



## APPENDIX 1



# ANNUAL INTERNAL AUDIT REPORT & AUDIT OPINION

2021/22

Internal Audit Services  
Town Hall – Broadway Annex

Report Author: Mark Beard – Head of Audit & Investigation

# EXECUTIVE SUMMARY

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Whilst 2021/22 had various issues resulting from the Covid19 Pandemic, the Head of Audit & Investigations together with the Audit Team worked throughout the year to both advise on and support on controls and processes that needed to be changed due to different ways of working caused by the Pandemic. The Audit Team was able to carry out sufficient work to enable an opinion to be given. The Head of Audit is pleased to report that good levels of internal control were found to be in place and no significant areas of concern were found that could impact on the Council's Financial Statements. This is based on the work of the Internal Audit Team during 2021/22.

The key issues arising from this report are:-

- The Head of Audit & Investigations is able to issue a positive opinion on the systems of Internal Control based on the work carried out in 2021/22 as detailed below. The opinion score very slightly dropped from 1.36 in 2020/21 to 1.40 in 2021/22. The number of recommendations increased from 8 in 2020/21 to 13 in 2021/22.
- Internal Audit did not identify any issues in 2021/22 during the course of their audit work that would have a material effect on the Council's Financial Statements.
- Internal Audit achieved audit plan coverage of 97.21% in 2021/22. This was 0.79% below the annual target of 98%.
- Production and publication of this report is a requirement of the Public Sector Internal Audit Standards. This report satisfies the requirements for those charged with governance and forms a supplementary piece of evidence to the Annual Governance Statement.

## AUDIT OPINION

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All of the work undertaken by Internal Audit during the financial year 2021/22 was in conformance with the Public Sector Internal Audit Standards. The average opinion score in 2021/22 was 1.40 as opposed to 1.36 in 2020/21. This is based on a scale of 1 to 4 where 1 is the highest level of assurance and 4 is the lowest level of assurance.

Therefore the Audit Opinion for 2021/22 is:-

**Substantial assurance:** The work undertaken showed there is a generally sound system of internal control designed to meet the service objectives, and controls are generally

being applied consistently. However some weaknesses in the design and / or inconsistent application of controls put the achievement of particular objectives at risk.

This statement is intended to provide reasonable assurance. There is an on-going process for identifying, evaluating and managing key risks. These risks are reflected in the Internal Audit Plan and are subject to their own reporting process during the course of the year which sits outside the Internal Audit role.

**Opinion Caveat** – Those charged with Governance must remember that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The Covid19 Pandemic created new, unexpected risks for the Council arising from, for example:

- Significant Levels of Covid19 funding e.g. Business Support Grants;
- Homeworking;
- Alterations to system controls to facilitate new ways of working.

Internal Audit has advised on changes to working processes and will continue to work with service areas to revise these as required to enable services to meet their service delivery needs whilst complying with requirements arising from the Pandemic and as the Council and wider community slowly transition out of the various restrictions caused by the Pandemic.

Clearly whilst the overall opinion for 2021/22 shows a slight reduction on the risk score and a substantial assurance opinion it must be remembered that the Audit Team has not looked at all areas of the Council and issues identified in 2022/23 will feed into the next annual opinion.

## **ANNUAL INTERNAL AUDIT REPORT & AUDIT OPINION - PURPOSE & BOUNDARIES**

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Management is responsible for the System of Internal Control and must set in place policies and procedures to ensure that the system is functioning correctly. Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls. This report is the culmination of the work during 2021/22 and seeks to:-

- Provide an opinion on the adequacy of the control environment
- Comment on the nature and extent of any significant risk
- Report the incidence of significant control failings or weaknesses

### **Requirement for Internal Audit**

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (Section 151) and the Accounts and Audit Regulations 2015. The latter requires authorities to:

*“...undertake an adequate and 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.”*

The Public Sector Internal Audit Standards (PSIAS) set out a detailed framework that Internal Audit must conform to. These cover all aspects of Internal Audit from behaviours to the actual way in which audit work should be conducted.

In addition to the PSIAS both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) produce additional guidance and publications surrounding internal audit, control, governance and Audit Committees etc. One such publication is “The Role of the Head of Internal Audit in Public Service Organisation” republished in 2019. This sets out the standards that are expected not only of the Head of Internal Audit but also of the Authority as a whole. This publication compliments the PSIAS and what they aim to achieve.

The role of internal audit is complemented by initiatives aimed at promoting effective corporate governance, risk management, anti-fraud & corruption including bribery, anti-money laundering & proceeds of crime in addition to maintaining probity and value for money.

The guidance accompanying the Accounts and Audit Regulations 2015 also detail the need for sound systems of internal control and set out the basis for the necessity of Internal Audit.

### **Equality & Diversity**

Internal Audit remains committed to the Council’s objectives on Equality and Diversity. This is achieved through the way the team is managed, the way staff are trained and by the way processes are put in place to ensure members of the team behave appropriately in their work with staff and management at all levels together with elected Members,

members of the public and other external organisations. This again links into the requirements of the PSIAS.

