

| Report to | On |
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| Governance Committee | Tuesday 28 th September 2021 |



| Title | Report of |
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| Internal Audit Interim Report as at 31st August 2021 | Director of Governance and Monitoring Officer |

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| Is this report confidential? | 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 April 2021 to August 2021 and to give an appraisal of the Internal Audit Service's performance to date.

Recommendations

2. Members are asked to note the position with regard to the Internal Audit Plan.

Corporate outcomes

3. The report relates to the following corporate priorities: *(tick all those applicable)*:

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| An exemplary council | X | Thriving communities | |
| A fair local economy that works for everyone | | Good homes, green spaces, healthy places | |

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 499 days of audit work.
5. This is the first interim report for 2021/22 and covers the period between 1st April and 30th August 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 April and August 2021:

Annual Governance Statement: Proactive input was provided in collating information to inform the AGS Action Plan.

COVID Post Payment Assurance:

Internal Audit provided documentation to the Department for Business, Energy and Industrial Strategy (BEIS) to evidence assurance checks undertaken in relation to 15 cases. This included a sample of grants paid from each of the following schemes: Covid-19 Small Business Grant, Retail, Hospitality and Leisure Grant and Local Authority Discretionary Grant Funds.

Internal Audit have also reviewed all the 26 matches identified by the National Fraud Initiative (NFI) in relation to the payment of the above grants. There are queries arising which are currently being investigated with a view to deciding if any further action is necessary.

COVID Pre Payment Assurance;

Internal Audit have reviewed new and existing procedures to provide assurance that processes are robust, meet Government requirements and measures are in place to ensure fraudulent activity is minimised for the Restart Grant, Test & Trace and the Additional Restriction Grant (Scheme 3).

Health and Well-being Campus – Limited Assurance;

All documentation from the initial Internal Audit review carried out in 19/20 has been examined and the report re-drafted. The final report is appended to this report.

Neighbourhoods Record Management – Limited Assurance

Neighbourhood Services maintain a core database for their Grounds Maintenance and Streetscene Services which encompasses records for inspections and maintenance schedules for play equipment and parks; environmental enforcement; street cleansing; the installation and maintenance of street furniture and signage; work scheduling and ad hoc jobs. The purpose of this review was to provide assurance or otherwise that the information held within the database is well maintained, up to date and supported with accurate records to aid with efficiencies and improve customer satisfaction with the Council's outdoor spaces.

The review identified a number of key control issues and is attached to this report – see **Appendix C**

Performance Management - Adequate Assurance

The Council is committed to delivering high quality and value for money services for its residents. The achievement of this is measured and reported through its performance management framework. It is essential that reported performance information is accurately presented as it is used to aid decision making and is published. This review considered the progress made since the development of the Performance Management Framework and verification of the reported figures for Q3 20/21 and Q1 21/22.

Our work has established that significant progress has been made to embed the Corporate Performance Framework over the last 12 months, key aspects include:

- A suite of corporate performance measures, supported by robust written procedures, have been agreed.
- Business Plans have been prepared and published for 2021/22 outlining service delivery, projects, performance indicators and possible risks. Risks are also being recorded within risk management system GRACE.
- Quarterly oversight of performance by Cabinet/Scrutiny Budget and Performance Panel/Corporate Strategy Programme Board/Leadership Team.
- Data Quality Guide has been developed; this is part of the overall Performance Framework. Data quality training has been provided to Collection Officers and Responsible Officers. Mandatory data quality training is to be provided shortly to all employees through the e-learning portal.
- A new Written Procedures template has been developed, which should help ensure a consistent approach to data quality is achieved. The Policy and Partnerships Team have worked with directorates to ensure the new templates are populated for all indicators. This has included undertaking walk-through reviews with the Responsible Officers to confirm that the data quality system is robust and roles/responsibilities are clearly understood.
- Introduction of an interim performance management system, to provide assurance over data quality. The Policy and Partnerships Team have worked with ICT to develop a new Performance Management System that will be utilised by both South Ribble and Chorley Councils; this will be launched in September 2021.
- Specific officers from the Policy and Partnerships Team have been allocated as main point of contact to provide support/advice to directorates.

Internal Audit undertook an initial review of Q3 (20/21) corporate strategy performance measures and identified that whilst progress has been made by directorates, key issues were found that demonstrated a need for greater oversight of the data collection system by the responsible officers, in conjunction with the authorising officers. Subsequent Internal Audit testing on the performance measures for Q1 (21/22) found that improvements had been made, however despite the amount of training delivered and support provided to collection and responsible officers since the launch of the Performance Management Framework, a small number of indicators were still incorrect.

