

Matters arising from internal audit work completed during the period to 2 January 2024

1 Introduction

1.1 This report highlights key issues that the Audit, Risk and Governance Committee should be aware of in fulfilling its role of providing independent oversight of the adequacy of the council's governance, risk management and internal control framework. It highlights the issues arising from the work undertaken by the Internal Audit Service up to 2 January 2024.

2 Progress against the internal audit plan

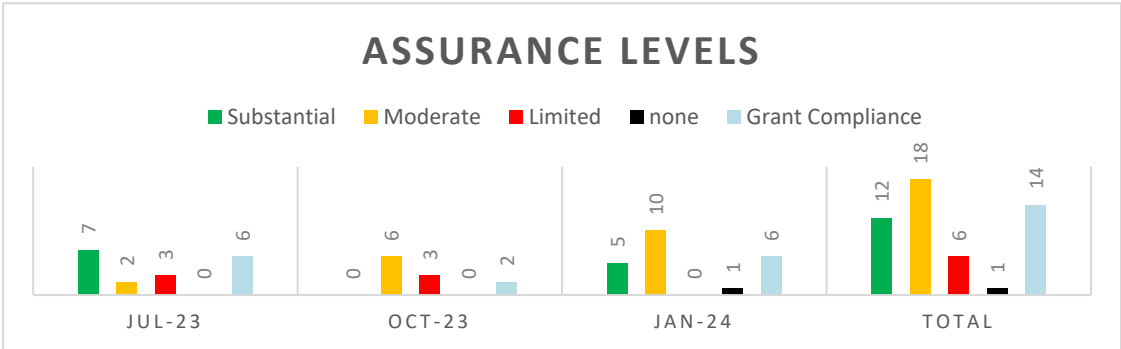
2.1 The Audits detailed in the tables at section 3.1 have been completed since the last Audit Risk and Governance Committee meeting on 16 October 2023.

2.2 The Internal Audit work plan that was approved by the Audit Risk and Governance Committee in April 2023 contained 100 audit assignments that the Internal Audit service planned to complete throughout the 2023/24 financial year. These included a variety of audit assignments ranging from full risk and control evaluation audits, grant audits, school audits and consultancy reviews to be completed across the whole Council.

2.3 As at 2 January 2024 the Internal Audit Service had completed and reported the findings for 51 audit assignments. This includes reviews carried over from the previous year's plan and unplanned work requested from service areas during the year. Since the last Internal Audit progress report was provided to the Audit Risk and Governance Committee in October, the service has finalised and issued 21 audit reports. There are also currently a further 24 reviews that are at a draft reporting stage or are being progressed.

| Stage of audit process | 23/24 plan Number | % |
|------------------------------------|-------------------|------------|
| Complete and reported to committee | 51 | 51% |
| Draft report stage | 5 | 5% |
| Progressing | 19 | 19% |
| Total number of audits | 100 | 75% |

2.4 The bar chart below illustrates the assurance levels provided for each audit assignment completed in the 2023/24 financial year and reported to this committee.



- 2.5 Presently there are currently five audits that are at the draft reporting stage, which are currently being discussed and agreed with managers.

| Control area |
|--|
| Governance arrangements for the delivery of change within the organisation |
| flexible working |
| Flakefleet Primary School |
| Morecambe Bay Primary School |
| Management or the timeliness of assessments and reviews- Adult Services |

- 2.6 The Internal Audit Service also provides an out-sourced internal audit function to the Office of the Police and Crime Commissioner and Lancashire Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council. The Internal Audit service for Wyre Borough Council also commission us to deliver a few individual audit assignments on their behalf.

3 The assurance available from completed audit work

- 3.1 A brief summary of the assurance provided can be found in the tables below. The matters arising from each of the completed audits are set out in the executive summaries provided at Appendix B. The committee summary for Digital Services Procurement and the Governance Risk and Resilience Framework are both reported under separate agenda items for this meeting.

