

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	26 NOVEMBER 2020	10
INTERNAL AUDIT INTERIM REPORT AS AT 30TH SEPTEMBER 2020			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The report summarises the work undertaken in respect of the Internal Audit Plan 2020/21 for the period April 2019 to September 2020 and includes any residual work carried forward from the 2019/20 Internal Audit Plan.

RECOMMENDATIONS

That the Committee note the report.

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

BACKGROUND

1. The Revised Internal Audit Plan for 2020/21 was approved by this Committee at its meeting in July 2020 and provided for 402 days of audit work including 175 COVID support work.
2. This is the first progress report for 2020/21 Internal Audit Plan and covers the period between 1st April 2019 and 30th September 2020. The report also contains details of the residual work completed from the 19/20 Internal Audit Plan.

INTERNAL AUDIT PLAN 2020/21

3. As agreed by members, Internal Audit were redeployed for the first two quarters of 2020. A total of 175 days was allocated to COVID 19 support work. This consisted of assisting with the administering the Business Support Grants and post assurance work which is required by central government. In addition, to the support work, we are also providing advice and guidance to any services who have had to implement new processes or service specific arrangements to ensure continued or new service delivery during this time.

4. **Appendix A** provides a “snapshot” of the overall progress made in relation to the 2020/21 Revised Internal Audit Plan, indicating which audits have been completed and their control rating, those that are in progress and those that have yet to start.
5. The report to members Internal Audit Plan 2020-21 – Revised Approach, on the agenda, explains how sufficient work will be undertaken until March 2021 to be able to provide an audit opinion for the Annual Governance Statement in 2021.
6. The table below highlights the work undertaken to the end of September 2020 together with any control issues identified, where applicable;

Audit Area	Assurance Rating	Key Control Issues / Comments
Annual Governance Statement	Not applicable	Pro- active support with the 2020 Annual Governance Statement
National Fraud Initiative	Not applicable	Internal Audit have co-ordinated the data submission for the 20/21 NFI exercise. The results of matches for further investigation are expected to be released in January 2021.
COVID 19 Support	Not applicable	For the first part of the 20/21, Internal Audit were re-deployed to administering the Business Support Grants. Whilst the scheme has now closed, work is continuing with the post assurance elements of the grants and the new Local Restrictions Support Grants.
Privileged User Access Management (19/20 Audit Plan)	Substantial	No key control issues
Payroll (19/20 Audit Plan)	Moderate	Our work found that there is regular contact with Blackpool Council who deliver a number of services including payroll on behalf of the Council as part of a service level agreement. The Council publishes its Pay Policy Statement each year in accordance with legislation, new employees had been set-up as authorised and no leavers or existing staff were overpaid during the period under review. We also found that voluntary deductions had been made as instructed, regular payments made to third parties and approved payroll budgets are monitored and reported to Committees regularly. However, not all key controls in place were operating effectively. The service level agreement has been extended to 31 March 2024, although this has not been formally approved by Committee following a review to ensure the Council is continuing to receive value for money from the current supplier. Improvement is required to the authorised signatory arrangements, there is a lack of policies and standard documentation in certain key payroll areas, changing bank accounts are not sufficiently secure and there are no independent checks on established posts to ensure only valid employees are paid.
Contract Procedure Rules (19/20 Audit Plan)	Moderate	When procuring good and services for the Council, dependent upon the size of the contract, there are various options to achieve compliance (as contained within the Contract Procedure Rules). 18 contracts were reviewed and of these we found the following:

