



APPENDIX 1



ANNUAL INTERNAL AUDIT REPORT & AUDIT OPINION

2023/24

Internal Audit Services
Town Hall – Broadway Annex

Report Author: Mark Beard – Head of Audit & Investigation

EXECUTIVE SUMMARY

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 2023/24.

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 2023/24 as detailed below. The opinion score slightly decreased from 1.39 in 2022/23 to 1.68 in 2023/24. The number of recommendations increased from 14 in 2022/23 to 28 in 2023/24.
- Internal Audit did not identify any issues in 2023/24 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 91.85% in 2023/24. This was 6.15% 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

All of the work undertaken by Internal Audit during the financial year 2023/24 was in conformance with the Public Sector Internal Audit Standards. The average opinion score in 2023/24 was 1.68 as opposed to 1.39 in 2022/23. 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 2023/24 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.

Clearly whilst the overall opinion for 2023/24 shows the risk score has dropped from an average of 1.39 to 1.68, a substantial assurance opinion has still been given. It must be remembered that the Audit Team has not looked at all areas of the Council and issues identified in 2024/25 will feed into the next annual opinion.

ANNUAL INTERNAL AUDIT REPORT & AUDIT OPINION - PURPOSE & BOUNDARIES

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 2023/24 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. The Accounts and Audit Regulations 2015 also have a number of amendments in various years but these do not change the need for sound systems of internal control or the necessity of Internal Audit.

Equality, Diversity & Inclusion

Internal Audit remains committed to the Council's objectives on Equality, Diversity & Inclusion. 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 & Inclusion 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 statement signed by members of the Audit Team is also declaring conformity with the Code of Ethics.

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 2023/24.

THANKYOU

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 2023/24 for the help afforded to the Audit Team during the course of their work.

REVIEW OF INTERNAL CONTROL

How Internal Control is Reviewed

1.1 During 2023/24 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. Council Tax, Housing Benefits, Non-Domestic Rates, Payroll
- Establishment audits e.g. Cemeteries & Crematorium, Environmental Protection, Sports Pitches
- Systems based reviews of departmental systems e.g. Flexi Scheme, Food Team, Members Allowances, Pest Control
- External Grant Funding
- ICT audits e.g. Data Security & Storage, Disaster Recovery
- 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. Whilst there were a small number of new risks in the risk registers, these did not require the creation of new areas within the Audit Plan as the risks linked to areas which already exist. These new risks were considered 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:- (a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) Ensures that the financial and operational management of the authority is effective; and (c) Includes effective arrangements for the management of risk
4 (4)	The financial control systems determines in accordance with paragraph (1) (b) must include: (a) Measures – (i) to ensure the financial transactions of the authority are recorded as soon as, and as accurately as, reasonable practicable; (ii) to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost record; and (iii) to ensure that risk is appropriately managed; (b) identification of the duties of officers with financial transactions and division of responsibilities of those officers.
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 – (a) make available such documents and records; and (b) Supply such information and explanations; 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 – (a) Conduct a review of the effectiveness of the system of internal

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 currently 3 risk registers; Strategic, Operational and Generic. An additional risk register is intended to be added in 2024/25 which will specifically cover 'Cyber Risks'.
- 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.

Additional Sources of Assurance

1.19 During 2023/24 two Service Areas sought additional external sources of assurance. Such assurance is considered in addition to the work carried out by Internal Audit to gain a fuller understanding of the assurance framework.

1.20 The Head of Benefits, Revenues, & Customer Contact sought external assessment from the Institute of Revenues, Rating & Valuation (IRRV) who carried out an analysis and assurance piece of work on the Revenues Function. The Department for Work & Pensions (DWP) carried out a similar piece of work relating to Benefits. Capita carried out work looking at the System and benchmarking was carried out surrounding telephony processes around Revenues and Benefits. The Internal Audit Team also took part in the feedback sessions from the IRRV and DWP.

1.21 The Executive Director (Resources) together with the Head of Accountancy sought external assurance in the form of a financial health check from LG Improve.

1.22 These external sources of assurance give good outcomes and reinforce the Head of Audit & Investigation's opinion on the overall assurance and control framework of the Council.