The Internal Audit team has received both Equality & Diversity Training in addition to other information supplied e.g. Newsround briefings, team discussions and corporate briefings / training.

### **Declaration of Interests**

Internal Audit must avoid any conflict of interest that could impede any of the audit work carried out or cast doubt over the independence or integrity of the auditor carrying out the engagement. This links in to the 'Due Professional Care & Ethics' elements of the PSIAS.

All members of the audit team are aware that they must declare any interests and sign an annual statement which also states they would inform the Head of Audit & Investigations if any issue became apparent during the year.

The Head of Audit & Investigations can report that no member of the Audit Team had any issues that could have impacted on the integrity, professionalism or quality of the work during 2021/22.

## **THANKYOU**

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The Head of Audit & Investigations and Internal Audit Team would like to express their thanks to Management and all areas of the Council where work was undertaken during 2021/22 for the help afforded to the Audit Team during the course of their work.

## **REVIEW OF INTERNAL CONTROL**

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### **How Internal Control is Reviewed**

1.1 During 2021/22 the Authority's risk registers have been continually updated. These form a key factor of Internal Audit's operational plan each financial year. The review

process draws on key indicators of risks to the organisation with the aim of ensuring audit resources are allocated to the areas with the highest risk.

1.2 Internal Audit uses a 9 point risk analysis matrix for determining the levels of risk as part of the annual audit planning process. Factors considered are:-

- Audit Area covered by risk(s) in the Risk Registers
- Have system changes taken place? E.g. to personnel or processes
- Has the service area been subject to cuts / job losses / restructure?
- Does External Audit require coverage?
- Is the Audit b/fwd or deleted from the current audit plan?
- Does the Audit Area directly affect the Council's financial position?
- Is it a Council / Management Team / Manager priority?
- When was the last audit carried out?
- What is the monetary value / income of the area?

1.3 The audit plan includes a 10% contingency provision. Contingency days are utilised in response to unforeseen work demands that arise. In the event that there are contingency days that have not been required, these are used to enable additional audit areas to be covered within the plan as per the risk scoring matrix.

1.4 The risk analysis and scoring part of the audit planning process results in a comprehensive range of audit engagements being undertaken during the financial year. These audits support the overall opinion on the control environment. Examples include:-

- Systems based reviews of fundamental financial systems that could have a material impact on the Council's financial statements e.g. Creditor Payments, Debtors, Treasury Management
- Establishment audits e.g. CVMU (Central Vehicle Maintenance Unit) Environmental Protection, Fleet Management
- Systems based reviews of departmental systems e.g. Taxi Licensing, Pandemic Procurement, Energy Conservation & Climate Change, Write off Processes
- External Grant Funding
- ICT audits e.g. ICT Assets, Network Controls
- Contract audit
- Fraud Strategy Work
- Responsive fraud and irregularity investigations

1.5 Audit work is risk based and the risk registers are cross referenced to the audit plan. Any risks identified within the risk registers that cannot be linked to the audit plan are added to the audit plan during the annual planning process. There were no new risk areas in the risk registers that were not already reflected in the audit plan for 2021/22 in some way. Whilst some new risks did exist, the risk registers were linked back to the audit plan as part of the cross matching. Any significant risks are acted upon

during the financial year as opposed to waiting until the annual audit planning process which takes place towards the end of each financial year.

## Accounts and Audit Regulations

- 1.6 The Accounts and Audit Regulations 2015 set out clear instructions that Councils must follow. Parts of the regulations detail financial management and the need for Internal Audit.
- 1.7 Financial management is covered within part 2 of the 2015 regulations and details what the Authority must have in place regarding:-
  - Responsibility for Internal Control
  - Accounting records and control systems
  - Internal Audit
  - Review of Internal Control System
- 1.8 For clarity the specific regulations relating to the above areas are detailed in TABLE 1 below. These detail the key parts of regulations 3 to 6.

Regulation	Requirement
3	A relevant authority must ensure that it has a sound system of internal control which:- <ol style="list-style-type: none"><li>(a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives;</li><li>(b) Ensures that the financial and operational management of the authority is effective; and</li><li>(c) Includes effective arrangements for the management of risk</li></ol>
4 (4)	The financial control systems determines in accordance with paragraph (1) (b) must include: <ol style="list-style-type: none"><li>(a) Measures –<ol style="list-style-type: none"><li>(i) to ensure the financial transactions of the authority are recorded as soon as, and as accurately as, reasonable practicable;</li><li>(ii) to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost record; and</li><li>(iii) to ensure that risk is appropriately managed;</li></ol></li><li>(b) identification of the duties of officers with financial transactions and division of responsibilities of those officers.</li></ol>
5 (1)	A relevant authority must 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.
5 (2)	Any officer or member of a relevant authority must, if required to do so for the purpose of the internal audit – <ol style="list-style-type: none"><li>(a) make available such documents and records; and</li><li>(b) Supply such information and explanations;</li></ol> As are considered necessary by those conducting the internal audit.
5 (3)	In this regulation “documents and records” includes information recorded in an electronic form.
6 (1)	A relevant authority must, each financial year – <ol style="list-style-type: none"><li>(a) Conduct a review of the effectiveness of the system of internal</li></ol>

	control required by regulation 3; and (b) Prepare an annual governance statement
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## Annual Governance Statement

1.9 CIPFA guidance states that an Annual Governance Statement (AGS) should be produced to accompany the Council's Financial Statements.