Compliance with Contract Procedure Rules – Adequate Assurance

This audit review was to provide assurance over compliance with the current Contract Procedure Rules (CPRs) to ensure contracts are procured in a fair and transparent manner and achieve value for money. The review included a sample of contracts across 4 procuring directorates from the last 18 months and comprised a mix of high, intermediate and low value contracts.

We were able to establish that there was a high level of compliance with the Councils CPRs and evidence was available to support that the essential processes within the procurement cycle had been followed.

There were 2 identified areas for improvement.

- The 2015 Public Contracts Regulations require that a Contract Award Notice be published on Contracts Finder for all contracts over £25k. Our work identified that this was not happening in all instances and related to contracts where a waiver had been applied. The Procuring Officers had not informed Procurement Services that the contract had been awarded, preventing the Contract Award Notice from being

published. Following this review, Procurement Services have since published the required Contract Award Notices.

- We were unable to locate a small number of signed contracts within our sample. The lack of a signed contract leaves the Council in a difficult position if a dispute was to arise.

In addition to improve contract management and procurement planning, a Contract Management System (CMS) has been developed to provide a central repository for all signed contracts and to capture procurement process and performance review information, however this is not being systematically used.

8. 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.
9. At the Governance Committee meeting in June 2020, a number of Internal Audit reports were presented in draft format. All of these reports have now been reviewed and either superseded by a more recent review or in the case of the Health and Wellbeing Campus review, included in this report. There was one other additional review carried out by Lancashire County Council Internal Audit Service - Assessment of matters relating to the Wesley Street Mill and McKenzie Arms sites in Bamber Bridge. This report which has not been previously presented to the Committee is now attached at **Appendix D**.

Control Rating Key

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| Full | the Authority can place complete reliance on the controls. No control weaknesses exist. |
| Substantial | the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. |
| Adequate | the Authority can place only partial reliance on the controls. Some control issues need to be resolved |
| Limited | the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist |

Internal Audit Performance

10. **Appendix E** provides information on Internal Audit performance as at 27th August 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 and percentage of audit plan completed. Both of these indicators are slightly below target as the recruitment exercise for the two additional posts took longer than anticipated. However, the Internal Audit team is now fully resourced.
- Percentage of agreed actions implemented by management. Whilst the percentages are low, the actual numbers the percentages are derived from are small. Furthermore, members will recall that a systematic monitoring system was not in place to ensure the timely implementation of agreed management actions resulting in a significant backlog of actions. This system has now been introduced with each Director receiving a detailed monthly report of all outstanding Internal Audit actions within their Directorate.

Internal Audit Developments

11. The following are some of the other developments impacting upon Internal Audit.

ISO 9001:2015

I informed members at the meeting in March, 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 first surveillance visit was held recently which confirmed that the Service is on track to achieve the re-accreditation in December 2021. This clearly demonstrates that the Audit Team is seeking improved and more efficient working practices to maintain a high quality service.

QUALITY ASSURANCE & IMPROVEMENT PROGRAMME (PEER REVIEW)

The Accounts and Audit Regulations 2015 require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account Public Sector Internal Audit Standards (PSIAS) or guidance”.

Members will recall that the Internal Audit Service has to provide confirmation to the Governance Committee on an annual basis that the requirements of the Public Sector Internal Audit Standards (PSIAS) are being complied with. This is usually achieved via the completion of an annual self-assessment but in addition the Council needs to arrange an independent external assessment at least once every 5 years. In Lancashire this is delivered via a programme of reciprocal peer reviews under the auspices of the Lancashire District Councils Audit Group.

We have recently completed the review of the Internal Audit Service of Blackburn with Darwen Council in conjunction with Burnley Borough Council. The reciprocal arrangement means that the review of Burnley Borough Council and the verification of our own self-assessment will take place during 22/23.

There are no background papers to this report

Appendices

- Appendix A - Internal Audit Plan 2021/22
- Appendix B - Health and Well-being Campus Final Report
- Appendix C - Neighbourhoods Record Management Final Report
- Appendix D - Assessment of matters relating to the Wesley Street Mill and McKenzie Arms sites in Bamber Bridge.
- Appendix E – Internal Audit Performance Indicators as at 27th August 2021.

Dawn Highton

Service Lead Audit and Risk

| Report Author: | Email: | Telephone: | Date: |
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