		<ul style="list-style-type: none"> - 13 were fully compliant with the relevant procedures in relation to the size of the contract (either exempt, small, mid-range or large); and - 5 were non-compliant. <p>Good controls were found to be in place for large contracts with contracts being awarded to the lowest tenderer or based on the highest score from the evaluation process. Good governance was also found to be operating with monitoring reports on those contracts in the approved capital programme presented to the relevant Committee.</p> <p>It was however identified that the mid-range contracts are less compliant with CPRs due the fact that aggregating over 12 months is not taking place so therefore the incorrect procedure is being applied. It was also identified for one contract that a procurement exercise has not taken place since 2010. It would be beneficial for the Council to undertake a spend analysis exercise to if establish more contracts have been treated in a similar fashion.</p> <p>The Council has recently employed a dedicated Procurement and Surveillance Officer and this would be an opportune time to review the CPRs to ensure that they remain fit for purpose. Following this, training should be offered to officers so that the level of compliance can be improved in all instances.</p>
Lytham Hall Driveway Resurfacing	Full	<p>Our work has established that the procedures followed for the approval and payment of the grant to Lytham Hall for £51,000 were in accordance with the Council's objectives and procedures as outlined in the Corporate Plan; the Capital Strategy; the Capital Programme and Financial Procedure Rules. It could also be confirmed that assurance was sought by the Council to ensure that the terms and specifications outlined in the legal agreement were adhered to; and additional checks were undertaken by the Council to ensure that the requirements of the Finance & Democracy Committee outlined in the meeting of 22 June 2020 were also met.</p>

LIMITED ASSURANCE RATING REPORTS UPDATE

7. It was agreed with members that an update would be provided on any reports issued with a limited assurance. During 18/19 and 19/20, 6 reports were issued with a limited assurance rating. Progress made with the implementation of agreed actions is detailed below for each review.

Review	Comments
Maintenance and inspection regime – Trees (18/19)	<p>In total 12 actions were agreed for this review. There are 7 actions still outstanding and these relate to the procurement of bespoke tree management software / database and the compilation of a Tree Management Strategy.</p> <p>As a result of COVID, it has not been possible to undertake a procurement exercise for the tree management software as the organisations were closed due to the lockdown and furloughing of staff. These actions are now being addressed and a revised date of January 2021 has been agreed.</p> <p>The Tree Management Strategy is in progress and is due to be completed by January 2021.</p>

Environmental Permitting Regulations	<p>There were 7 agreed actions arising from this review. Two of these have been implemented in full. The remaining actions, which were due to be implemented by August 20 are in progress, but have been delayed due to the additional enforcement activity being undertaken by the Environmental Health team as a result of COVID.</p> <p>It is anticipated that the remaining actions will be implemented in full by March 21.</p>
Fuel consumption	<p>Whilst 11 actions were agreed for this review, the main risk related to the procurement of fuel. Work is currently on-going with the Procurement and Surveillance Officer to ensure that all future procurements are compliant with the Council's Contract Procedure Rules and Guide to Buying.</p> <p>The majority of the remaining actions are only due to be implemented by December 20.</p>
Event Management	<p>In total, 15 actions were agreed for this review. Many of these actions are reliant upon events being planned or taking place and so implementation dates have been deferred to 2021.</p>
Commercial Properties	<p>The majority of high-risk actions emanating from this review was as a result of the council being reliant upon paper based records and outlook calendars. Since the report was finalised, new asset management software called Concerto has been purchased and is currently being populated.</p> <p>The new software will provide a central, comprehensive record of all the Council's assets and will include the following features:</p> <ul style="list-style-type: none"> • Photographic records, plans and mapping; • Ability to upload supporting documentation for lease/legislation compliance; • Lease renewals reminders, highlighting specific lease conditions; • Rental income including prompts for rent reviews; • Property condition reports with planned maintenance and costings; • Insurance requirements and renewal dates; • Audit trail of activities undertaken for each property. <p>Once this software is operational, the high-level risks identified during the review will be fully mitigated.</p>
General Data Protection Regulations	<p>Since this report was issued earlier this year, the Head of Governance and the Procurement and Surveillance Officer have undertaken a significant amount of work and all the agreed actions are in progress and are due to be fully completed by March 2021.</p>

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	There are no Health and Safety implications arising from this report. The Audit Plan has been developed using a risk based approach.

LEAD AUTHOR	CONTACT DETAILS	DATE
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BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
Internal Audit Annual Plan	July 20	Internal Audit Office, Town Hall

Attached documents

Appendix 1 – Internal Audit Plan as at 30th September 2020