1.10 The AGS is made up of numerous evidence sources from across the Council as a whole that collectively demonstrate why the Council believes it has good governance in place. The Head of Audit & Investigations supplies 5 pieces of evidence each year to show Internal Audit's contribution to the Council's governance processes. This report is one of those 5 pieces of evidence.

1.11 It must be highlighted that this Annual Internal Audit Report & Audit Opinion is not the AGS and cannot be used to substitute it.

## Risk Management

1.12 The Council has a well-established risk management process which is monitored and updated on a regular basis and reported to both the Council's Corporate Management Team and the Audit Committee.

1.13 There are 3 risk registers; Strategic, Operational and Generic.

1.14 Risk owners and management are proactive in monitoring the tables and ensuring that obsolete risks are deleted and new emerging risks are added in addition to updating existing risks.

1.15 The risk management process is subject to auditing by Internal Audit, however this is determined by the audit planning process and specifically the risk scoring matrix.

1.16 The Head of Audit & Investigations can confirm that the risk management provides regularly updated risk information to both Corporate Management Team and Elected Members.

## Fraud

1.17 Whilst it is not the primary role of Internal Audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal Audit carry out additional fraud related work at times, although this must not be prejudicial to the primary role of Internal Audit. Examples of the activities that may be carried out include:-

- Investigation work surrounding fraud cases
- Responding to whistle-blowers
- Considering fraud in every audit

- Making recommendations to improve processes
- Review fraud prevention controls and detection processes put in place by management

1.18 Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

### **Covid19 Pandemic**

1.19 The 2021/22 financial year continued to present challenges due to the Covid19 Pandemic. Members of the Internal Audit Team continued to support service areas with finding new methods of working whilst still maintaining some level of control. One member of the Audit Team has been working within the Track & Trace function being provided by the Council albeit on an ad-hoc part-time basis.

1.20 The Audit Team has worked hard to adapt its own processes to enable a move towards carrying out aspects of Internal Audit work virtually where this has been possible, however site visits are still taking place as necessary.

1.21 The Covid19 Pandemic has also meant that a number of Council services have continued to be involved heavily in pandemic response work. This in turn has reduced the resources available within some of those services to enable internal audit work to be undertaken. However, as 2021/22 progressed and Government removed more of the controls and restrictions, the audit team was able to revert to more of its planned work with less emphasis on pandemic issues.

1.22 Service Areas have sought advice from Internal Audit during the pandemic on a whole range of issues from risk, controls to alternate ways of working and Internal Audit continues to do so as and when issues arise.

## **SIGNIFICANT ISSUES ARISING**

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2.1 Each audit report issued is given an audit opinion based on the issues identified and reported by Internal Audit. Table 2 below shows the opinions and how many of each was issued in 2021/22:-

**TABLE 2**

<b>AUDIT REPORT ASSURANCE OPINIONS</b>	<b>Number issued in 2021/22</b>
<b>Comprehensive assurance:</b> the work carried out within this audit engagement is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed a sound system of internal control which is designed to meet the service objectives, in addition the work carried out showed controls are consistently being applied	9

<b>Substantial assurance:</b> the work carried out within this audit engagement is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed there is a generally sound system of internal control designed to meet the service objectives, and controls are generally being applied consistently. However some weaknesses in the design and / or inconsistent application of controls put the achievement of particular objectives at risk	6
<b>Limited assurance:</b> the work carried out within this audit engagement is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed weaknesses in the design and / or inconsistent application of controls that put the achievement of the service objectives at risk	0
<b>No assurance:</b> the work carried out within this audit engagement is in conformance with the Public Sector Internal Audit Standards. The work undertaken showed weaknesses in controls and / or consistent non-compliance with controls that could result / has resulted in failure to achieve the service objectives	0

2.3 This section of the report also details any audit engagements that resulted in 'Limited Assurance' or 'No Assurance' opinions being given.

2.4 In 2021/22 no audit engagements were given an opinion of 'Limited Assurance' or 'No Assurance', therefore nothing requires reporting within this section of the Annual Internal Audit Report & Opinion.

## AUDIT PERFORMANCE

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### Assessment of Internal Audit

3.1 Internal Audit works closely with the Council's External Auditors, Mazars. External Audit utilise work carried out by Internal Audit, particularly surrounding the fundamental controls of key systems within the Council to give them added assurance those key systems and processes are working effectively. This then enables External Audit to gain additional reliance that the data and information produced by these systems is reliable. Such assurances contribute to the conclusions made by External Audit on the Council's financial statements.

