Internal Audit Service

Internal Audit Activities – Progress Report

July 2023

Contents

1. Summary of Progress against Internal Audit Plan 2023/24

Assurance Audits	Stage of Audit	Audit Opinion	Reported to A&G committee
Parking Services	Pre-Draft report		
Community Infrastructure Levy	Fieldwork		
Ormskirk Gift Card			
Starters/Movers/Leavers			
Aids & Adaptations - Private Sector Housing	Pre-Draft Report		
Money Advice Service	Brief Issued		
Cleaning Services			
Governance Review Project - CIPFA Audit Committee Guidance Compliance			
New Homes Bonus / Council Tax	Audit Brief Issued		
Procurement			
Rate Revaluation - Commercial Properties			
Corporate Governance – Annual Review to support AGS	Fieldwork		
Grant Management - Cross Cutting	Pre-Draft Report		
Agency Staffing			
Housing Benefits and CTRS			
Creditors			
Debtors			
Business Rates			
Payroll			
Rents			
Main Accounting, incl. Treasury Management			
Information Governance			
Cyber Security			
NHS DPST submission	Complete		
Data Security	Fieldwork Complete		
Fraud			
Managing the risk of Fraud and Corruption Self-Assessment			
Tenancy Fraud			

1.1 For the period 1 April 2023 to 30 June 2023 progress against the plan for the financial year 2023/24 has been satisfactory. As of 30 June 2023, 14% of planned audit work is either completed or nearing completion.

1.2 All work relating to 2022/23 has now been completed in full and final reports issued.

1.3 There remains a vacancy of one Internal Auditor following an unsuccessful exercise to recruit a suitable temporary replacement via an agency.

2. Audit Assurance Reports

Summary details of the final reports relating to the 2022/23 financial year, issued during the period 15 May 2023 to 30 June 2023 are as follows.

Definitions of the Priority Levels and Audit Assurance Ratings for Internal Audit reviews undertaken during 2022/23 are detailed in Appendix A.

The new definitions of the Priority Levels and Audit Assurance Ratings for Internal Audit reviews to be undertaken during 2023/24 are detailed in Appendix B.:

Environmental Protection – Response to Complaints		

Priority Summary	Audit Assurance Rating

Priority Level		
1	2	3
10	14	2

Substantial | Moderate | Limited | No

(Audit Assurance Rating arrow pointing to "Limited")

Key Findings:
- There was no central repository or system in place for recording relevant information for each Leisure owned asset.
- There was no system for recording or visiting all Leisure owned Council Assets to ensure that building and internal fixtures are in a good order.
- A review of leases is required to establish Council and Lessee requirements.
- The new Leisure Procurement Project Co-ordinator has identified areas of improvement since moving into the role and has been pro-active into introducing new systems to ensure compliance.

Country Park & Rangers Service		

Priority Summary	Audit Assurance Rating

Priority Level		
1	2	3
1	2	16

Substantial | Moderate | Limited | No

(Audit Assurance Rating arrow pointing to "Moderate")

Key Findings:
- A review of the strategies in place to ensure that they are in line with the Council Plan, Vision and Priorities is required.
- A review of the way the West Lancashire countryside spaces could be promoted with a view to encourage visitors and volunteers to these sites, including update of the webpage is required.
- A One Council approach in respect of the procurement of grass cutting should be explored, by liaising with the Clean and Green Team and Procurement Service.

Business Rates

Priority Summary	Audit Assurance Rating

Priority Summary

Priority Level		
1	2	3
0	0	5

Audit Assurance Rating

Substantial	Moderate	Limited	No

(Rating arrow points to: Substantial)

Key Findings:
- The estimated bad debts and estimated repayment used in the NNDR1 submission should be monitored.
- The working instructions used in the Business Rates section should be updated in accordance with current legislation.

Rents

Priority Summary

Priority Level		
1	2	3
1	4	4

Audit Assurance Rating

Substantial	Moderate	Limited	No

(Rating arrow points to: Moderate)
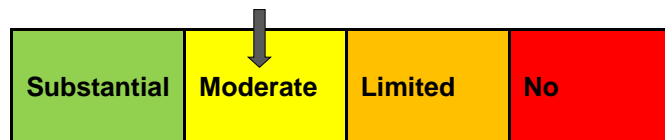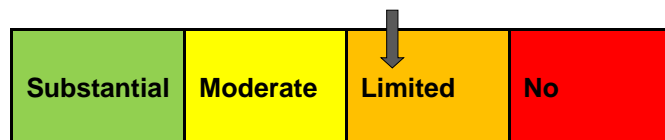
Key Findings:
- Additional checks need to be incorporated into current system processes for garage tenancies where a housing tenancy ceases or a right to buy sale is finalised.
- A few errors around the VAT status on non- Council tenant garage rent accounts were noted and a review of this category of charge should be undertaken.

