

# Annual Internal Audit Opinion 2018/19

Blackpool Council



# Annual Internal Audit Opinion

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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 issues faced by Children's Services as identified in the recent OFSTED report and ongoing overspends 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 such as the Business Loan Fund and Growth and Prosperity Programme.

## 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:

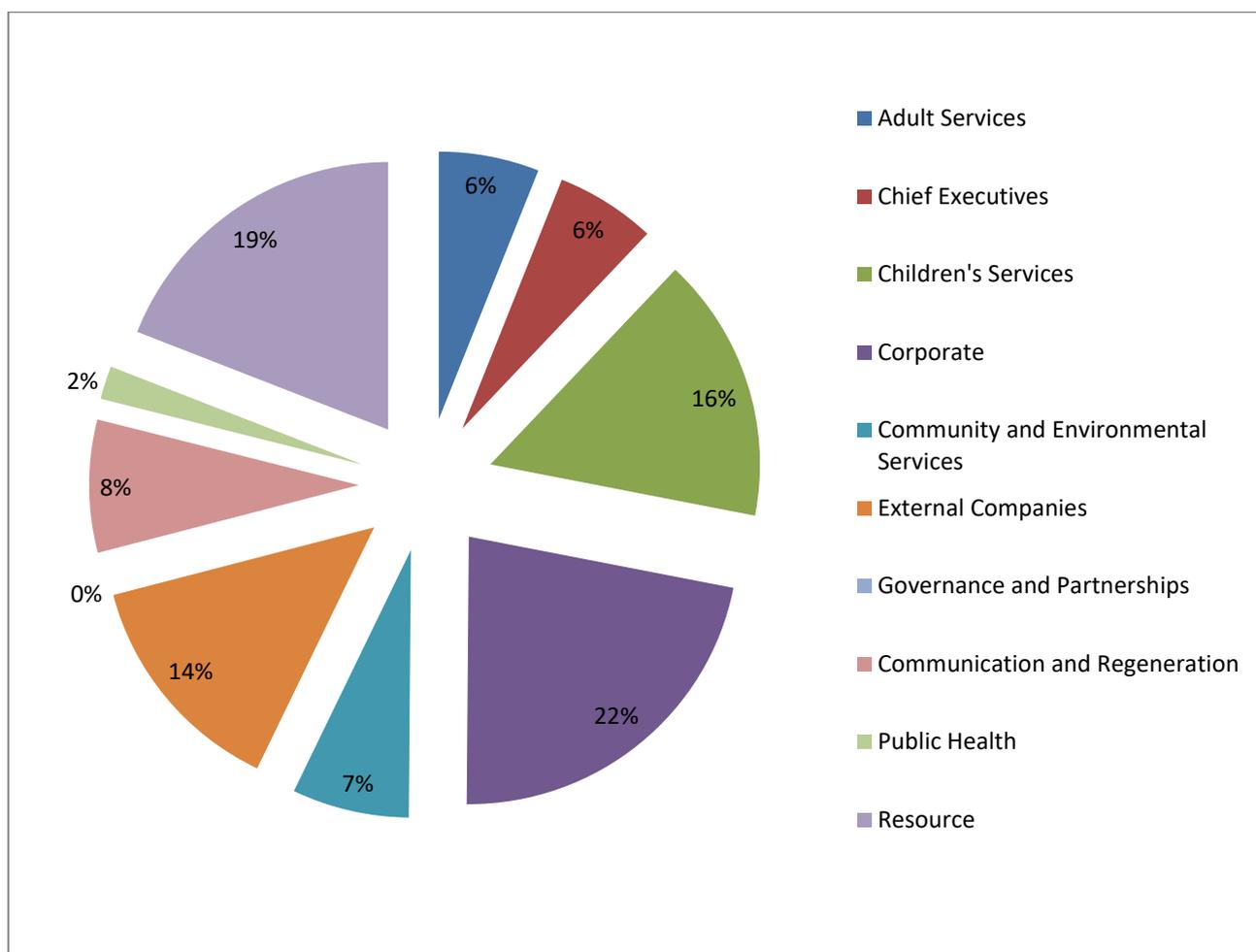
- Internal audit assurance statements issued throughout the year as part of the annual audit plan.
- Reports provided as a result of advice / consultancy work undertaken by the internal audit team.
- The implementation of recommendations made by internal audit linked to high risks throughout the year.
- 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 opinions of other review bodies where appropriate.

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## Internal Audit Coverage and Output

### Planned Audit Work

The Annual Internal Audit Plan for 2018/19 was approved by the Corporate Leadership Team in February 2018 and Audit Committee in March 2018. 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 2017/18 but were not finalised until 2018/19.

Assurance Statement	Reviews
Good	<ul style="list-style-type: none"> <li>i-recruit System</li> <li>Corporate Delivery Unit</li> </ul>