3.2 External Audit has specific interest on any issue that could impact on the Council's Financial Statements. However during 2021/22 Internal Audit did not find any such issues.

3.3 The Head of Audit & Investigations is part of the Lancashire Districts' Councils Audit Group. This allows all the Lancashire Heads of Audit to discuss issues and raise matters that could have future impacts. The group meets 3 or 4 times per year but the network is active all year as group members will highlight any issue they become aware of with the rest of the group via email between the scheduled meetings.

3.4 Internal Audit must comply with the PSIAS and as part of this process the Head of Audit & Investigations has carried out a self-assessment of the Audit function against the Standards during 2021/22. The Head of Audit & Investigations has also produced a Quality Assurance & Improvement Programme (QAIP) with the self-assessment. This details how those areas partially or not currently compliant will progress to become compliant. The QAIP is subject to on-going monitoring and revision.

### **External Assessment of Internal Audit**

3.5 The PSIAS also state that an external assessment of the audit function and its conformance to the Standards must be carried out at least once every 5 years. The Internal Audit function was reviewed in February 2018 in accordance with the PSIAS. This was undertaken as part of an agreement between 9 Lancashire Councils and 1 Cumbrian Council, which is part of the Lancashire Audit Group, to work together and achieve the external assessment through a Peer Review process. The next assessment of Internal Audit is scheduled to take place in November 2022 under the current time-table but must be fully completed by 31<sup>st</sup> March 2023. There are currently 8 Lancashire Councils taking part in this new round of external assessments.

3.6 In 2018, Hyndburn's Internal Audit function was inspected by 2 Lancashire Heads of Audit. This was a thorough process and involved them examining the self-assessment against the PSIAS, supporting evidence, questionnaires and interviews of:-

- Chief Executive
- Deputy Chief Executive (s151)
- Executive Director (Monitoring Officer)
- Chair of Audit Committee
- A random cross section of 5 Heads of Service
- Audit Team
- Head of Audit & Investigations (no questionnaire)

3.7 The External Review Team also examined examples of the work carried out by internal audit in addition to processes, policies and procedures used.

3.8 The external assessment concluded in February 2018 that the Audit function conform to the PSIAS and the External Review Team stated they only identified 5 points for consideration into the QAIP and that this is a significant and remarkable level of compliance with the Standards of 98%. The 5 recommendations were included in the QAIP and steps were taken during 2019/20 to implement these. The

Head of Audit & Investigations can confirm that all 5 of the recommendations have been adopted. Of the 5 recommendations 2 are complete and the remaining 3 have the necessary processes in place to allow these to be monitored and adhered to on an ongoing basis. It should be also noted that the External Review Team stated “The service delivers a comprehensive and valued programme of assurance to all auditable activities of the authority. The service is trusted for its independent, challenging, objective, unbiased and reliable approach across the organisation.” They went on to say “The service has a positive impact on the ethics, governance, risks and controls at Hyndburn Borough Council.” The Internal Audit team will work to build on what the external inspectors found. During 2021/22 the recommendations made in 2018 were re-reviewed and found to still be in place as described above.

- 3.9 The next external assessment of Hyndburn’s Internal Audit function against the standards is currently scheduled to take place November 2022

### **Review of the System of Internal Control and Effectiveness of Internal Audit**

- 3.10 The Accounts and Audit Regulations 2015, regulation 5 (1) states that a relevant authority must 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 or guidance. Regulation 6 (1) (a) states “A relevant authority must, each financial year, conduct a review of the effectiveness of the system of internal control required by regulation 3.
- 3.11 The Internal Audit process is a key part of the annual review of the effectiveness of the system of Internal Control and the Annual Audit Opinion on page 2 of this report reflects that the majority of controls reviewed in 2021/22 were operating effectively.

### **Quality Assurance & Improvement Programme**

- 3.12 As part of the on-going monitoring and assessment of conformance with the PSIAS the Head of Audit & Investigations has a QAIP in place. The QAIP details the steps that are being taken to move the areas of partial or non-compliance to full compliance. The QAIP will be subject to on-going review and will be periodically reported back to Corporate Management Team and Audit Committee so that they can monitor the progress being made.
- 3.13 In the event that any area within the PSIAS changed from full compliance to partial or non-compliance this would then be included in the QAIP detailing what steps will be taken to ultimately make that area fully compliant again. Therefore the QAIP is an evolving document that is subject to change and updates to reflect the actual position with the Council’s conformance against the PSIAS.

### **Satisfaction & Quality Questionnaire (S&QQ)**

3.14 Assessment of the ongoing performance, standards and seeking improvement is referred to within the PSIAS and is an area that the Head of Audit & Investigations has had processes in place for many years.

3.15 The S&QQ asks for the auditee's opinions on 11 questions with each one ranging from strongly agree to strongly disagree. The 12<sup>th</sup> question is a free-form text box allowing comments to be made on whether there is anything that could improve the service and the impact on their service area.