| Control area | Assurance |
|--|------------------|
| Highways S278 agreements | ● Substantial |
| Budget Savings – Governance | ● Substantial |
| Management of the council's property portfolio | ● Substantial |
| DWP Searchlight system | ● Moderate |
| Safeguarding's Service redesign and implementation | ● Moderate |
| Adequacy of the Safeguarding Board | ● Moderate |
| Councils' response to the consultancy work on the use of employment agencies | ● Moderate |
| Payroll system | ● Moderate |
| Fostering payments | ● Moderate |
| Digital Services Procurement | ● No Assurance |
| Governance Risk and Resilience Framework | N/A |

| School Asset Management Audits | Assurance |
|---|------------------|
| St. Mary's RC Primary School | ● Substantial |
| Walton-le-Dale High School | ● Substantial |
| School Financial Controls Wellfield Academy | ● Moderate |

| | |
|---------------------------------------|---------------|
| Wilson's Endowed School | ● Moderate |
| Barnacre Road Primary School | ● Moderate |
| Dalton St Michael's CE Primary School | ● Substantial |

4 Grant certification and consultancy reviews

- 4.1 In addition to providing assurance to the council some audit work is required by various central government departments, to provide them with assurance over the council's use of grant funding and attainment of funding conditions. The table below provides details of this completed review, with an executive summary for each of the reviews being provided at Appendix C.

| Grant Audits | Assurance |
|--|-------------|
| Grants from the Department of Transport to support capital expenditure | ● Compliant |
| Supporting Families Programme Q1 | ● Compliant |
| Supporting Families Programme Q2 | ● Compliant |
| Supporting Families Programme Q3 | ● Compliant |

5 Follow-up audits

- 5.1 The Internal Audit Service aims to follow up the action plans agreed by managers to address the risks identified through the audit process, to confirm that action has been taken. The plan for the year therefore includes an allocation of time for this work and the actions agreed to be reviewed with the responsible officers. The status of each management action is established by either the completion of a follow up audit as reported in section 5.3 below, or by seeking management assurance as to the progress made in the implementation of each agreed management action.
- 5.2 The tables below detail the status of the agreed management actions, including the financial years that any outstanding Management Actions were agreed.

| Action status | Total as at 02 Jan 24 | | | | | |
|---------------------------------------|-----------------------|-------------|-------------|-----------|------------|-----------|
| | Total | | Risk rating | | | |
| | | | Critical | High | Medium | Low |
| Complete | 76 | 33% | 0 | 2 | 36 | 38 |
| Incomplete | 95 | 41% | 0 | 17 | 52 | 26 |
| Superseded | 17 | 7% | 0 | 1 | 10 | 6 |
| Follow up Scheduled | 43 | 19% | 1 | 15 | 25 | 2 |
| Total | 231 | 100% | 1 | 35 | 123 | 72 |
| Incomplete Management Actions by year | | | | | | |
| 2021/22 | 37 | 39% | 0 | 3 | 20 | 14 |
| 2022/23 | 45 | 47% | 0 | 11 | 26 | 8 |
| 2023/24 | 13 | 14% | 0 | 3 | 6 | 4 |
| Total | 95 | 100% | 0 | 17 | 52 | 26 |

5.3 Two follow up audits have been completed. As part of these follow up audits four management actions were reviewed. The table below provides as summary of the status of these actions and an executive summary of each review can be found at Appendix D.

| | Extreme | High | Medium | Low | Total |
|-------------------|---------|------|--------|-----|-------|
| Number of actions | 0 | 0 | 1 | 3 | 4 |
| Implemented | 0 | 0 | 1 | 2 | 3 |
| Superseded | 0 | 0 | 0 | 0 | 0 |
| Progressing | 0 | 0 | 0 | 1 | 1 |
| Not implemented | 0 | 0 | 0 | 0 | 0 |

6 Amendments to the audit plan for 2023/24

6.1 There have been four amendments to the audit plan since we last reported to the committee on the 16 October 2023. These changes consist of three audits being removed from the audit plan for 2023/24 along with some grant audits that are no longer required.

| Audits | Reason for change |
|----------------------|--|
| Scheme of delegation | A constitutional review currently being undertaken likely to lead to new arrangements – This will be considered for inclusion in 2024/25 audit plan. |
| Overtime Payments | The original issue that caused the need for the use of overtime payments has now been addressed and the service is reporting that very few overtime payments are now being made. |
| RAMP system | RAMP is an administration system used for invoicing and payments for the Highways and Transport Service. This system has now been replaced by a new system - Key1. After the new system has been fully embedded it will be considered for inclusion in 2024/25 audit plan. |
| Various grants x 12 | There are 12 different grants that no longer need to be reviewed by Internal Audit. This is because either the grant conditions have changed with the requirement for Audit sign off being removed or the grants are no longer being claimed. |