

## **HIGH PEAK BOROUGH COUNCIL**

### **Audit & Regulatory Committee**

**24 November 2020**

<b>TITLE:</b>	<b>Internal Audit Periodic Report July to October 2020</b>
<b>EXECUTIVE COUNCILLOR:</b>	<b>Councillor Alan Barrow - Executive Councillor for Corporate Services and Finance</b>
<b>CONTACT OFFICER:</b>	<b>John Leak – Head of Audit</b>
<b>WARDS INVOLVED:</b>	<b>Non-Specific</b>

**Appendices Attached – Appendix 1 Audits Completed Between 1<sup>st</sup> July 2020 and 31<sup>st</sup> October 2020  
Appendix 2 Internal Audit 2020/21 Progress Information as at 31<sup>st</sup> October 2020**

#### **1. Reason for the Report**

- 1.1 The Accounts and Audit Regulations 2015 requires 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 auditing standards or guidance”. In accordance with the Public Sector Internal Audit Standards, the Head of Audit must report periodically to the Audit Committee on the internal audit activity’s performance relative to its plan.

#### **2. Recommendation**

- 2.1 That the committee note the information contained within this report.

#### **3. Executive Summary**

- 3.1 The purpose of this report is to summarise the findings of the remaining audits undertaken by the Council’s Internal Audit service for the 2019/20 financial year and also to summarise performance information for the Council’s Internal Audit service for the 2020/21 financial year to date. This includes a breakdown of audits in progress and completed to date, the number and classification of recommendations made, agreed and where applicable, implemented by management.

3.2 Due to a combination of unplanned investigative work and the effects of the Covid-19 pandemic including diversion of audit resources to support the corporate response to the administration of the Governments various business grants support schemes, the Audit Plan for 2019/20 took longer than usual to complete. In addition, the follow up of audit recommendation implementation was temporarily paused until 31st May. This lack of data collection is reflected in this report but is expected to return to normal levels over the coming months.

3.3 All audit recommendations have been agreed, and to date 71% of 2019/20 and 100% of 2020/21 audit recommendations that are due have been implemented (see paragraph 3.2). Where deficiencies in internal control have been identified and not corrected, Internal Audit are satisfied that they will be resolved in an appropriate manner and they will continue to monitor such cases. It should be noted that it is the responsibility of relevant Managers to implement agreed recommendations.

#### 4. **How this report links to Corporate Priorities**

4.1 The assurance provided by the work of Internal Audit informs the Annual Governance Statement and therefore helps to ensure our future financial resilience can be financially sustainable whilst offering value for money.

#### 5. **Alternative Options**

5.1 There are no options to consider.

ANDREW P STOKES  
**Chief Executive**

**Web Links and  
Background Papers**  
None

#### **Contact details**

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## 6. Detail

6.1.1 The purpose of this report is to summarise the findings of the remaining audits undertaken by the Council's Internal Audit service for the 2019/20 financial year and also to summarise performance information for the Council's Internal Audit service for the 2020/21 financial year to date. This includes a breakdown of audits in progress and completed to date, the number and classification of recommendations made, agreed and where applicable, implemented by management.

6.1.2 The work of the internal audit service is primarily based upon an annual risk assessed audit plan, which for the financial year 2019/20 was agreed by this Committee at the 6<sup>th</sup> June 2019 meeting and for the current financial year 2020/21 at the 3<sup>rd</sup> July 2020 meeting. The Internal Audit service also carry out work outside of the audit plan for which a contingency is usually built in. This unplanned work consists mainly of internal control consultancy work and special investigations into suspected fraud and irregularity.

## 6.2 Audit Reports Issued & Status of Agreed Recommendations

6.2.1 A summary of the audits completed during the period 1<sup>st</sup> July 2020 to 31<sup>st</sup> October 2020 is shown in the table below. Further details of these audits outlining key issues and strengths and improvements are shown in **Appendix 1**.