3.16 TABLE 3 below details the S&QQ results for 2021/22 and includes the comparative results for the preceding financial years.

TABLE 3

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
<b>1) The objectives recorded on the Audit Brief were clearly communicated to me at the commencement of the review</b>	<b>90%</b>	<b>10%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>83.33%</b>	<b>16.67%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2) I was updated regularly on the progress of the review</b>	<b>90%</b>	<b>10%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>83.33%</b>	<b>16.67%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3) My concerns and / or issues were adequately considered during the review</b>	<b>90%</b>	<b>10%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>83.33%</b>	<b>8.34%</b>	<b>8.33%</b>	<b>0</b>	<b>0</b>
<b>4) I felt the audit report covered the main objectives, was informative and meaningful</b>	<b>80%</b>	<b>10%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>83.33%</b>	<b>16.67%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5) The Auditor(s) was courteous and professional with myself and my team throughout the process</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>83.33%</b>	<b>16.67%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>6) The auditor was punctual for any arranged meetings</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>83.33%</b>	<b>16.67%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>7) The auditor was prepared to be flexible and did not significantly disrupt my service area</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>83.33%</b>	<b>8.34%</b>	<b>8.33%</b>	<b>0</b>	<b>0</b>
<b>8) The timespan from the commencement of the review to the final report was reasonable</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>75.00%</b>	<b>25.00%</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>9)</b> The auditor's conclusions and opinion were logical and fairly recorded within the report	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>83.33%</b>	<b>16.67%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>10)</b> I feel that my service area has benefited from this review, and it provides assurance on the areas covered within the review	<b>70%</b>	<b>30%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>66.67%</b>	<b>25.00%</b>	<b>8.33%</b>	<b>0</b>	<b>0</b>
<b>11)</b> Any associated recommendations were constructive and will add benefit to my area upon implementation	<b>80%</b>	<b>10%</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020/21 Comparison</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2019/20 Comparison</b>	<b>66.67%</b>	<b>16.67%</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.17 There were 10 completed questionnaires and this equates to 110 potential responses as there are 11 questions on the form. A total of 108 responses were given as 1 person did not answer question 3 and 1 person did not answer question 11.

3.18 Of the 108 responses given, 100 (92.59%) were 'strongly agree'. A further 8 (7.41%) responses were 'agree'. The Head of Audit & Investigations is able to state that there is an overall strong positive perception of the Team and its work based on these responses as the overwhelming majority of the responses were in the strongly agree category with the rest still being in agree category.

### Internal Audit Performance

3.19 It is good practice to monitor key performance measures. These can support the PSIAS but are not required for any form of national or mandatory collation. It does also enable the Head of Audit & Investigations together with Management and those charged with Governance to compare year on year performance.

3.20 The performance parameters recorded are similar to those maintained by the majority of Audit Teams in Lancashire and the parameters themselves were originally agreed with External Audit.

3.21 TABLE 4 below details performance for 2021/22 together with the 2 most recent financial years as a comparison, although older statistical data is held by the Head of Audit & Investigations.

TABLE 4

Performance Measure	2019/20	2020/21	2021/22
No. of Audit Engagements completed compared to those planned in the audit plan	12	11	13
Number of Audit Reports Issued	14	12	15

Percentage of Audits completed within budget time allocation	100%	100%	<b>100%</b>
Number of Audit Recommendations made	56	8	<b>13</b>
Percentage of Audit Recommendations agreed for implementation by Management	100%	100%	<b>100%</b>
Number of Satisfaction & Quality Questionnaires Issued	12	11	<b>14</b>
Number of Satisfaction & Quality Questionnaires Received	9	4	<b>10</b>
Percentage of clients satisfied with the service provided based on the questionnaires returned	100%	100%	<b>100%</b>

3.22 The number of completed audit engagements increased from 11 to 13, a 15.39% increase on 2020/21. There were 8 audit engagements which were work in progress as at 31<sup>st</sup> March 2022 but these do not reflect in the number which were fully completed. These 8 reports will be included in the 2022/23 statistical information. All audit engagements completed in 2021/22 were within the time allocation. There was an increase in satisfaction & quality questionnaires being returned. The return rate increased from 36.36% to 71.43% in 2021/22.

3.23 Accountability for the response to Internal Audit's advice and recommendations lies with Management who either accept and implement the advice or recommendations or accept the risks associated with not taking action.

### Follow up Work

3.24 Once recommendations become actions agreed with Management in the relevant audit area this does not signify the end of audit involvement until the next time the area is audited.

3.25 Internal Audit will revisit the actions agreed at a defined future date, usually around 6 months, to re-examine whether the actions agreed have been implemented as agreed. Internal Audit refer to this action as a 'Follow Up'.

3.26 Progress on follow ups is reported to Audit Committee on quarterly basis. The Audit Committee can request full explanation from Management on areas that are not implemented.

