



# **Internal Audit Service**

## **Internal Audit – Progress Report**

**May 2022**

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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	Final Report Issued	26 <sup>th</sup> October 2021
Use of Council Assets by Commercial Organisations	Cancelled	
Allotments	Final Report Issued	28 <sup>th</sup> July 2021
Garden Waste Service	Final Report Issued	31 <sup>st</sup> May 2022
Bulky Waste	Final Report Issued	22 <sup>nd</sup> January 2022
<b><u>Property Services – Asbestos</u></b>		
Voids – c/fd 22/23	Fieldwork to continue into 22/23	
Furnished Tenancies	Final Report Issued	22 <sup>nd</sup> March 2022
<b><u>Housing Allocations</u></b>		
Whistleblowing Policy	Final Report Issued	26 <sup>th</sup> October 2021
Code of Conduct for Officers and Members	Final Report Issued	22 <sup>nd</sup> March 2022
Procurement	Fieldwork to continue into 22/23	
Tawd Valley Developments	Final Report Issued	22 <sup>nd</sup> January 2022
Business Grants Covid - 19 Post Payment Assurance	Complete	
<b>Council Fleet * New</b>	Final Report Issued	31 <sup>st</sup> May 2022
<b><u>Main Financial Systems</u></b>		
Housing Benefits and CTRS	Draft Report	
Creditors – D100	Draft Report Issued	
Debtors – Credits & Cancellations	Final Report Issued	31 <sup>st</sup> May 2022
Council Tax	Draft Report Issued	
Business Rates c/fd 22/23	Audit Brief Issued - c/fd to 22/23	
Payroll	Final Report Issued	26 <sup>th</sup> October 2021
Rents	Final Report Issued	31 <sup>st</sup> May 2022
Treasury Management	Final Report Issued	26 <sup>th</sup> October 2021
Main Accounting	Final Report Issued	26 <sup>th</sup> October 2021
<b><u>Cross Cutting</u></b>		
Business Continuity	Final Report Issued	31 <sup>st</sup> May 2022
Corporate Land Allocation budget responsibilities	Final Report Issued	26 <sup>th</sup> October 2021
Ground Rents and Wayleaves	Final Report Issued	31 <sup>st</sup> May 2022
Corporate Governance	Final Report Issued	26 <sup>th</sup> October 2021
Duplicate Payments	Final Report Issued	22 <sup>nd</sup> January 2022
<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	Completed	22 <sup>nd</sup> January 2022

- 1.1 For the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> May 2022 progress against the plan for the financial year 2021/22 has been very good with 97% of planned audit work either completed or nearing completion. Since the last report to the Audit and Governance Committee in January 2022, six audit reviews for 2021/22 have been completed to final report issued stage, two to Draft Report Issued stage and one to draft report – awaiting quality assurance. A further review is nearing completion and has been delayed due to staffing resource being diverted to non-planned work. The audit reviews relating to Business Rates, Procurement and Voids will continue into 2022/23, with the scope of the Voids review being extended.
- 1.2 The Internal Audit Service continued to provide support to a number of Council key projects, including Effective Data Management, Information Governance and Business Support.
- 1.3 Additional unplanned work has now been completed and resulted in three Internal Audit Reports being issued. These include Low Carbon Homes, Sale of Logs and Derby Street and Robert Hodge Centre Works. Summary details for Low Carbon Homes and the Sale of Logs are discussed further in section 3 of this report. The Derby Street and Robert Hodge Centre Works Audit Report will be reported as separate agenda item.
- 1.4 The Housing Allocations Audit is to be deferred until 2022/23 and has been replaced with an Audit Review of the Council Fleet.

## 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>
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## 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 23<sup>rd</sup> January 2022 to 31<sup>st</sup> May 2022 are as follows:

#### Final Reports Issued

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
Garden Waste Service	Limited	3	8	0
Council Fleet	No	8	8	0
Debtors	Moderate	0	1	0
Rents	Moderate	0	1	6
Business Continuity	Limited	7	29	16
Ground Rents and Wayleaves	Limited	3	7	0
Low Carbon Homes	Limited	3	2	0
Sale of Logs	No	0	5	0

### 3.1 Garden Waste Service (Limited Assurance)

3.1.1 The scope of this audit review was restricted to the provision of Garden Waste Service namely:

- The process (sign up to bin collection)
- Income collection and reconciliation
- New direct debit facility
- Service risks and appropriate internal controls are recorded on Pentana and subject to regular review

3.1.2 Systems and procedures in relation to the Garden Waste Services were found to be weak in that there is:

- Poor control around the management of the income and expenditure process.
- A failure to undertake adequate budget monitoring.

