

Report of	Meeting	Date
Service Lead Audit and Risk	Governance Committee	Wednesday 19 th January 2021

Internal Audit Interim Report as at 31st December 2021

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. The purpose of this report is to advise members of the work undertaken in respect of the Internal Audit Plan from November 2021 to December 2021 and to give an appraisal of the Internal Audit Service's performance to date. The Committee is also asked to approve the amendments to the Audit Plan 2021/22.

Recommendations to Governance Committee

2. Members are asked to
 - note the position with regard to the Internal Audit Plan.
 - approve the amendments to the Internal Audit Plan 2021/22.

Corporate priorities

3. The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	X

Background to the report

4. The Internal Audit Plan for 2021/22 was approved by this Committee at its meeting in April 2021 and provides for 489 days of audit work.

5. This is the second interim report for 2021/22 and covers the period between 1st November and 31st December 2021.

Internal Audit Reports

6. **Appendix A** provides a snapshot of the overall progress made in relation to the 2021/22 Internal Audit Plan, indicating which audits have been completed and their assurance rating, those that are in progress and those that have yet to start. Appendix A also shows the time planned and actually spent on individual audits.
7. The following work has been completed between November and December 2021:

Name of Review	Assurance Rating	Comments / Key control findings
National Fraud Initiative	Not applicable	Work is currently on-going to provide the mandatory Business Grant Recipient Data by the deadline 24 th January 2022 along with the Council Tax SPD 2021 which is due by the deadline of the 28 th January 2022.
COVID Post Payment Assurance	Not applicable	In addition to the assurance provided to BEIS which was included in the first interim report, Internal Audit are now working on the sample of paid Local Restriction Support Grants (LRSG). The evidence to support that the payments are compliant with the grant eligibility criteria is due to be submitted to BEIS before the end of Jan 22.
COVID Pre Payment Assurance	Not applicable	Internal Audit have continued to provide support to Directorates by reviewing new and existing procedures to provide assurance that they are robust, meet Government requirements and measures are in place to ensure fraudulent activity is minimised for grant payments.
Sundry Debtors	Substantial	This was a risk-based review and only minor improvements are required to strengthen the current arrangements in place.
Disabled Facilities Grants	Adequate	Overall, the management of the application process was of a good standard that enabled applications to be processed on time whilst working remotely. Testing was undertaken on a sample of applications processed throughout periods of Covid 19 lockdown and

		<p>identified that due to a change in working practices driven by the pandemic, modifications have been made to established controls to accommodate working from home arrangements. Actions have been agreed to mitigate the areas for improvements.</p>
Risk Management	Adequate	<p>As responsibility for Risk Management sits within the Audit and Risk Service, this review was undertaken by an independent third party.</p> <p>The review identified the following areas of good practice or where controls are operating effectively:</p> <ul style="list-style-type: none"> • Risk Management has adequate resources allocated to the activity; • A Local Code of Governance has been established and is reviewed through the Annual Governance Statement; • A formal risk management strategy has been adopted; • Training has been provided to Officers and Members; • Strategic risk registers have been developed and are regularly monitored; • Project risk registers are established and populated. <p>The review established that overall procedures are in place to record and monitor risks. Whilst some work has been undertaken to help embed these procedures there is still work to be done to ensure that the recording and evaluation of all risks have been fully completed on the dedicated risk management system GRACE.</p>
Treasury Management	Substantial	No key control issues were identified.
Income Collection	Adequate	Our work established that the Council has sufficient arrangements in place for the collection, receipting and banking of Council income via the cash office and via other channels such as payments received via the website, post office and telephone, however

		<p>some weaknesses were identified in other areas including:</p> <ul style="list-style-type: none"> • The lack of an overarching banking and cash handling policy; • Improvements to the income reconciliation process (in relation to income directly from Chorley Leisure Ltd); • Establishing controls to restrict access to the dedicated cash receipting system and • Strengthening the supervisory / management checks.
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Internal Control System

8. To provide members with an overview of the assurance ratings awarded to date, the table below provides a summary of ratings awarded for each level of assurance for the Internal Audit Plan 21/22.