3.27 During 2021/22 Internal Audit carried out follow up work on 11 audit areas with a total of 34 actions agreed. Follow up work revealed that 29 had been fully implemented and 1 had been partially implemented at the time of the follow-up and 4 actions were no longer either applicable or viable following restructuring in the Service Area.

### Internal Audit Team – Staff Turnover

3.28 The level of staffing within the Audit Team remained constant throughout 2021/22 at 3.0 FTE.

3.29 The Audit Team lost no days as a result of sickness absence or compassionate leave but lost 1 day to special domestic leave.

### **Use of Audit Time**

3.30 TABLE 5 below shows an analysis of Internal Audit time during 2021/22 with the comparative figures for the previous 2 financial years. This is based on actual time spent excluding both statutory and annual leave together with any other absences such as sickness.

**TABLE 5**

<b>Analysis of Audit Time</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Audit Days	83.0%	85.1%	<b>84.2%</b>
Training	2.3%	3.9%	<b>1.7%</b>
Management	9.5%	7.6%	<b>9.1%</b>
Other Non-Audit Time	5.2%	3.4%	<b>5.0%</b>

3.31 The 2021/22 figures show a slight decrease in the amount of time devoted to audit days and training but increases in the amount of time spent on management and other non-audit time. Whilst training time decreased the team still participated in various training activities to ensure skills and knowledge remained up to date. Management time increased but was still below the rate two years ago and some of the increase was attributable to issues arising from the pandemic.

## ANALYSIS OF AUDIT TIME – 2021/22

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4.1 TABLE 6 below details the work carried out by Internal Audit during 2021/22 and is based on actual time recorded against the original approved time allocated within the Audit Plan for 2021/22.

4.2 A total of 550.23 days were delivered against 566 planned audit days. There were 90.75 days recorded in non-audit work as opposed to 64 days allocated in the audit plan. Non-audit work includes management meetings, personal development reviews, regional audit groups, team meetings, timesheets etc. There were 137.3 days recorded in absences as opposed to the 153 days allocated in the audit plan. Absences cover statutory leave, annual leave, sickness etc. Absences in 2021/22 included special leave in addition to annual leave or statutory leave for bank holidays.

4.3 TABLE 6 does not include the areas within the audit plan where no time was recorded and therefore the table does not reflect the whole audit plan, only the areas where time was recorded during 2021/22.

TABLE 6

Core Systems	Plan Days	Actual Days	Comments
<b>Systems Based Reviews</b>			
Creditors	18	18.98	Audit Completed
Debtors	18	12.46	Audit Completed
General Ledger	23	0.47	Audit Deferred – Due to New System being sought
Payroll		0.03	Audit Question
Treasury Management	12	10.09	Audit Completed
<b>Systems Queries / Work</b>			
Bank Reconciliation		1.76	Audit Query
Cash Receipting		2.22	Audit Query
Council Tax		1.49	Audit Query
Creditor Payments		0.38	Audit Query

Housing Benefits		0.41	Audit Query
Payroll		0.17	Audit Query
<b>TOTAL for Core Systems</b>	<b>71</b>	<b>48.46</b>	<b>Utilised 68.25% of Allocated Audit Days</b>

Non-Core Systems	Plan Days	Actual Days	Comments
Car Leasing / Loans		12.53	Audit Completed
CCTV		0.17	Audit Queries
Charities		1.83	Audit Work Completed
Christmas Lights		0.03	Audit Query
Debt Recover Arrangements	13		Audit Completed with Debtors Audit
Drivers Policy & Handbook		0.07	Audit Query
Electoral Registration / Elections		14.12	Audit Completed
Energy Conserve & Climate Chg		2.05	Audit Completed
Flexi Scheme		0.03	Audit Query
Food Team	12		Audit Deferred to 2022/23
Health & Safety		0.07	Audit Query
Insurance Arrangements		0.47	Audit Input / Queries
Licences - Taxi	15	15.00	Audit Completed
Mayoral Allowances / Secretarial		0.10	Audit Query
Officers Imprests & Subsistence		0.14	Audit Queries & Spot Checks
P-Card Processes		0.10	Audit Queries
Planning Fees		0.03	Audit Query
S106 Agreements		17.39	Audit Commenced – W.I.P.
<b>TOTAL for Non-Core Systems</b>	<b>40</b>	<b>64.13</b>	<b>Utilised 160.32% of Allocated Audit Days</b>

Establishments	Plan Days	Actual Days	Comments
Cemeteries & Crematorium		0.16	Audit Queries
CVMU	13	10.30	Audit Completed
Engineers		7.68	Audit Commenced – W.I.P.
Environmental Protection		1.30	Audit Completed
Facilities Team		0.03	Audit Query
Fleet Management	12	8.93	Audit Completed
Haworth Art Gallery		0.17	Audit Queries
Markets		15.91	Audit Completed
Parks & Open Spaces		0.07	Audit Query
Shared Service Contact Centre		0.07	Audit Query
Waste Collection & Recycling		0.41	Audit Queries
<b>TOTAL for Establishments</b>	<b>25</b>	<b>45.03</b>	<b>Utilised 180.12% of Allocated Audit Days</b>

