

Annual Internal Audit Opinion 2016/17

Blackpool Council



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Introduction

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Chief Internal Auditor, in accordance with the PSIAS, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with the Corporate Leadership Team and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described in this report.

The CIPFA Statement on the role of the Head of Internal Audit in Local Government noted that the Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

Roles and Responsibilities

The Chief Internal Auditor's Annual Audit Opinion does not imply that internal audit has reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal control. The Chief Internal Auditor's opinion is one component that the Council takes into account when compiling its Annual Governance Statement. In particular, apart from the overall opinion, where limited or inadequate assurance opinions have been issued against individual audits, or where critical or high risk priority recommendations have been made in consultancy reviews, then the Council should assess whether or not the sources of those opinions / recommendations necessitate the need for a disclosure of a significant issue.

The Council is accountable collectively for maintaining a sound system of internal controls and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. The Annual Governance Statement is an annual statement by the Council setting out:

- How the responsibilities of the Council are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of the governance arrangements as evidenced by a description of the risk management and review processes; and
- The conduct and results of the review of effectiveness of the system of internal control, including any disclosures of significant control failures, together with assurances that actions are or will be taken where appropriate to address issues arising.

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The Council's framework of assurance should bring together all of the evidence required to support the Annual Governance Statement.

Chief Internal Auditor Opinion

The Chief Internal Auditor's Annual Audit Opinion is that:

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The Chief Internal Auditor is satisfied that sufficient assurance work has been carried out to allow the provision of a reasonable conclusion on the adequacy and effectiveness of Blackpool Council's internal control environment.

The opinion of the Chief Internal Auditor is that the overall control environment of the Council is adequate, however recognises that there are significant financial pressures faced by Children's Services which need to be addressed.

Where weaknesses have been identified through internal audit work the team has worked with management to agree appropriate remedial actions and a timescale for improvement.

Basis of the Opinion

Blackpool Council's Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In giving this opinion assurance can never be absolute and, therefore, only reasonable assurance that there are no major weaknesses in the processes reviewed can be provided. In assessing the level of assurance to be given the opinion has been given based on:

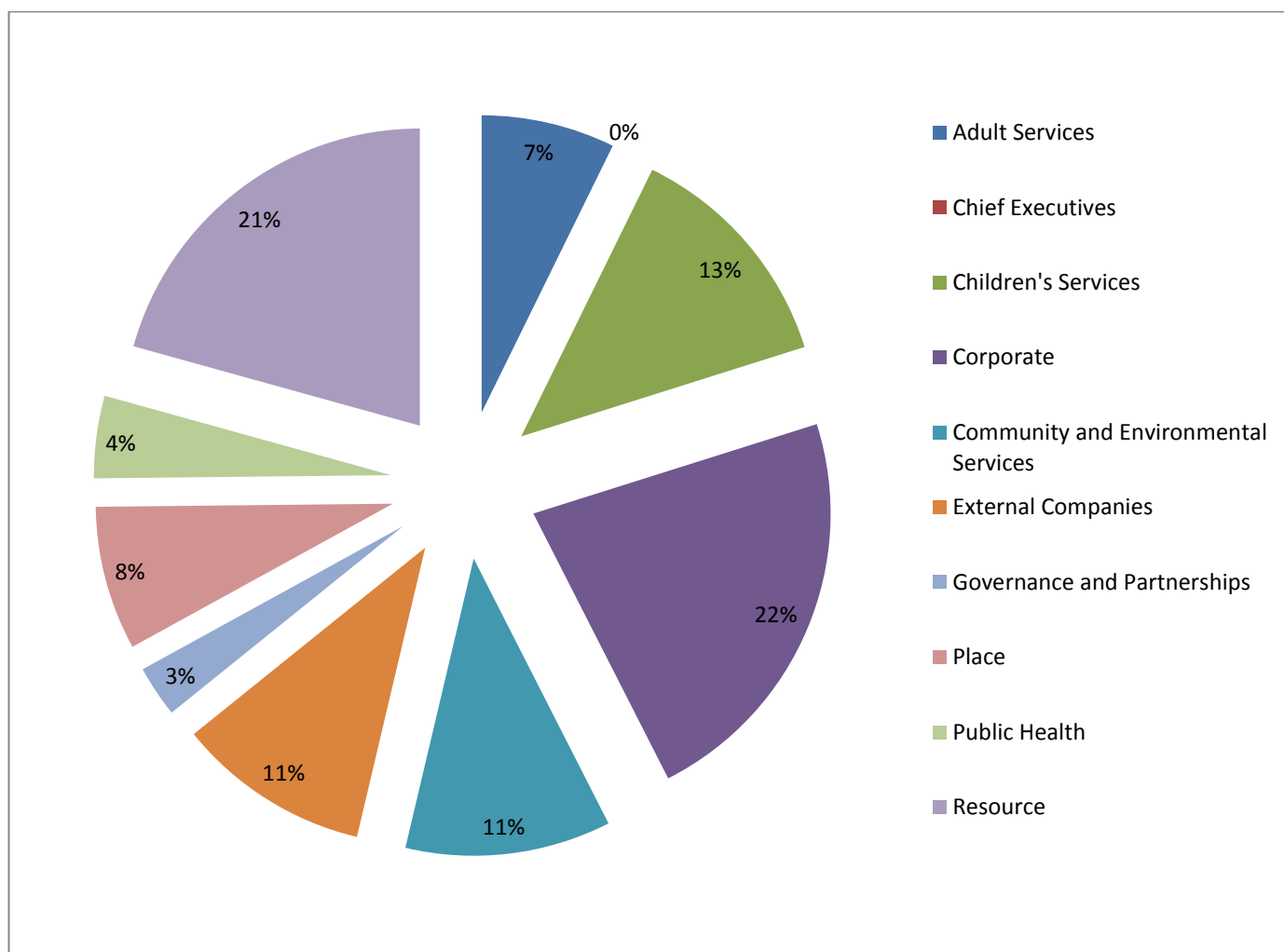
- Internal audit assurance statements issued throughout the year as part of the annual audit plan.
- Reports provided as a result of advice / consultancy work undertaken by the internal audit team.
- The implementation of recommendations made by internal audit linked to high risks throughout the year.
- The extent of resources available to deliver the annual internal audit plan.
- The quality and performance of the internal audit service and the extent to which it complies with the Public Sector Internal Audit Standards.
- Whether the target for delivery of the internal audit plan has been achieved.
- The results of other review bodies where appropriate.