Service	Audit	Recommendations			Assurance
		High Risk	Medium Risk	Low Risk	
<b>2019/20 Audit Plan</b>					
Assets	Parking	0	3	8	Satisfactory
Housing Services	Carelink	0	4	19	Limited
Assets	Housing Planned Maintenance	0	3	3	Satisfactory
Finance	Recovery	0	0	4	Satisfactory
Finance	AES Governance	0	0	2	Substantial
Development Services	Development Control	0	1	4	Satisfactory
Revenues & Benefits	Council Tax	0	2	2	Satisfactory
Finance	Creditor Payments	0	0	1	Substantial

Service	Audit	Recommendations			Assurance
		High Risk	Medium Risk	Low Risk	
Revenues & Benefits	NNDR	0	2	1	Satisfactory
Revenues & Benefits	Housing Benefits	0	3	14	Satisfactory
<b>2020/21 Audit Plan</b>					
Finance	Capital Accounting	0	0	0	Substantial
OD & Transformation	Corporate Governance	0	4	12	Satisfactory
Housing	Housing Rents	0	0	3	Satisfactory

6.2.2 A further breakdown of all of the audits completed during the 2019/20 financial year including the current status of audit recommendations is detailed in the Annual Report later on this agenda. All audit recommendations have been agreed, and to date 71% of 2019/20 audit recommendations that are due have been implemented. A breakdown of all of the audits in progress and completed during the current financial year 2020/21 including the current status of audit recommendations is detailed in **Appendix 2**. All audit recommendations have been agreed, and to date 100% (see paragraph 6.4.3) of 2020/21 audit recommendations that are due have been implemented. Where deficiencies in internal control have been identified and not corrected, Internal Audit are satisfied that they will be resolved in an appropriate manner and they will continue to monitor such cases. It should be noted that it is the responsibility of relevant Managers to implement agreed recommendations.

6.2.3 Councillors will note that in addition to every individual audit recommendation being allocated a risk, every audit completed has been given an 'assurance opinion' based upon Internal Audit's assessment of the internal control environment. These assurance opinions inform the annual audit opinion on the overall adequacy and effectiveness of the Council's internal control environment. The control levels are defined as follows:

Control Level	Definition
Substantial	There is a robust framework of controls designed to achieve the objectives and controls are consistently applied.
Satisfactory	There is a sufficient framework of controls which for the most part, are consistently applied. However, weakness in the design or inconsistent application of controls within a few areas put achievement of particular objectives at risk.
Limited	Weaknesses in the system or the level of non compliance with controls in a number of areas are such to put the system objectives at risk.
Unsatisfactory	There is a significant breakdown in the framework of controls, which leaves the system open to significant abuse or error.

### 6.3 Audits In Progress

6.3.1 The status of 2020/21 audits that are currently in progress is shown in the table below.

Service	Audit	Status
Democratic & Community Services	Equalities & Diversity	Audit Complete. Quality control stage.
OD & Transformation	Project Management	Audit Complete. Quality control stage.
Legal & Election Services	Elections	Audit in Progress.
Service Commissioning	Leisure Sports Development	Audit in Progress.
Housing Services	Housing Advice	Audit in Progress.
OD & Transformation	Performance Management	Audit in Progress.
Regeneration	Regeneration	Audit in Progress.
Health & Safety	Emergency Planning	Audit in Progress.
OD & Transformation	Risk Management	Audit in Progress.

### 6.4 Progress against Audit Plan

6.4.1 The 2019/20 financial year had seen steady progress against planned audits up until early March 2020. However due to a combination of unplanned investigative work and the Covid-19 pandemic which resulted in disruption to services and additional workloads, work on ongoing planned audits slowed considerably. In addition considerable audit resource in the first quarter of 2020/21 was diverted to support the corporate response to the administration of the Governments various business grants support schemes. As a result the Audit Plan for 2019/20 took longer than usual to complete.

6.4.2 The 2020/21 financial year has seen steady progress against planned audits and all of the audits in progress or nearing completion as detailed in 6.3 above will be completed soon. It is anticipated at this stage that a satisfactory year end position will be achieved.

6.4.3 Current key progress information for the 2020/21 audit plan is summarised in the following table, excluding unplanned work unless otherwise stated. In order to help services to adjust to additional workloads and disruption following

the shift to home working from the end of March, the follow up of audit recommendation implementation was temporarily paused until 31<sup>st</sup> May. This lack of data collection is reflected by the figure shown in the table below and in Appendix 2, however this is expected to return to normal levels over the coming months:

<b>Summary Progress Information to 31<sup>st</sup> October 2020</b>	
Percentage of Audit Plan completed / substantially completed	18%
Percentage of Audit Plan In Progress	25%
Number of recommendations made (including unplanned work)	19
Percentage of recommendations agreed with Service Managers (including unplanned work)	100%
Percentage of recommendations implemented within agreed timescale (including unplanned work)	100%*

\* See *paragraph 6.4.3*

- 6.4.4 Should recommendations have not been agreed, compensating controls exist or service managers have accepted the risk / inefficiency of the current system for the benefit of service delivery.