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Assurance Statement	Reviews
	<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Carbon Reduction Commitment Scheme</li> <li>• Housing Benefit Overpayments</li> <li>• St Teresa’s Primary School</li> <li>• Boundary Primary School</li> </ul>
Adequate	<ul style="list-style-type: none"> <li>• Improved Better Care Fund</li> <li>• School Improvement Board and Processes</li> <li>• Adult Safeguarding Enquiries</li> <li>• Housing Benefit Risk Based Verification</li> <li>• CEDAR Upgrade Post Implementation Review</li> <li>• Lancashire Waste Partnership</li> <li>• Our Lady of the Assumption School</li> <li>• Highfurlong School</li> <li>• Council Tax Collection</li> <li>• Troubled Families Compliance</li> <li>• Pupil Welfare Service</li> <li>• Tramway Extension</li> <li>• Positive Steps into Work Compliance</li> <li>• Public Protection</li> <li>• HR and Financial Management System</li> <li>• Business Rates</li> <li>• Performance Management and Business Planning</li> <li>• Troubled Families Compliance</li> <li>• Special Educational Needs Transport Provision</li> <li>• Community and Environmental Directorate Executive Decisions</li> <li>• Budgetary Control Financial Control Assurance Testing</li> <li>• Property and Fire Safety</li> <li>• Business Loan Fund</li> <li>• Kinncraig Primary School</li> <li>• St Bernadette’s Primary School</li> <li>• Moor Park Primary School</li> </ul>
Split Assurance	<ul style="list-style-type: none"> <li>• Financial Control Assurance Testing 2017/18</li> <li>• Public Health Grant Reductions</li> <li>• Purchase Card Financial Control Assurance Testing</li> <li>• Sundry Debtors Financial Control Assurance Testing</li> </ul>
Inadequate	<ul style="list-style-type: none"> <li>• Educational Diversity</li> <li>• Quality Corridors</li> <li>• Children’s Services Social Care Placements</li> <li>• Rideability</li> <li>• Compliance with Corporate Arrangements</li> </ul>

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Assurance Statement	Reviews
	<ul style="list-style-type: none"> <li>Community Engagement</li> </ul>
Uncontrolled	<ul style="list-style-type: none"> <li>-</li> </ul>

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

Planned internal audit work for 2018/19 which has not been undertaken after discussion with management is outlined below:

Review	Reason for Deferment
Positive Steps into Work ICT Security Compliance	<ul style="list-style-type: none"> <li>This annual audit was undertaken to satisfy the funding body however due to changes in the programme this is no longer required.</li> </ul>
Water Supply Self-Licence	<ul style="list-style-type: none"> <li>The scheme was not as advanced as initially envisaged in 2018/19 and therefore this has now been included on the 2019/20 audit plan.</li> </ul>
Attendance Management	<ul style="list-style-type: none"> <li>Capacity was built into the audit plan to support the project to improve attendance management across the Council. Due to delays in commencing the project this resource was not required. Support will be provided in 2019/20 as and when required.</li> </ul>
Commissioning	<ul style="list-style-type: none"> <li>A fundamental review of how commissioning is delivered across the Council took place in 2018/19 with the new structure planned to be embedded in 2019/20. Therefore, an audit of this area has now been included on the 2019/20 audit plan.</li> </ul>

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 2018/19 which is still at fieldwork / 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 are:

- Volunteering
- Vitaline
- Transformation Fund
- Fostering Service
- Early Help Sustainability

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- Early Years Financial Systems
- Children’s Services Payments
- Layton Primary School
- Information Governance
- Growth and Prosperity Programme
- ICT Security and Unstructured File Stores
- Payroll Financial Control Assurance Testing
- Housing Benefits Financial Control Assurance Testing

## 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:

Advice	Outcome
Children’s Purchasing and Payments Group	<ul style="list-style-type: none"> <li>• Advice on improving financial and budgetary control for purchasing and payments.</li> </ul>
Civicapay Upgrade	<ul style="list-style-type: none"> <li>• Advice on risk management and helping with the first draft of the risk register.</li> </ul>
Fixed penalties mobile system	<ul style="list-style-type: none"> <li>• Advice regarding implementation of a mobile administration system for issue of fixed penalties for e.g. littering and dog fouling.</li> </ul>
CCTV	<ul style="list-style-type: none"> <li>• Advice on whether key legislative requirements are being adhered too.</li> </ul>
Car Parking Debt	<ul style="list-style-type: none"> <li>• Advice on how to treat debt accrued through the issue of Penalty Charge Notices.</li> </ul>
Children’s Services Invoices	<ul style="list-style-type: none"> <li>• Advice provided on how to streamline approval processes whilst ensuring an adequate level of control is in place.</li> </ul>
Duke of Edinburgh and Outdoor Education	<ul style="list-style-type: none"> <li>• Advice provided on roles and responsibilities and ownership of assets.</li> </ul>
Customer Feedback Policy	<ul style="list-style-type: none"> <li>• Advice provided on the revised customer feedback policy which is being developed.</li> </ul>
Use of E-selling Sites	<ul style="list-style-type: none"> <li>• Advice provided on ensuring adequate controls when using on-line selling sites.</li> </ul>
Employee Travel Loans	<ul style="list-style-type: none"> <li>• Advice provided on how to strengthen controls to avoid the risk of fraud.</li> </ul>
Financial Procedures	<ul style="list-style-type: none"> <li>• Advice offered in relation to temporary changes of financial limits for authorising expenditure and write-offs.</li> </ul>

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Advice	Outcome
Lancashire Management Operations Limited	<ul style="list-style-type: none"><li>• Advice provided on the governance arrangements.</li></ul>

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:

- 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
- Brexit Task and Finish Group
- Property Lockdown Procedures Task and Finish Group
- Refuse Insourcing Project Group
- Joint Fraud Investigations with the DWP Project Group
- 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 of 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.

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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
- Children's Services Risk Management Group
- Adult Services Risk Management Group
- Communication and Regeneration Risk Management Group
- Community and Environmental Risk Management Group
- Driving at Work Risk Management Group
- Property Risk Management Group
- Safety Advisory Group
- 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 and are advocating the need for all services to ensure compliance with agreed mandatory arrangements across the Council.