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Internal Audit Coverage and Output

Planned Audit Work

The Annual Internal Audit Plan for 2016/17 was approved by the Corporate Leadership Team in February 2016 and Audit Committee in March 2016 and 92% of the plan was delivered by the end of the year. The coverage of work, by directorate, for the audit plan completed was as follows:



In terms of completed internal audits the level of assurance issued for each review is captured in the following table. This includes the assurance statements from reviews which were also started in 2015/16 but were not finalised until 2016/17.

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Assurance Statement	Reviews
Good	<ul style="list-style-type: none"> • Banking contract post implementation review • Carbon Reduction Scheme • Claremont Primary School • Council Tax and Business Rate Refunds • Bispham Endowed Primary School
Adequate	<ul style="list-style-type: none"> • Framework-I – Non-residential billing • Social Care Debt • Positive Steps into Work • Ward Budgets • Blue Badge Awards • Blackpool Equipment Services and Disabled Facilities Grant • Blackpool Museum Project • Health and Safety • Treasury Management • Adult Services Establishment Visits • Direct Payments • Children’s Services External Placements • Flood Management • Household Waste Recycling Centre • Budgetary and Financial Management • Cyber Security • Stanley Primary School • Troubled Families Compliance
Split Assurance	<ul style="list-style-type: none"> • Selective Licencing • Financial Control Assurance Testing – 2015/16 • Blackpool Housing Company • Adult Services Safeguarding Compliance • Staff Time Recording
Inadequate	<ul style="list-style-type: none"> • Catalogue Prices • Driving at Work • Beach Patrol • Children’s Services Placement Order Legal Costs • Managing Client Finances
Uncontrolled	<ul style="list-style-type: none"> • No reviews were assessed as uncontrolled.

Any high risk areas identified in the year are given a priority one recommendation which is followed up by the Chief Internal Auditor. Where there is a failure to implement such a recommendation by the due date, without any justification for not doing so, a formal process of notification to the Corporate Leadership Team and Audit Committee is in place.

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A number of planned internal audits for 2016/17 have not been undertaken after discussion with management and these include:

Review	Reason for Deferment
Highfield Humanities College	<ul style="list-style-type: none">The school moved to academy status at the beginning of the financial year and therefore no longer subject to an internal audit.
The Chest and Contracts Register	<ul style="list-style-type: none">The risks initially identified as part of this software upgrade were effectively mitigated through the delivery of the developments and therefore an internal audit was no longer required.
Governance Arrangements of Boards and Panels	<ul style="list-style-type: none">An exercise was undertaken by the Director of Governance and Partnerships in the year which identified the issues and ensured that effective controls were implemented going forward.
Blackpool Operating Company	<ul style="list-style-type: none">The planned audit for 2015/16 was not undertaken until June 2016 and therefore it was not considered necessary to undertake a second audit in-year. An audit proposal has been agreed with the newly formed Audit Committee for a review to be undertaken in 2017/18.
Blackpool Entertainment Company	<ul style="list-style-type: none">An audit proposal is yet to be agreed with Blackpool Entertainment Company.

The Chief Internal Auditor does not consider these changes to the plan to have an adverse impact of the delivery of the overall opinion for the period.

