

Annual Internal Audit Opinion 2017/18

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 Head of Audit and Risk, 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 Head of Audit and Risk'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 Head of Audit and Risk'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.

Head of Audit and Risk Opinion

The Head of Audit and Risk Annual Audit Opinion is that:

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The Head of Audit and Risk 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 Head of Audit and Risk 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. This is particularly relevant in high risk areas where innovative solutions are being implemented to support the future sustainability of the Council.

Basis of the Opinion

Blackpool Council's Head of Audit and Risk 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:

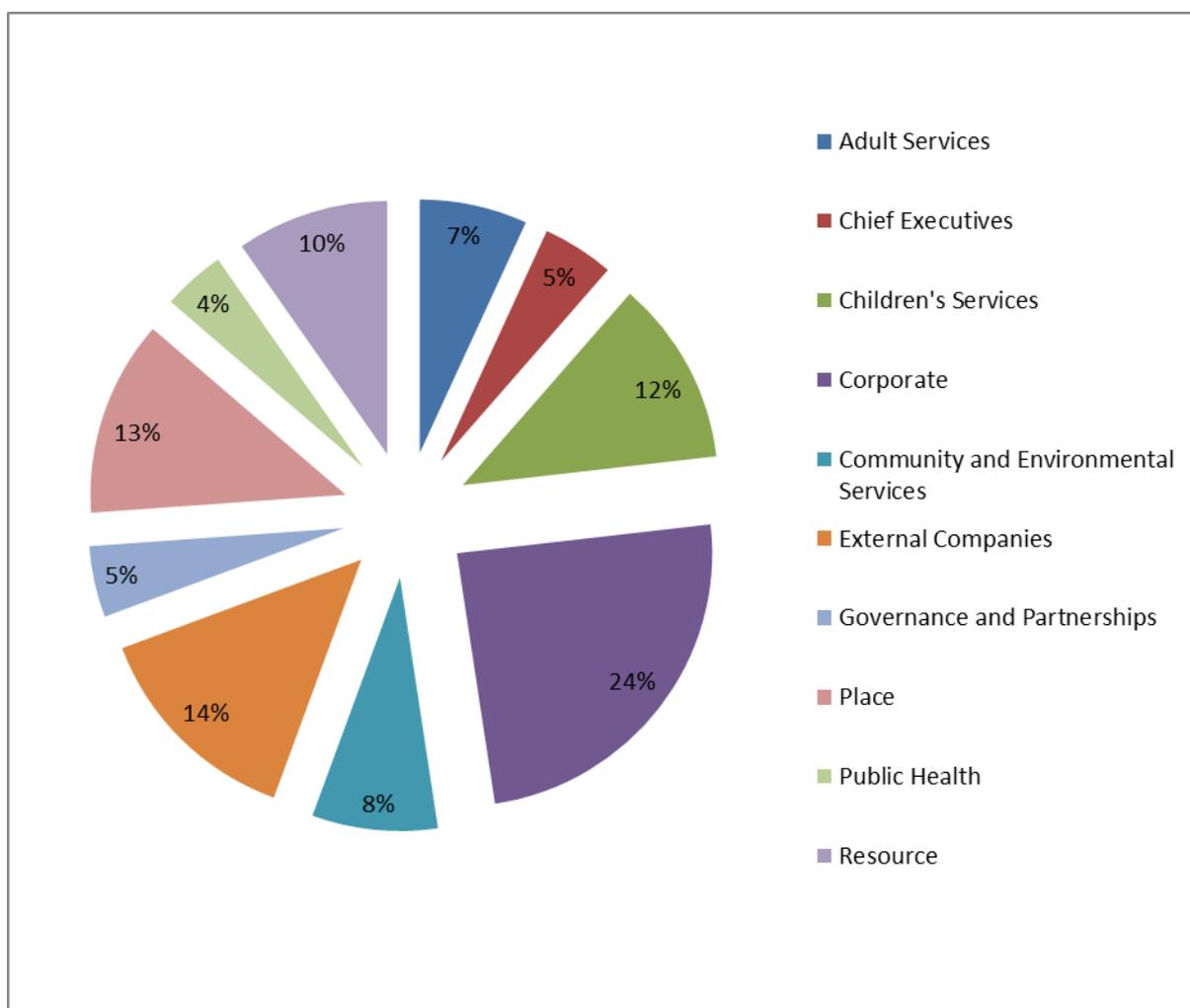
- Internal audit assurance statements issued throughout the year as part of the annual audit plan.
- Reports provided as a result of advice / consultancy work undertaken by the internal audit team.
- The implementation of recommendations made by internal audit linked to high risks throughout the year.
- 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 2017/18 was approved by the Corporate Leadership Team in February 2017 and Audit Committee in March 2017. 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 2016/17 but were not finalised until 2017/18.