SIGNIFICANT ISSUES ARISING

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 2023/24:-

TABLE 2

AUDIT REPORT ASSURANCE OPINIONS	Number issued in 2023/24
Comprehensive assurance: 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	8
	13

<p>Substantial assurance: 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</p>	
<p>Limited assurance: 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</p>	1
<p>No assurance: 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</p>	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 2023/24 one audit engagement was given an opinion of ‘Limited Assurance’, therefore this requires reporting within this section of the Annual Internal Audit Report & Opinion.
- 2.5 The audit engagement was s106 Agreements. Whilst this was given ‘Limited Assurance’, this did not have any material effect on the Council’s Financial Statements.
- 2.6 The audit engagement found the overall monitoring of s106 Agreements and associated income required strengthening to ensure that once the trigger points within the s106 agreements are met, an invoice is promptly raised. At the time of the audit there was a risk of income not being collected.
- 2.7 There were misunderstandings on responsibilities as to who was raising the invoice in some cases.
- 2.8 The Internal Audit Team has worked closely with all parties involved in this process and stronger robust processes are now in place and these have been retested by Internal Audit since implementation within Service Areas.

AUDIT PERFORMANCE

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 2023/24 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 2023/24. 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 November 2022 in accordance with the PSIAS. This was undertaken as part of an agreement between 8 Lancashire Councils, 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 should take place within the 5 years period ending November 2027.
- 3.6 In 2022, Hyndburn's Internal Audit function was inspected by a current Lancashire Head of Audit and an ex-Lancashire Head of Audit who has moved into a more senior wider role within their Council. 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 3 Heads of Service
 - A random cross section of a further 2 Heads of Service (Questionnaire only)
 - Audit Team (Senior Auditor – Interview only)
 - Head of Audit & Investigations (Interview only)
- 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 latest external assessment concluded in November 2022 and found that the Audit function conforms to the PSIAS and the External Review Team stated they only identified 5 points for consideration into the QAIP. The 5 recommendations were included in the QAIP and steps were taken during 2023/24 to ensure these are all implemented. The Head of Audit & Investigations can confirm that 3 of the recommendations have been adopted. Of the 2 remaining recommendations 1 is partially adopted with further work and consideration taking place to be able to implement the second half of that recommendation and the remaining 1 is being examined as it is an issue which occurs very rarely.

- 3.9 The External Review Team stated “The Peer Review was an extremely positive exercise with feedback from all interviewees mirroring a consistent view that the Internal Audit Team, in particular the Head of Audit and Investigations, is seen as a key strategic partner within the Council. It is clear that the Internal Audit team is a valued service offering sound, confidential and independent advice across the Council. In particular, this can be evidenced by the wide range of investigations the team are asked to support due to their skill set and ability.” The Internal Audit team will work to build on what the external inspectors found.

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 2023/24 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. In addition, any actions arising from the External Inspection of Internal Audit against the Standards are also added into the QAIP. 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 12th 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 2023/24 and includes the comparative results for the preceding financial years.

TABLE 3

	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1) The objectives recorded on the Audit Brief were clearly communicated to me at the commencement of the review	86.67%	13.33%	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	90%	10%	0	0	0
2) I was updated regularly on the progress of the review	93.33%	6.67%	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	90%	10%	0	0	0
3) My concerns and / or issues were adequately considered during the review	86.67%	6.67%	0	0	0
2022/23 Comparison	70%	20%	0	0	0
2021/22 Comparison	90%	10%	0	0	0
4) I felt the audit report covered the main objectives, was informative and meaningful	93.33%	6.67%	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	80%	10%	0	0	0
5) The Auditor(s) was courteous and professional with myself and my team throughout the process	100%	0	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	100%	0	0	0	0
6) The auditor was punctual for any arranged meetings	100%	0	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	100%	0	0	0	0
7) The auditor was prepared to be flexible and did not significantly disrupt my service area	100%	0	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	100%	0	0	0	0
8) The timespan from the commencement of the review to the final report was reasonable	93.33%	0	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	100%	0	0	0	0
9) The auditor's conclusions and opinion were logical and fairly recorded within the report	86.67%	6.67%	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	100%	0	0	0	0

10) I feel that my service area has benefited from this review, and it provides assurance on the areas covered within the review	93.33%	6.67%	0	0	0
2022/23 Comparison	90%	10%	0	0	0
2021/22 Comparison	70%	30%	0	0	0
11) Any associated recommendations were constructive and will add benefit to my area upon implementation	80%	6.67%	0	0	0
2022/23 Comparison	70%	20%	0	0	0
2021/22 Comparison	80%	10%	0	0	0

- 3.17 There were 15 completed questionnaires and this equates to 165 potential responses as there are 11 questions on the form. A total of 160 responses were given as 1 person did not answer question 3, 1 person did not answer question 8, 1 person did not answer question 9 and 2 people did not answer question 11.
- 3.18 Of the 160 responses given, 152 (95%) were 'strongly agree'. A further 8 (5%) 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. 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
- 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 2023/24 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	2021/22	2022/23	2023/24
No. of Audit Engagements completed compared to those planned in the audit plan	13	18	20
Number of Audit Reports Issued	15	18	22
Percentage of Audits completed within budget time allocation	100%	88.88%	95.45%
Number of Audit Recommendations made	13	14	28

