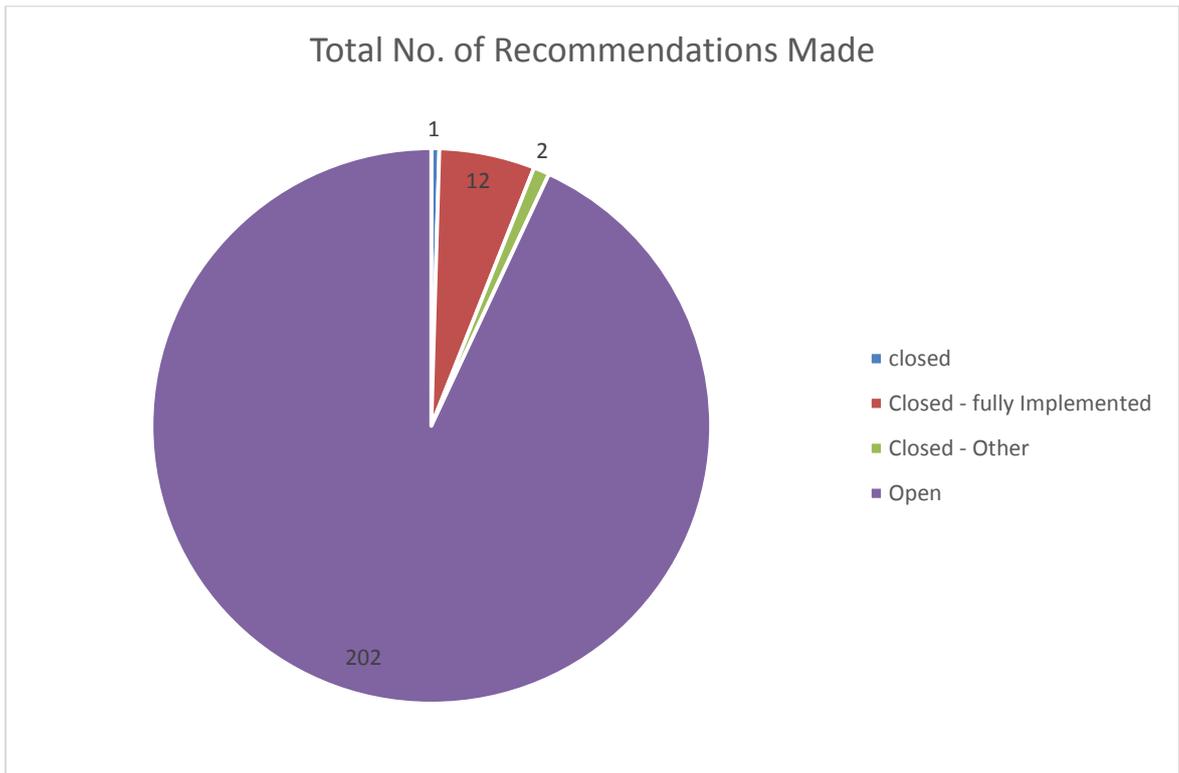
7.2 The following information represents the current status of 2019/20, 2020/21 and 2021/22 recommendations made. All recommendations are recorded on an internal spreadsheet and Internal Auditors regularly track progress of implementation. The system of monitoring will be changing in the coming months when a new Internal Audit Recommendation Portal in the Pentana System will be introduced.

2021/22

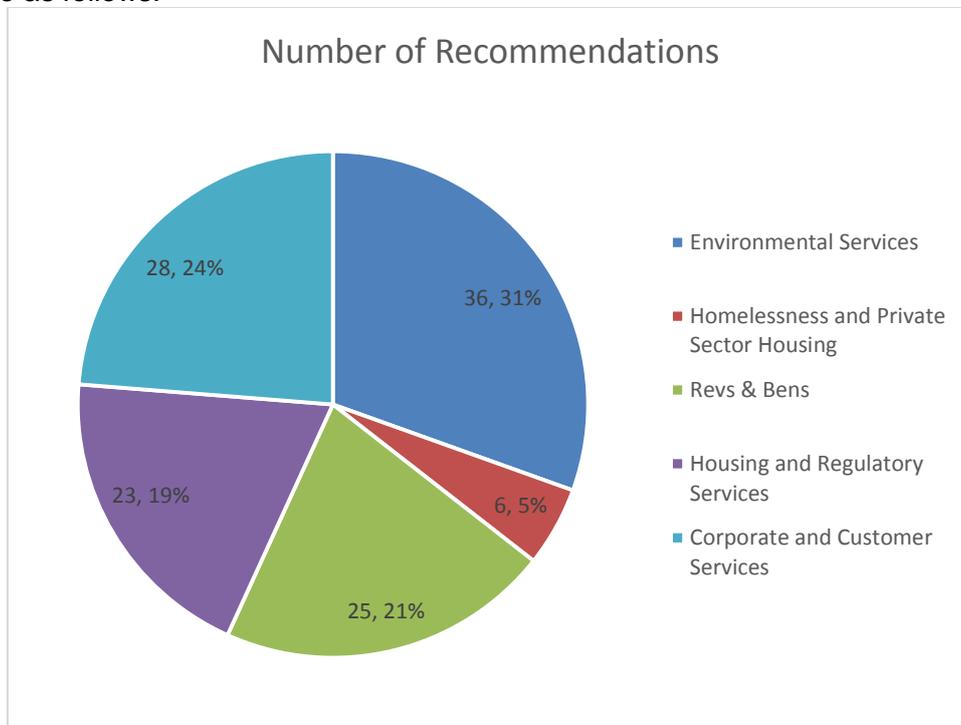
7.3 From the Final Reports issued to date for 2021/22, Internal Audit have made 217 recommendations. The breakdown of recommendations across service areas are as follows:



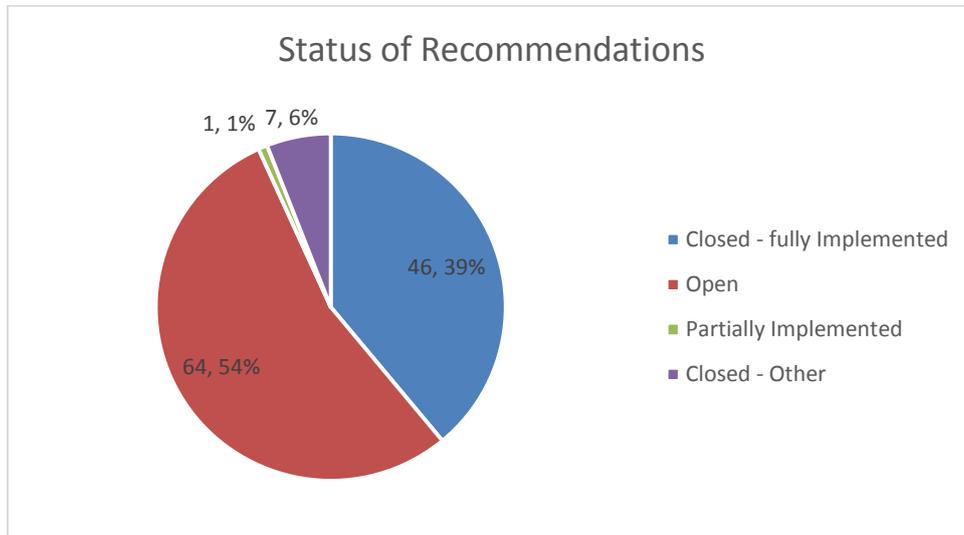
7.4 Of the 217 audit recommendations made these can be broken down further to show their current status. It should be noted that of the 202 that are currently open, 130 are within their implementation date. The remaining 72 overdue recommendations are being reviewed by Internal Auditors.



2020/21
 7.5 From the Final Audit Reports issued to date for 2020/21, Internal Audit have made 118 recommendations. The breakdown of recommendations across service areas are as follows:

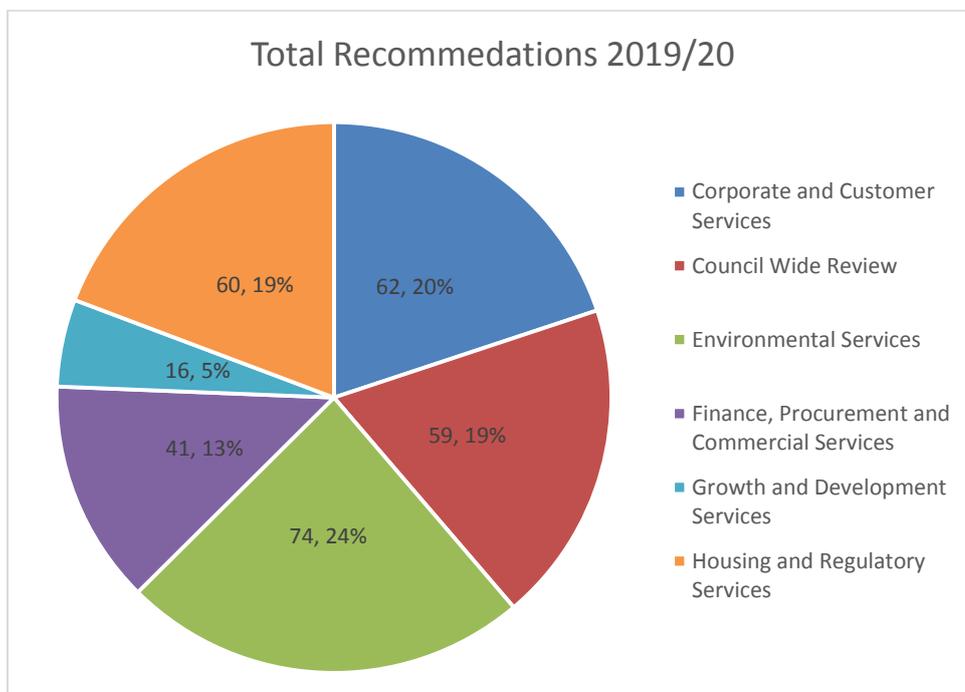


7.6 Of the 118 audit recommendations made these can be broken down further to show their current status. It should be noted that of the 64 that are currently open, 37 are within their implementation date. The remaining 27 overdue recommendations are being escalated to the relevant Heads of Service and Corporate Directors for further action.



2019/20

7.7 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:



7.8 Of the 312 audit recommendations it should be noted that 115 remain outstanding, however, of these 106 relate to ongoing projects and they are being closely monitored by Internal Audit who attend the various project team meetings. The

remaining nine recommendations that are open and overdue will be managed in conjunction with the Internal Audit Recommendation Escalation Procedure.

8. Conclusion

- 8.1 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.