There is also some planned audit work for 2016/17 which is still at draft report stage as these have yet to be discussed with management, however the Chief Internal Auditor does not consider that excluding these will have a negative impact on the overall opinion for the period. The reports included in this category include:

- Holy Family Primary School
- Financial Control Assurance Testing
- Ward Budgets
- Executive Decisions – Resources
- Positive Steps into Work
- Business Loans
- Public Health Integration with Council Services
- Public Health Measuring Outcomes from Preventative Measures
- Adolescent Hub
- Estate Management and Investment Portfolio.

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Unplanned Audit Work – Advice and Consultancy

Throughout the year internal audit have been asked to provide advice and consultancy on a range of risk and control issues. The key areas where advice has been given include:

Advice	Outcome
School Transport Services	<ul style="list-style-type: none">Recommendations were made in relation to clarifying roles and responsibilities, implementing formal procedures and improving communication.
Adult Learning Cash Handling	<ul style="list-style-type: none">Recommendations were made in relation to strengthening cash handling controls.
Cosy Homes in Lancashire	<ul style="list-style-type: none">Recommendations were made in relation to governance arrangements and risk management.
Illuminations	<ul style="list-style-type: none">Recommendations were made to strengthen the client / contractor arrangements in place to deliver the Illuminations service each year.
Monitoring at Work	<ul style="list-style-type: none">Recommendations were made for inclusion in the Monitoring at Work Guidance document prepared by Human Resources.
Use of External Consultants	<ul style="list-style-type: none">Recommendations were made to streamline and strengthen the reporting of external consultants to Elected Members.
Use of E-bay for Asset Disposal	<ul style="list-style-type: none">Recommendations were made in relation to the use of E-bay by the Council and schools where disposing of goods.
Financial Regulations	<ul style="list-style-type: none">Internal audit input was sought as part of the consultation process for the revised Financial Regulations.
Retention Periods	<ul style="list-style-type: none">Ad hoc advice has been provided throughout the year on retention periods for financial documents.
Creditor Payments	<ul style="list-style-type: none">Advice has been provided throughout the year when concerns have been raised about the invoice payment processes or the appropriateness of goods bought.
Claims Payment Reconciliation	<ul style="list-style-type: none">A number of recommendations were made to correct coding errors in the system and to improve the accuracy of claims reporting going forward.

The Chief Internal Auditor has also participated in a new of corporate groups and initiatives throughout the year in order to provide support and advice on a variety of risk and controls issues. These include:

- Corporate Regulation of Investigatory Powers Act (RIPA) Group

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- Senior Leadership Team
- Good Governance Group
- Income and Debt Strategy Group
- Stage Three Complaints Panel
- Waste Services Group
- Recruitment System Development
- Office of Surveillance Commissions Inspection

Other Sources of Assurance

We have liaised during the year with External Audit to ensure that we avoid unnecessary duplication and use resource to the best effect.

Where shared services are in place, particularly where we host a service for Fylde Borough Council, a joint approach to internal audit is in place, which makes best use of resource and experience as the auditors from both organisations work together. Similar joint working arrangements are in place with Merlin's Internal Audit Team, who operate a number of key leisure sites across the town.

Internal audit have continued to take into account other forms of assurance received by the Council. When preparing the audit plan and when undertaking individual reviews we will assess other sources of information available to us. As an enhancement for 2017/18 steps have been taken to link the work of Internal Audit to the strategic risk register.

Risk Management

A key element in the control environment at the Council is ensuring that risk management is effectively embedded. A Risk Management Framework 2014/2017 is in place which sets out the Council's policy and objectives in relation to risk management and the framework which is to be adopted.

A number of risk management groups, at directorate and thematic level, have been established, all of which are supported by the Chief Internal Auditor or nominated staff in Risk Services. These include:

- Corporate Risk Management Group
- Central Support Services Risk Management Group
- People's Risk Management Group
- Place's Risk Management Group
- Community and Environmental Risk Management Group
- Driving at Work Risk Management Group

The key area of concern is in relation to the Property Services Risk Management Group. This has not met since February 2016 and therefore there is no forum to raise and discuss risk management issues but the Acting Head

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of Property Services is now arranging a meeting. There are further concerns regarding the adequacy of the representation at various groups which will hopefully be addressed in the revised Framework document for 2017/20.

In addition to the above meetings a separate risk management group was established for the Queens Park Demolition which provided a multi-agency forum which met on a regular basis to help ensure a smooth demolition took place.

Governance Framework

A Good Governance Group was established in the year, chaired by the Director of Governance and Partnerships and supported by the Chief Internal Auditor and other Heads of Service charged with governance. The Group is leading on the production of the Annual Governance Statement and undertook a mid-year review of progress of identified actions which was reported to Audit Committee.

The Group is also raising awareness of the need for good and consistent application of the governance framework. This included two sessions at the Senior Leadership Team in the year to raise the profile and ensure that all services meet the corporate requirements.