Computer Audit	Plan Days	Actual Days	Comments
Assets	10	5.78	Audit Completed
Internet / Email		0.58	Audit Query
Mobile Telephony		3.95	Audit Commenced – W.I.P.
Network Controls	12	12.99	Audit Completed
PCI & DSS Security	10	0.82	Audit Outstanding
System Development		6.28	Audit Advice & Input

<b>TOTAL for Computer Audit</b>	<b>32</b>	<b>30.40</b>	<b>Utilised 95% of Allocated Audit Days</b>
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<b>Contract Audit</b>	<b>Plan Days</b>	<b>Actual Days</b>	<b>Comments</b>
Capital Programme		1.41	Audit Input & Queries
Contracts CDM + H&S	15		Audit Deferred to 2022/23 by Mgt
Contracts Standing Orders		0.91	Audit Advice / Query
Lyndon Playing Fields	10	1.96	Audit Commenced – W.I.P.
Other Contract Issues	10	0.21	Audit Advice / Query
Over £250 Exp. Monitoring		5.61	Audit Compliance Work
<b>TOTAL for Contract Audit</b>	<b>35</b>	<b>10.10</b>	<b>Utilised 28.86% of Allocated Audit Days</b>

<b>Grant Funding Initiatives</b>	<b>Plan Days</b>	<b>Actual Days</b>	<b>Comments</b>
NNDR3 Claim	5	4.69	Audit Completed
Other Funding Streams		0.88	Audit Input / Queries
THI & THI s106 Funding	12	5.33	Audit Commenced – W.I.P.
<b>TOTAL for Contract Audit</b>	<b>17</b>	<b>10.90</b>	<b>Utilised 64.12% of Allocated Audit Days</b>

<b>Follow Ups</b>	<b>Plan Days</b>	<b>Actual Days</b>	<b>Comments</b>
General Follow Up Work	6	5.60	General Follow Up Work/Admin
<b>TOTAL for Follow Ups</b>	<b>6</b>	<b>5.60</b>	<b>Utilised 93.33% of Allocated Audit Days</b>

<b>Audit Advice</b>	<b>Plan Days</b>	<b>Actual Days</b>	<b>Comments</b>
Benefit Issues		9.32	Advice & Audit Liaison
Internet		26.96	Advice & Compliance Monitoring
Coaching		0.47	Coaching Employees & Advice
ICO Web Info		1.18	Audit Awareness & Advice
Friendly Faces		2.00	Audit Input
Broadway Building / Security		3.91	Audit Input / Solutions
Year End Issues		1.49	Audit Input
Audit Support to Other Services		8.68	Audit Input
Covid19 Issues		8.88	Audit Advice / Input
Future of External Audit		2.18	Audit Advice
Reception Redesign		2.13	Audit Input
Track & Trace Work		10.59	Audit Input
Corporate Criminal Offences Act		2.36	Audit Input
Audit Service – Future Issues		1.32	Audit Advice
Head of Benefits Interviews		2.43	Head of Audit Participation
Environmental Health Proposals		0.24	Audit Advice / Input
New Cheques		0.55	Audit Input
Peer Review – Blackpool IA		12.53	Audit Input
Leisure Trust Query		0.14	Audit Query
Interviews Rev Mgr / CC Mgr		1.86	Head of Audit Participation
Local Government Reorganisation		0.14	Audit Advice
Social Media Query		0.10	Audit Query
HR Query		0.20	Audit Query

Write Backs Query		0.67	Audit Query
Alchometer Recalibration		0.10	Audit Input
HR Manager Interviews		0.51	Head of Audit Participation
Scaitcliffe – Suspicious Package		0.14	Audit Input
Retention & Disposal Document		0.44	Audit Advice
Dignity at Work		0.17	Audit Input
Town Centre Investment		0.14	Audit Input
LCC County Deal		0.07	Audit Query
Energy Grants - £150 Refund		1.90	Audit Input
	42		Plan Allocation for Advice
<b>TOTAL for Audit Advice</b>	<b>42</b>	<b>103.80</b>	<b>Utilised 247.14% of Allocated Audit Days</b>

Other Audit Areas	Plan Days	Actual Days	Comments
Business Continuity Planning	11	12.42	Audit Completed & Advice
Constitution & Regulations		0.03	Audit Query
GDPR Compliance Work	12		Audit Outstanding
Project Management	13	14.56	Audit Commenced – W.I.P
Risk Management		0.24	Audit Input & Queries
Safeguarding		6.52	Audit Input & Queries
<b>TOTAL for Other Audit Areas</b>	<b>36</b>	<b>33.77</b>	<b>Utilised 93.81% of Allocated Audit Days</b>