### 3.2 Council Fleet (No Assurance)

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

- That a comprehensive record is kept of all Council fleet vehicles.
- That the Motor Insurance Database (MID) is updated promptly for any new vehicles that the Council is using or no longer using.
- Quarterly declarations are provided to the Council's Insurance company with the correct information of vehicles on and off cover.
- Service risks and appropriate internal controls are recorded on Pentana and subject to regular review.

3.2.2 Systems and procedures in relation to the Council Fleet were found to be weak and the following key findings were noted:

- The Motor Insurance Database is not checked regularly to ensure that it accurately records the council fleet.
- There were discrepancies noted by the Auditor in relation to the dates of hire and insurance cover commencement and expiration.
- Records maintained in relation to hire vehicles contained errors.
- All Council vehicles were not listed on the fleet spreadsheet maintained.

### 3.3 Debtors – Credits and Cancellations (Moderate Assurance)

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

- The process for dealing with credit notes
- The process for dealing with cancelled debtor invoices
- Service risks and appropriate internal controls are recorded on Pentana and subject to regular review

3.3.2 Systems and procedures in relation to Debtors reviewed by Internal Audit were found to be satisfactory. There was only one finding in relation to service risks needing to be documented on Pentana.

### 3.4 Rents (Moderate Assurance)

3.4.1 The following key areas in relation to the Council's management of Housing Rents were reviewed by Internal Audit:

- The accounts have been set up accurately and the correct rent applied.
- The rent collection process.
- Shared ownership properties.

- The rent setting process has been applied to properties built by TVDC and transferred to WLBC to manage.
- Service risks and appropriate internal controls are recorded on Pentana and subject to regular review.

3.4.2 Systems and procedures in relation to Housing Rents reviewed by Internal Audit were found to be satisfactory, with the only findings relating to the lack of procedures for the one shared ownership property that the Council manages.

### 3.5 Business Continuity (Limited Assurance)

3.5.1 The following key areas in relation to the Council's management of Business Continuity were reviewed by Internal Audit:

- Documented Business Continuity Policies, Procedures and Plans are in place.
- Business Continuity Plans are regularly maintained and tested.
- Documented Emergency response Policies, Procedures and Plans are in place.
- Documented Information Technology Service Contingency Management Policies, Procedures and Plans are in place.
- Supplier Failure has been considered as part of the Business Continuity Plan management and testing protocols.
- Business Continuity risks are recorded on Pentana and subject to regular review.

3.5.2 Systems and procedures in relation to Business Continuity reviewed by Internal Audit were found to be requiring attention, several key findings were identified such as:

- Key Service Area Plan scenario testing exercises have not been completed for some time due to the pandemic response.
- There is no awareness across the general population of staff within the Authority of the Business Continuity Management Framework.
- There has been no Business Impact or Risk Assessment undertaken for all internal and external services.
- Emergency Plan scenario testing has not been completed for some time due to the pandemic response.

### 3.6 Ground Rents and Wayleaves (Limited Assurance)

3.6.1 The scope of this audit review was restricted to the provision of Ground Rents and Wayleaves namely:

- Establish if there is a system in place for the management of Wayleaves and Ground Rents.
- Review Wayleaves and Grounds Rents to ensure that billing is undertaken as required.
- Review charging and collection processes to ensure they are appropriate.
- Review the instances of non-collection and write off.

3.6.2 Systems and procedures in relation to the round Rents and Wayleaves were found to be weak and the following key findings were noted:

- There is no overall system for managing small periodical ground rents.
- There is no central ownership of the process.
- There is no certainty that the Council are invoicing for all ground rents that should be billed.

### 3.7 Low Carbon Homes (Limited Assurance)

3.7.1 The scope of this audit review was restricted to the procurement process for the development of Low Carbon Homes namely:

- An open and transparent method of procurement was used.
- Contract Procedure Rules were followed.
- Other council processes were followed.

3.7.2 Systems and procedures in relation to the Low Carbon Homes were found to be weak and the following key findings were noted:

- The specification and preliminary costings were completed in the years preceding the Covid-19 pandemic and the UK's departure from the EU, the changes in costs associated with the construction industry had not been taken into account resulting in uncertainty as to whether the development would be within the initial agreed budget allocations.
- A framework had been utilised to procure the preferred contractor due to a small number of suppliers who would undertake a development of this scale. At the time of the audit review the contractor was working at risk with the Council to provide a design specification. No contract had been entered into at this stage.
- Planning permission processes had not been finalised.
- Members of the Council had not been kept updated on progress of this development.