Percentage of Audit Recommendations agreed for implementation by Management	100%	100%	100%
Number of Satisfaction & Quality Questionnaires Issued	14	17	21
Number of Satisfaction & Quality Questionnaires Received	10	10	15
Percentage of clients satisfied with the service provided based on the questionnaires returned	100%	100%	100%

3.22 The number of completed audit engagements increased from 18 to 22, an 18.2% increase on 2022/23. There were 3 audit engagements which were work in progress as at 31st March 2024 but these do not reflect in the number which were fully completed. These 3 audit engagements will be included in the 2024/25 statistical information. One audit engagement completed in 2023/24 exceeded its time allocation slightly. The team received 50% more Internal Audit Quality Questionnaires than in 2022/23 with 15 being received.

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 2023/24 Internal Audit carried out follow up work on 13 audit areas with a total of 25 actions agreed. Follow up work revealed that all 25 had been fully implemented.

Internal Audit Team – Staff Turnover

3.28 The level of staffing within the Audit Team remained constant throughout 2023/24 at 3.0 FTE.

3.29 The Audit Team lost 7 days as a result of sickness absence and extra bank holidays.

Use of Audit Time

3.30 TABLE 5 below shows an analysis of Internal Audit time during 2023/24 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

Analysis of Audit Time	2021/22	2022/23	2023/24
Audit Days	84.2%	84.8%	84.8%
Training	1.7%	2.9%	3.0%
Management	9.1%	9.0%	8.1%
Other Non-Audit Time	5.0%	3.3%	4.1%

3.31 The 2023/24 figures show the same amount of time devoted to audit days and a very slight increase in the amount of training time. There was a reduction in management time whilst other non-audit time increased. The team still participated in various training activities to ensure skills and knowledge remained up to date.

ANALYSIS OF AUDIT TIME – 2023/24

- 4.1 TABLE 6 below details the work carried out by Internal Audit during 2023/24 and is based on actual time recorded against the original approved time allocated within the Audit Plan for 2023/24.
- 4.2 A total of 515.27 days were delivered against 561 planned audit days. There were 111.90 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 147.11 days recorded in absences as opposed to the 158 days allocated in the audit plan. Absences cover statutory leave, annual leave, sickness etc. Absences in 2023/24 included annual leave or statutory leave for bank holidays and 1 day of sickness. There was no special domestic leave or compassionate leave.
- 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 2023/24.

TABLE 6

Core Systems	Plan Days	Actual Days	Comments
Systems Based Reviews			
Asset Management		3.11	Audit Completed.
Bank Reconciliation		2.01	Audit Completed.
Council Tax	23	24.93	Audit Commenced – W.I.P.
General Ledger		4.47	Audit Completed
Housing Benefits	25	21.12	Audit Completed
NDR	20	1.88	Audit Commenced – W.I.P.
Payroll	23	0.03	Audit Deferred to 2024/25
Treasury Management		8.36	Audit Commenced – W.I.P.
Systems Queries / Work			
Bank Reconciliation		0.07	Audit Query
Cash Receipting		0.32	Audit Query
Council Tax		0.83	Audit Query
Creditor Payments		0.10	Audit Query
General Ledger		0.30	Audit Query

Housing Benefits		0.97	Audit Query
NDR		0.47	Audit Query
Treasury Management		0.07	Audit Query
TOTAL for Core Systems	91	69.04	Utilised 75.87% of Allocated Audit Days

Non-Core Systems	Plan Days	Actual Days	Comments
CCTV		0.65	Audit Query
Charities		1.09	Audit Work Completed
Commercial Rents / Lease / Renewals		0.34	Audit Completed
DFG's		0.14	Audit Query
Drivers Policy & Handbook		0.03	Audit Query
Electoral Registration / Elections		0.47	Audit Query
Flexi Scheme	15	12.59	Audit Completed
Food Team	14	15.38	Audit Completed
Health & Safety		16.71	Audit Completed
Insurance Arrangements		0.54	Audit Input / Queries
Mayoral Allowances / Secretarial		0.37	Audit Queries
Members Allowances	9	8.48	Audit Completed
Officers Imprests & Subsistence		0.23	Audit Input / Queries
P-Card Processes		0.48	Audit Queries
Pest Control	10	9.23	Audit Completed
Planning Fees		0.37	Audit Query
Procurement Arrangements		0.07	Audit Query
S106 Agreements		1.11	Audit Completed
TOTAL for Non-Core Systems	48	68.28	Utilised 142.25% of Allocated Audit Days