Assurance Rating	Definition	No of Reviews
Full	the Authority can place complete reliance on the controls. No control weaknesses exist.	0
Substantial	the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.	4
Adequate	the Authority can place only partial reliance on the controls. Some control issues need to be resolved	4
Limited	the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist	1

9. For all the reviews completed to date, management have accepted all the findings and the agreed actions in these reports will be followed up and reported on at future meetings of this committee.

Amendments to the Internal Audit Plan 2021/22

10. Members will be aware that the 2021/22 is an extremely challenging plan which involved additional resource being bought in to meet the required number of days to allow the Service to successfully deliver the plan. As highlighted to members at the meeting in November, the recruitment exercise to fill the additional posts took longer than we originally anticipated which has impacted upon our performance.
11. In addition to the above, two members of the team tendered their resignation and left the Service at the end of December. Whilst we have been able to successfully draw upon the service of a temporary auditor to fulfil one of the roles, there will be a residual impact on the delivery of the plan. To that extent, we are asking the Committee to approve the deferral of the following 4 reviews to 22/23. These have been selected taking into consideration the risks to the system and our knowledge of the working practices:

- Plant inventories / contract management
- Community infrastructure levy
- Safeguarding
- Health and Safety.

12. As the Head of Internal Audit, I have to be confident that sufficient work will have been undertaken encompassing the whole authority to be able to provide an opinion in the Annual Report on governance, risk management and control as required by the Public Sector Internal Audit Standards. Whilst we are requesting the deferral of 4 reviews, I am confident that we will be able to provide assurance to the senior management and members on a total of 23 different audit reviews. This is a significant increase than provided in previous years as demonstrated in the table below:

Year	Number of completed reviews to inform Internal Audit Annual Opinion
2017/18	15
2018/19	18
2019/20	15
2020/21	No opinion due to COVID.
2021/22	23

13. In order to provide the opinion, I will also be able to take into consideration the work that has been completed in providing pre / post assurance for COVID grants, proactive support provided for key project teams, progress with the implementation of agreed management actions and other sources of assurance.

Internal Audit Performance

14. **Appendix B** provides information on Internal Audit performance as at 31st December 2021. All indicators with the exception of the satisfaction rating percentage (assignment level) are below target for the following reasons:

- Percentage of planned time used - as previously highlighted the recruitment exercise took longer than anticipated and this will impact on this indicator throughout 21/22.
- Percentage of audit plan completed – the profiling of the agreed reviews means that the majority of the audit plan for Chorley Council was due to be completed during the latter stages of the financial year. Due to the resource issues highlighted at paragraph 11, two reviews were not finalised and were excluded from this report.
- Percentage of agreed actions implemented by management. Whilst the percentage figure remains below target, there is a significant amount of work being undertaken in order to progress actions. This is clearly evidenced with the Shared Services implementation rate of 86%, which is only slightly below the target rate of 90%.

Internal Audit Developments

15. Members were informed at the meeting in April, that Internal Audit would be seeking the re-accreditation of the ISO 9001 certification for its Quality Assurance System. Following a significant amount of work to review and update our working practices, the Service was awarded the accreditation in December 2021, clearly demonstrating that the Audit Team has developed efficient working practices and is delivering a high quality service.

Audit Planning 2022/23

16. Internal Audit will shortly commence the process for compiling the Annual Audit Plan for 2022/23. The Plan will be compiled following a risk assessment which considers a range of risk factors, such as items in the Strategic Risk Register, significant changes in staffing, systems and procedures and the length of time since an area was last audited. There will also be consultation within each Directorate and with SMT.
17. If there are any topics which members would like to be included in the next Audit Plan, please inform Dawn Highton on either dawn.highton@southribble.gov.uk by **Friday 11th February** and these will be taken into account as part of the overall risk assessment.

Climate Change and air quality

18. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda.

Equality and diversity

19. The material presented and discussed in this report has not direct implications on equality and diversity.

Risk

20. Risk are outlined in the body of the report.

Comments of the Statutory Finance Officer

21. Not applicable.

Comments of the Monitoring Officer

22. Not applicable.

There are no background papers to this report

Appendices

Appendix A – Internal Audit Plan

Appendix B - Performance Indicators as at December 2022

Report Author:	Email:	Telephone:	Date:
Dawn Highton	dawn.highton@southribble.gov.uk		10/1/22