### 3.8 Sale of Logs (No Assurance)

3.8.1 The scope of this audit review was restricted to the provision of the Sale of Logs by the Rangers Service namely:

- Reconciliation of cash to bank
- Ascertain the current process and provide assurance that the risks are being adequately managed in respect of the Sale of Logs.

3.8.2 Systems and procedures in relation to the Sale of Logs were found to be weak and the following key findings were noted:

- Income management and banking was not undertaken in accordance with Council Financial Regulations.
- Details of this service was out of date on the Council Website.
- The changes to legislation in 2021 were not always being adhered to.

## 4. Follow-Up Reviews

4.1 Two members of the Internal Audit Service have been working closely with Environmental Services to ensure that progress to implement recommendations made in respect of the following reviews are being progressed.

- Fuel Management
- Vehicle Maintenance
- Key Control
- Waste Transfer Site
- Bulky Waste
- Enforcement

4.2 Regular meetings are being held with the Corporate Director of Place and Community, Head of Environmental Services and other environmental service managers as required.

4.3 The Audit and Governance Committee asked the Corporate Compliance and Governance Manager to provide an update on the implementation of Bulky Waste audit recommendations at this meeting. The Corporate Compliance and Governance Manager can report that to date there are six recommendations outstanding and that progress to implement these remaining recommendations is satisfactory.

## 5. Fraud

- 5.1 As mentioned at the last Audit and Governance meeting in January 2022, 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 Corporate Compliance and Governance Manager will provide a detailed report as part of her Internal Audit Annual Report for 2021/22.
- 5.2 The annual exercise for the upload of Electoral Register and Council Tax information was completed and reports from the Cabinet Officer containing matches that require further investigation have been received. Work to investigate matches is nearing completion.

## 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 31 <sup>st</sup> May 2022
% 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	97%
% 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%

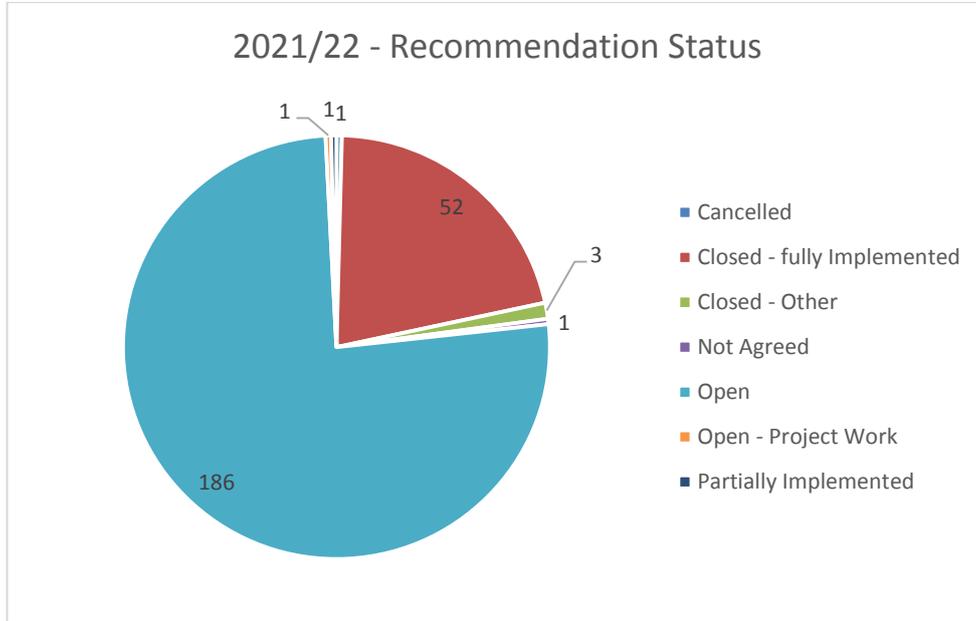
## 7. Internal Audit Recommendation Summary Information

- 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 for 2022/23 when a new Internal Audit Recommendation Portal in the Pentana System will be introduced.