Establishments	Plan Days	Actual Days	Comments
Cemeteries & Crematorium	13	13.27	Audit Completed.
CVMU		0.24	Audit Query
Environmental Protection	15	3.24	Audit Deferred to 2024/25
Markets		0.35	Audit Queries
Parks & Open Spaces		0.03	Audit Query
Shared Service Contact Centre		0.14	Audit Queries
Sports Pitches	12	11.89	Audit Completed
TOTAL for Establishments	40	29.16	Utilised 72.9% of Allocated Audit Days

Computer Audit	Plan Days	Actual Days	Comments
Data Security & Storage	9	8.26	Audit Completed
Disaster Recovery	9	10.19	Audit Completed
Internet / Email		1.30	Audit Queries
Mobile Telephony		0.07	Audit Query
Network Controls		0.20	Audit Query
PCI & DSS Security	10	0.40	Audit Input / Ongoing
System Development		0.87	Audit Advice & Input
TOTAL for Computer Audit	28	21.29	Utilised 76.04% of Allocated Audit Days

Contract Audit	Plan Days	Actual Days	Comments
Capital Programme	13	16.58	Audit Completed & Queries
Other Contract Issues	10	0.30	Audit Advice / Query
Over £250 Exp. Monitoring		3.89	Audit Compliance Work
TOTAL for Contract Audit	23	20.77	Utilised 90.3% of Allocated Audit Days

Grant Funding Initiatives	Plan Days	Actual Days	Comments
Decarbonisation Grant Funding		1.96	Audit Queries
Energy Support Grants		7.27	Audit Completed
Levelling Up Fund	25	6.89	Audit Input & Queries
NNDR3 Claim		5.01	Audit Completed
UK Shared Prosperity Fund	15	7.49	Audit Input & Queries
TOTAL for Contract Audit	40	28.62	Utilised 71.55% of Allocated Audit Days

Follow Ups	Plan Days	Actual Days	Comments
General Follow Up Work	6	4.55	General Follow Up Work/Admin
TOTAL for Follow Ups	6	4.40	Utilised 75.83% of Allocated Audit Days

Audit Advice	Plan Days	Actual Days	Comments
Benefit Issues		6.26	Advice & Audit Liaison
Internet		23.88	Advice & Compliance Monitoring
ICO Web Info		2.55	Audit Awareness & Advice
Audit Support to Other Services		20.30	Audit Input / Advice
Broadway Building / Security		3.92	Audit Input / Solutions
Year End Issues		1.85	Audit Input
Alcoholmeter Recalibration		0.74	Audit Input
Friendly Faces		3.71	Head of Audit Participation
Retention & Disposal Document		1.96	Audit Input / Advice
Abusive Customers		0.20	Audit Input
Code of Ethics		0.07	Audit Input
Lyndon Park Development		0.92	Audit Completed
New Complaints Policy		0.64	Audit Queries
Internal Audit – Future Issues		3.34	Audit Input
Chat GTP & AIs		1.62	Audit Queries & Input
Scaitcliffe Reception		0.30	Audit Advice / Input
Conflicts of Interest		0.13	Audit Queries / Input
Pay It Demo		0.37	Audit Input
CCTV Issue / Query		0.51	Audit Input
Haworth Art Gallery Donations		1.47	Audit Query
Community Chest Grants		0.38	Audit Queries & Input
Internal Audit Explained - Training		3.38	Audit Input / Training
Governance Training – Council		0.34	Audit Input / Training
Suicide Prevention Workshop		0.37	Audit Input
Cheques Disposal		0.20	Audit Query / Input
Accrington Town Square		0.14	Audit Query / Input

New Printer		1.69	Audit Input
	42		Plan Allocation for Advice
TOTAL for Audit Advice	42	81.24	Utilised 193.43% of Allocated Audit Days

Other Audit Areas	Plan Days	Actual Days	Comments
Business Continuity Planning		0.14	Audit Input
Constitution & Regulations	12	12.53	Audit Completed
Corporate Strategy		0.31	Audit Input
Risk Management		0.65	Audit Input & Queries
Safeguarding		2.78	Audit Queries & Input
TOTAL for Other Audit Areas	12	16.41	Utilised 136.75% of Allocated Audit Days