Ad-hoc Work & Investigations	Plan Days	Actual Days	Comments
Business Restart Team		2.14	Audit Input
Business Support Grants	8	2.14	Audit Input
Discretionary Business Support Grants	8		No Audit Input Carried Out
Financial Controls (HofA/c)	12		Audit Deferred by Mgt
Isolation Support Grants	8	0.18	Audit Input
Lockdown Support Grants	8		No Audit Input Carried Out
Other Pandemic Grant Funding	15		Audit Outstanding
Pandemic Procurement	15	14.95	Audit Completed
Remote Working Arrangements	15	0.52	Audit Deferred by Mgt
Transferred Assets	15	15.36	Audit Commenced – W.I.P.
Watchguard Software			Work awaiting completion of rollout
Write off Processes	13	12.70	Audit Completed
Decarbonisation Grant Scheme		6.46	Audit Input / Queries
Regeneration – Email		0.41	Audit Input
Ossy – Planning / Taxation Issue		1.36	Audit Work Carried Out
Financial Assurance Work		6.90	Audit Work Carried Out
Criminal Facilitation of Tax Evasion Policy		2.31	Audit Input
Household Support Fund		1.45	Audit Advice & Input
Write Backs		1.96	Audit Commenced – W.I.P.
NDR Account Issue		7.48	Audit Work Carried Out
New Hospitality Covid Grants		1.05	Audit Work Carried Out
Regen Team – Issue		1.82	Audit Work Carried Out
Waste Service - Issue		12.64	Audit Work Carried Out

Contingency	78		Contingency Days
<b>TOTAL for Ad-hoc Work &amp; Investigations</b>	<b>195</b>	<b>91.83</b>	<b>Utilised 47.09% of Allocated Audit Days</b>

Service Improvement	Plan Days	Actual Days	Comments
Data Quality		0.03	Performance Indicators
Indicators		0.55	Performance Indicators
<b>TOTAL for Service Improvement</b>	<b>0</b>	<b>0.58</b>	<b>No Audit Days had been Allocated</b>

Consultancy & Corporate Objectives	Plan Days	Actual Days	Comments
Annual Governance Statement	1	0.57	Audit Work Carried Out
Annual Audit Report	3	1.63	Audit Work Carried Out
Anti-Fraud & Corruption	10	11.48	Intel Alerts / Queries / Work
Audit Committee	4	3.59	Committee Prep / Mtgs / Training
Audit Plan & Planning	14	14.55	Monitor Plan & Prep of 22/23 Plan
Cabinet		1.81	Support Audit Work / Knowledge
Community Trigger / Anti-Social		6.08	Audit Work Carried Out
External Audit	3	1.81	Queries & Supply IA Work
FOI Requests		1.52	Audit Input / Support / Queries
GDPR Issues / Queries	8	2.52	Audit Input / Support / Queries
Money Launder & Proc of Crime		0.81	Queries dealt with
National Fraud Initiative	7	6.39	Support & Audit Work Carried Out
Peer Review of Internal Audit	2		Audit Work Completed
PREVENT / Anti-Terror		0.07	Audit Work Completed
PSIAS		7.99	Audit Query
RIPA		0.14	Audit Query
Schools Ambassador Scheme		3.46	Support & Mentoring
Stage 3 Complaint Investigations		29.96	Audit Work
Standards / Scrutiny Committee		0.64	Work Carried Out
<b>TOTAL for Other Audit Areas</b>	<b>52</b>	<b>95.02</b>	<b>Utilised 182.73% of Allocated Audit Days</b>

Training	Plan Days	Actual Days	Comments
Staff Development & Training	15	10.61	Various Training – mainly in-house
<b>TOTAL for Training</b>	<b>15</b>	<b>10.61</b>	<b>Utilised 70.73% of Allocated Audit Days</b>

4.4 There were 8 audit engagements that were in progress at year end but not completed, these will all be reported in 2022/23. There were 8 audit engagements were not carried out during 2021/22, 4 of these had been deferred by Management and the remaining 4 had not been commenced either due to time constraints or due to other audit engagements being carried out which were not originally part of the 2021/22 Audit Plan. Of the 8 audit engagements not commenced, 7 have been rescored and risk assessed and have been added to the 2022/23 Audit Plan. The remaining area has been deferred until 2023/24 at the request of Management due to major restructuring and merger of teams which is taking place during 2022/23.

4.5 The Audit Plan is monitored monthly by the Head of Audit & Investigations therefore emerging risks are considered and absorbed into the work of the team as required. The Head of Audit & Investigations will seek re-approval of the Audit Plan from Audit Committee if there is major slippage or significant risks arising that result in a major deviation from planned audit work. Long term sickness of a team member can have an impact on the Audit Plan although this did not occur in 2021/22.

4.6 Target coverage for the 2021/22 Audit Plan was 98% and 97.21% was achieved. The out-turn figure was only slightly below the actual target, therefore the 2022/23 Audit Plan coverage target remains at 98%.

## REPORT DISTRIBUTION

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The report has been distributed to the following:-

- Corporate Management Team
- Members of Audit Committee
- External Audit
- Internal Audit

## REPORT VERSION

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Draft Report Checked & Approved:

Date 12 May 2022

Final Report Issued:

Date 16 May 2022