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Assurance Statement	Reviews
Good	<ul style="list-style-type: none"> • Holy Family Catholic Primary School • Executive Decisions (Resources Directorate) • St John's Church of England Primary School • St Nicolas Primary School • St Kentigerns Catholic Primary School • Carbon Reduction Scheme Compliance • Executive Decisions (Public Health Directorate) • Migration to Mosaic Post Implementation Review
Adequate	<ul style="list-style-type: none"> • Positive Steps into Work • Public Health Integration with Council Services • Adult Provider Market Sustainability • Calico Contract • Organised Crime and Procurement Fraud • Business Loans Fund • Ward Budgets • Assessment and Rehabilitation Centre Establishment Visit • General Data Protection Regulations (Corporate Response) • Woodlands School
Split Assurance	<ul style="list-style-type: none"> • Safeguarding Children's Compliance • Financial Control Assurance Testing 2016/17 • Highways • Ride ability • Public Health Outcomes • Head Start • Governance of Shared Services
Inadequate	<ul style="list-style-type: none"> • Adolescent Hub • Children's Services Payments • Compliance with Corporate Arrangements • Growth and Prosperity • Transition from Children's Services to Adult Services • Business Planning and Performance Management • Claims Handling • Events Risk Management • Estates Management and Investment Portfolio
Uncontrolled	<ul style="list-style-type: none"> • -

Any high risk areas identified in the year are given a priority one recommendation which is followed up by the Head of Audit and Risk. Where there is a failure to implement such a recommendation by the due date, without

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reasonable justification, a formal process of notification to the Corporate Leadership Team and Audit Committee is in place.

One planned internal audit for 2017/18 has not been undertaken after discussion with management as outlined below:

Review	Reason for Deferment
Looked After Children's Decision Making Process	<ul style="list-style-type: none">A specialist consultant, with a background in social work, has been appointed to undertake a review in this area and therefore the output of this work will be considered to determine whether assurance can be placed on the work undertaken or whether additional audit assurance is required in the future.

The Head of Audit and Risk does not consider this change 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 2017/18 which is still at draft report stage as these have yet to be discussed with management, however the Head of Audit and Risk 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:

- Adult Services Safeguarding Enquiries
- Public Protection
- Council Tax Collection
- Troubled Families
- Highfurlong School
- Our Lady of Assumption School
- Educational Diversity
- Financial Control Assurance Testing 2017/18
- Positive Steps into Work
- Delivery Unit – Impact of Children's Services Interventions
- Pupil Welfare Unit
- School Improvement Board and Processes
- Public Health Grant Reductions
- Housing Benefit Risk Based Verification

Unplanned Audit Work – Advice and Consultancy

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

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Advice	Outcome
Adult Learning Service Data Flows	<ul style="list-style-type: none"> Advice provided on how to improve efficiencies when processing data.
Learning Outside the Classroom	<ul style="list-style-type: none"> Advice provided in terms of roles and responsibilities.
CEDAR Upgrade	<ul style="list-style-type: none"> Project assurance provided as part of the upgrade of the CEDAR financial management system.
Conference Centre	<ul style="list-style-type: none"> Advice provided in relation to project and contract management for the scheme.
Gender Pay Gap Reporting	<ul style="list-style-type: none"> Assurance provided in relation to the methodology used for the calculation.
Retention Periods	<ul style="list-style-type: none"> Advice offered throughout the year to a number of services on the retention periods for financial records.
Adult Social Care Provider Concerns	<ul style="list-style-type: none"> Advice was provided in relation to financial controls at an adult social care setting where financial irregularities were suspected due to poor record keeping.
Trade Waste Direct Debit System	<ul style="list-style-type: none"> Advice provided on the development of a new system to process direct debits for trade waste collections.
Business Loans Fund	<ul style="list-style-type: none"> Advice provided to further enhance the due diligence process for the business loans fund.
Financial Procedures	<ul style="list-style-type: none"> Advice offered in relation to temporary changes of financial limits for authorising expenditure and write-offs.
Illuminations Expenditure	<ul style="list-style-type: none"> Advice provided throughout the year in relation to the appropriateness of transactions undertaken by the illuminations department.
Grant Certification	<ul style="list-style-type: none"> Ad hoc work has been undertaken on a range of externally funded grants to provide assurance that funds have been spent appropriately.
Blackpool Operating Company	<ul style="list-style-type: none"> Advice provided on the governance arrangements.
Business Loans Fund	<ul style="list-style-type: none"> Advice provided on due diligence processes.
Password Policy	<ul style="list-style-type: none"> Consulted as part of a planned change to IT passwords.

The Head of Audit and Risk has also participated in a number 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:

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- Corporate Regulation of Investigatory Powers Act (RIPA) Group
- GDPR Working Group
- Senior Leadership Team
- Good Governance Group
- Income and Debt Strategy Group
- Stage Three Complaints Panel
- Lancashire Waste Partnership Group
- Blackpool Airport Project Team
- Facilitation of a Business Loans Fund Risk Workshop
- Facilitation of a Growth and Prosperity Risk Workshop
- Whistleblowing Policy Review Group
- Risk management SharePoint development and roll-out
- Review of the Risk Management Framework and Toolkit
- Review of the Business Continuity Framework and Toolkit
- Driving at Work Policy and Systems Review Group

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 operates a number of key leisure sites across the town.

Internal audit has 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. Steps are also 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 2018/2021 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, thematic or at directorate level, have been established, all of which are supported by the Head of Audit and Risk or nominated staff in Risk Services. These include:

- Corporate Risk Management Group
- Central Support Services Risk Management Group

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- Children's Services Risk Management Group
- Adult Services Risk Management Group
- Place's Risk Management Group
- Community and Environmental Risk Management Group
- Driving at Work Risk Management Group
- Property Risk Management Group
- Safety Advisory Group

During 2018/19 new risk management groups will be formed in line with the revised Risk Management Framework including:

- Highways Risk Management Group
- Emergency Planning Risk Management Group
- Equalities Risk Management Group

Governance Framework

A Good Governance Group is established, chaired by the Director of Governance and Partnerships and supported by the Head of Audit and Risk and other Heads of Service charged with governance. The Group leads on the production of the Annual Governance Statement and undertook a mid-year review of progress on 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.