Ad-hoc Work & Investigations	Plan Days	Actual Days	Comments
Accountancy Support to Departments	12		Audit Outstanding
Covid Support Grants	4	0.14	Audit Input
Empty Properties	13	10.02	Audit Completed
Grant Claim Submission Process	13		Audit Outstanding
Financial Controls (HofA/c)	12		Audit Outstanding
HMRC / Payroll Processes	13	8.03	Audit Completed
Housing Infrastructure	15	0.48	Audit Input
Local Plan Production	13		Audit Outstanding
Other Pandemic Grant Funding	13		Audit Outstanding
Remote Working Arrangements	15	9.22	Audit Completed
Smart Working Strategy		1.19	Audit Input into Working Group.
PSIAS – Wyre Review		0.27	Audit Input
DEFRA Bio-Diversity Return		0.38	Audit Input
Complaints Policy		2.17	Audit Input / Queries
Wyre – Peer Review of Audit		10.99	Audit Work Completed
Marketing Team		0.51	Audit Query
Household Support Fund		1.56	Audit Work Carried Out
New Financials / HR System		13.66	Audit Input / Work Carried Out
Parks Budgets		0.41	Audit Query
DPA Issue		2.09	Audit Work Carried Out
OFLOG		0.74	Audit Input
Wilson's Leisure Development		2.88	Audit Input
Payroll – Upgrade Issue		3.14	Audit Input
Out of Hours Issue		1.22	Audit Query
HR Issue		4.52	Audit Work Carried Out
New HR Self-Serve		1.73	Audit Input / Testing
Complaint Investigation		7.43	Audit Work Carried Out
Productivity Plan		0.27	Audit Work Carried Out
Cont Allocated – Flexi Scheme	-15		
Cont Allocated – Members Allowances	-9		
Cont Allocated – Pest Control	-10		
Contingency	78		Contingency Days
TOTAL for Ad-hoc Work &	167	83.05	Utilised 49.73% of Allocated

Investigations			Audit Days
Service Improvement	Plan Days	Actual Days	Comments
Indicators		0.75	Performance Indicators
TOTAL for Service Improvement	0	0.75	No Audit Days had been Allocated

Consultancy & Corporate Objectives	Plan Days	Actual Days	Comments
Annual Governance Statement	1	0.17	Audit Work Carried Out
Annual Audit Report	3	3.25	Audit Work Carried Out
Anti-Fraud & Corruption	10	11.43	Intel Alerts / Queries / Work
Audit Committee	5	6.60	Committee Prep / Mtgs / Training
Audit Plan & Planning	14	15.87	Monitor Plan & Prep of 24/25 Plan
Cabinet		3.39	Support Audit Work / Knowledge
Community Trigger / Anti-Social		3.33	Audit Work Carried Out
External Audit	3	2.17	Queries & Supply IA Work
FOI Requests		0.52	Audit Input / Support / Queries
GDPR Issues / Queries	6	5.28	Audit Input / Support / Queries
Money Launder & Proc of Crime		0.62	Queries dealt with
National Fraud Initiative	7	7.09	Support & Audit Work Carried Out
Peer Review of Internal Audit		1.22	Head of Audit Input into process
PSIAS		3.20	Audit Query
RIPA		0.14	Audit Query
Schools Ambassador Scheme		6.01	Support & Mentoring
Stage 3 Complaint Investigations		2.81	Audit Work
TOTAL for Other Audit Areas	49	73.10	Utilised 149.18% of Allocated Audit Days

Training	Plan Days	Actual Days	Comments
Staff Development & Training	15	19.01	Various Training – mainly in-house
TOTAL for Training	15	19.01	Utilised 126.33% of Allocated Audit Days

- 4.4 There were 3 audit engagements that were in progress at year end but not completed, these will all be reported in 2024/25. There were 7 audit engagements not carried out during 2023/24, 2 of these were deferred by the Head of Service in response to either structural changes or new systems being implemented which had not occurred by the end of 2023/24. A further area was deferred by The Head of Audit & Investigations in response to the necessary work not being complete within the Service Area due to staffing difficulties. The remaining 4 were not commenced due to time constraints or due to other audit engagements being carried out which were not originally part of the 2023/24 Audit Plan.
- 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. The time lost to sickness, additional bank holidays leave and additional leave purchased in year equated to 3.03% in Audit Plan terms.

- 4.6 Target coverage for the 2023/24 Audit Plan was 98% and 91.85% was achieved. The out-turn figure is 6.15% below the annual target, however, when the 3.03% mentioned above is taken into consideration the actual shortfall is 3.12%. The 2024/25 Audit Plan coverage target remains at 98%.

REPORT DISTRIBUTION

The report has been distributed to the following:-

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

REPORT VERSION

Draft Report Checked & Approved:

Date 25 April 2024

Final Report Issued:

Date 13 May 2024