Payroll – Implementation of Fusion by LCC

Priority Summary

Priority Level		
1	2	3
1	5	1

Audit Assurance Rating

Substantial	Moderate	Limited	No

(Rating arrow points to: Limited)

Key Findings:
- Issues from the implementation of the new Payroll system by LCC impacted a number of WLBC staff members salary payments.
- Reporting of payroll totals to WLBC.
- Future Payroll contracts should include the need for parallel run and confirmation of output on new systems, this should be from the tender document through to written contract.

3. Performance Indicators 2023/24

3.1 The % Completion of the Internal Audit Annual Plan indicator represents the % of the Internal Audit Annual Plan completed.

Indicator	Target	As of 15 January 2023
% Completion of the Internal Audit Annual Plan	90% of the audit plan completed by the end of the financial year, 31st March 2024	14%
% Audit recommendations accepted by management, analysed by Priority Level: **Critical** **High** **Medium** **Low** **Advisory**	95% for all priorities	N/A
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.	N/A
Customer Satisfaction Feedback	95% of feedback is Very Good, Good or Average rating	N/A

4. Internal Audit Recommendation Status Summary Information

4.1 The reporting of recommendation implementation progress is provided to this committee at each meeting. To ensure that Internal audit recommendations are implemented the status of audit recommendation implementation is reported to CMT members on a weekly basis

2020/21

Two Internal Audit recommendations remain outstanding for 2020/21, and the relevant service area is currently working on their implementation.

2021/22

From the final reports issued for 2021/22, and at the time of reporting there are 123 open or partially completed recommendations. It should be noted that out of the 123 open recommendations, 121 are within their implementation date, leaving two (1.6%) overdue.

2022/23

From the final reports issued for 2022/23 to date, There are 134 open or partially completed recommendations with 93 within their implementation date, leaving 41 (31%) recently becoming due.

Open Recommendations by Priority Level for Financial Years 2020/21 – 2022/23

The Open recommendations have been analysed further to show the priority levels:

Financial Year	P1	P2	P3	Total
2020/21	1	1		2
2021/22	22	74	27	123
2022/23	32	64	38	134
Total	55	139	65	259

Appendix A. - Definition of Audit Assurance Opinions and Priority Levels for Recommendations for 2022/23

Audit Assurance Opinions	
Records the overall level of assurance recognised by the Internal Audit at the time the audit work was carried out. The assurance opinion is based upon the priority levels of the findings and recommendations arising from the fieldwork carried out by Internal Audit. The following categories are used to record the level of assurance over the Council's risk management, control and governance processes.	
Assurance Opinion	**Assessment of Internal Control**
Substantial	Level of Assurance = High 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. There is a low risk of fraud, negligence, loss or damage to reputation.
Moderate	Level of Assurance = Medium 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. There is a medium/low risk of fraud, negligence, loss or damage to reputation.
Limited	Level of Assurance = Low 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. There is a medium risk of fraud, negligence, loss or damage to reputation.
No	Level of Assurance = None 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. There is a high risk of fraud, negligence, loss or damage to reputation.

Priorities for Recommendations	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives. Requires immediate management action to remedy weakness in control that has led or may lead to one or more of the following: • Substantial loss of resources (e.g. financial, staff, materials or assets). • Serious failure to comply with legislation and / or Council Policy. • Significant reputational damage for the Council, involving national media. • Significant adverse regulatory impact, such as a national report, intervention or suspension of services
Priority 2	A significant system weakness, whose impact of frequency presents risk to the system objectives. Timely management action is required to remedy weaknesses in internal control that could lead to one or more of the following: • Loss of resources. • Failure to comply with some aspects of legislation and /or Council Policy. • Reputational damage for the Council, involving local or regional media • Adverse regulatory impact, such as loss of external ratings or negative local report.
Priority 3	Weaknesses that individually have no major impact, but still require management action. The recommendations represent best practice or where the system/process could benefit from improved controls or greater efficiency.

Appendix B. - Definition of Audit Assurance Opinions and Priority Levels for Recommendations for 2023/24

Audit Assurance Opinions	
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Limited Assurance	Level of Assurance = Low 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. There is a medium risk of fraud, negligence, loss or damage to reputation.
Minimal Assurance	Level of Assurance = Minimal or None 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. There is a high risk of fraud, negligence, loss or damage to reputation.

Priorities for Recommendations	
Critical	Recommendation concerning the absence/failure of fundamental control/s which is critical to the success of the system. Major weakness which significantly impairs the overall control framework. Risk Exposure - **Very High** *Action must be taken immediately*
High	Recommendation concerning absence or non-compliance with key control/s which creates significant risks within the organisation. Substantial weakness identified. Risk Exposure - **High** *Action must be taken within one month*
Medium	Recommendation concerning absence or non-compliance with lower-level control, or an isolated instance of non-compliance with a key control. The weakness identified is not necessarily great, but controls would be strengthened, and the risks reduced if it were rectified. Risk Exposure - **Moderate** *Action should be taken with six months*
Low	Recommendation concerning minor issue which is not critical, but implementation would improve the system and/or strengthen controls. Risk Exposure - **Low** *Action should be taken with twelve months*
Advisory	These are issues identified during the course of the review that do not adversely impact the service but include areas of enhancement to existing operations and the adoption of best practice.