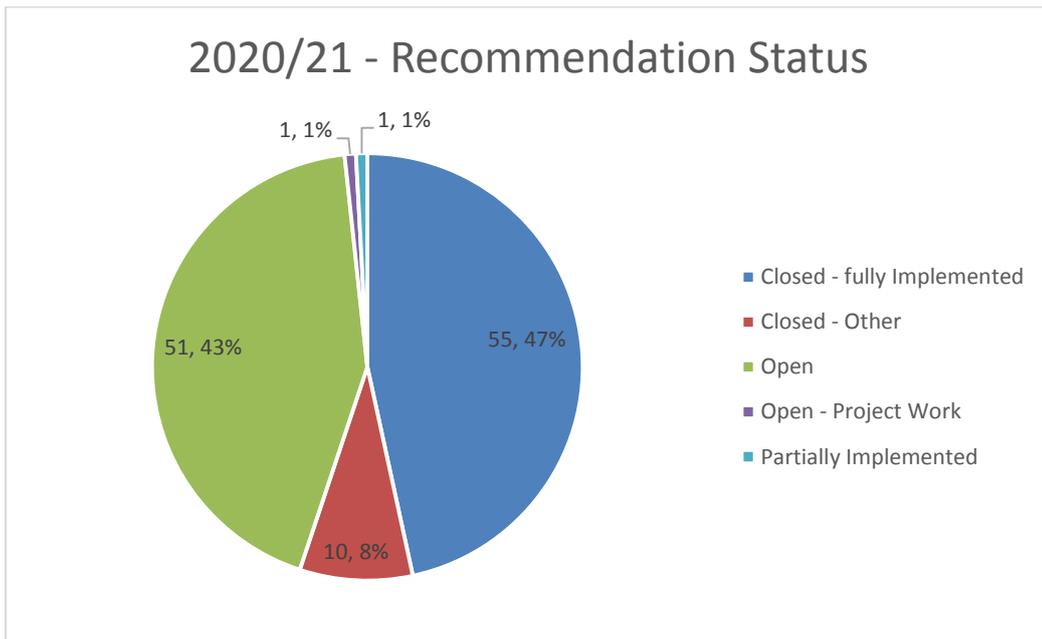
**2021/22**

7.3 From the final reports issued to date for 2021/22, Internal Audit have made 245 recommendations, the majority of which are within their due date. The breakdown of recommendations to show their current status is shown in the chart below:



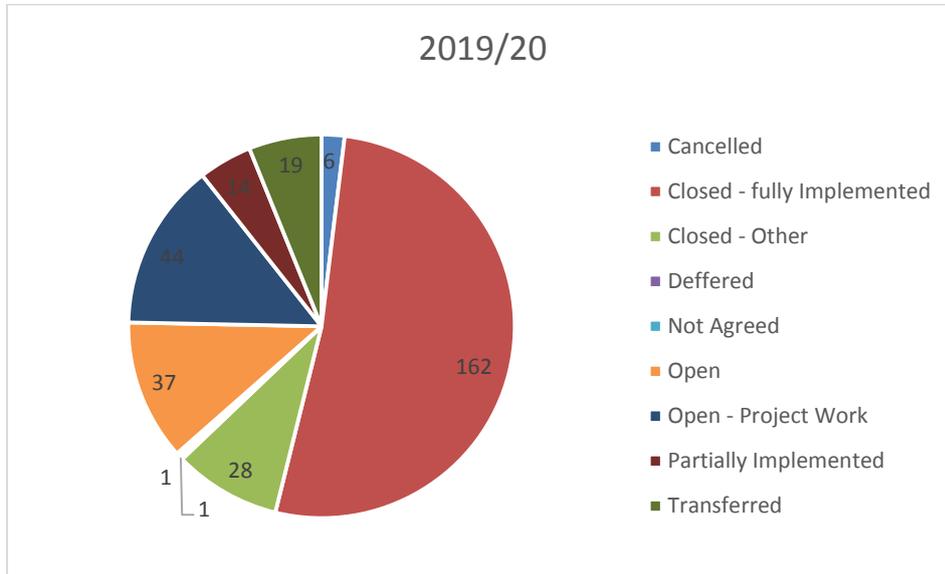
**2020/21**

7.4 From the final reports issued for 2020/21, Internal Audit have made 118 recommendations. The outstanding recommendations have been reported to Heads of Service. It should be noted all the open recommendations are now overdue.



## 2019/20

- 7.5 From the final reports issued for 2019/20, Internal Audit have made 312 recommendations. Whilst it is acknowledged that 37 are still open, internal audit are working with the service area to close the remainder of these recommendations. There are a significant number of Open – Project Work recommendations and these will be addressed as part of the Civica Upgrade that is taking place during 2022/23.



## 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.