

Annual Internal Audit Opinion 2020/21

Blackpool Council



Annual Internal Audit Opinion

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.

Given the unprecedented year when preparing this report the Head of Audit and Risk has considered whether they have been able to drawn on sufficient assurance to complete the annual opinion. There are three possible scenarios for limitation of scope and these include:

- The Head of Audit and Risk has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion.
- The Head of Audit and Risk has obtained insufficient assurance across one of the three aspects of the opinion. The limitation of scope will be restricted to that aspect only.
- The Head of Audit and Risk has obtained insufficient assurance across a significant subset of risk or area of operation that is material. An example might be where there were significant engagements set out in the plan that the audit service could not complete.

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Despite the challenging year faced by the Council, having considered the amount of internal audit assurance work completed and ongoing involvement in risk management and governance arrangements the Head of Audit and Risk has concluded that they are still able to issue an annual opinion based on a combination of sources of assurance as outlined in this report.

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.

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. The exciting yet challenging regeneration programme being implemented by the Council increases risk both in terms of project delivery and financial risks. The financial position of the Council's wholly owned companies also creates a number of financial sustainability risks which need to be closely monitored going forward.

The Covid-19 pandemic also impacted on the control environment and this will continue to be monitored during 2021/22 and steps taken to manage risk as effectively as possible given the challenging circumstances with a particular focus on recovery and impact on the sustainability of the Council.

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.

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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.

Public Sector Internal Audit Standards

The Council has undertaken a self-assessment of its conformance with the Public Sector Internal Audit Standards (PSIAS) which was reported to the Audit Committee in September 2020. This internal review confirmed that the Council broadly conforms to the professional standards. A small number of areas were assessed as partially conforming and where this is the case the actions have been incorporated into the Quality Assurance and Improvement Programme for 2021/22.

During the year the team have implemented a number of improvements which were identified as actions in the Quality Assurance and Improvement Programme 2020/21. These are captured in more details in the 2021/22 programme however in summary the following actions have been implemented:

- Moved to the SharePoint / Teams environment to enable the vast majority of internal audit work to be undertaken 'virtually' and started to introduce the new functionality available from this platform into day to day operations.
- Monthly internal audit team meetings now take place to discuss best practice, key findings and developments in the profession.
- Enhancements have been made to how work is allocated including monthly meetings between the Head of Audit and Risk and Senior Auditors to review the current position.
- Service level agreements are now in place with all of the Council's wholly owned companies for the provision of an internal audit service with an annual audit plan agreed with each company Audit Committee.

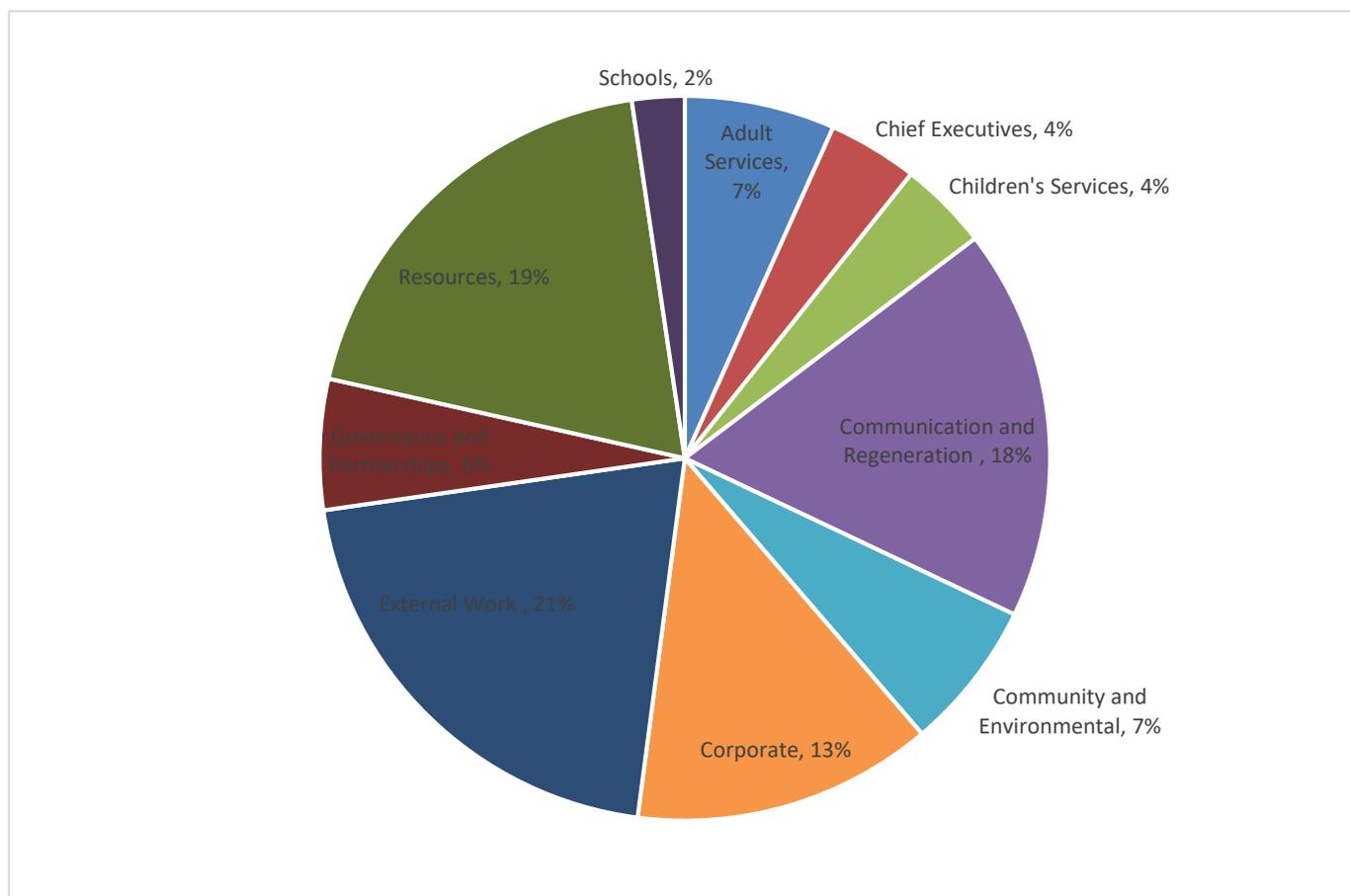
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- A full review of all core documents has been undertaken to make sure they are all relevant and correctly formatted including appropriate client facing templates in place for all of our wholly owned companies.
- The internal audit manual has been revised to ensure that it is fully up to date to reflect current working practices.

Internal Audit Coverage and Output

Planned Audit Work

The Annual Internal Audit Plan for 2020/21 was approved by the Corporate Leadership Team in February 2020 and Audit Committee in March 2020. 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 2019/20 but were not finalised until 2020/21.

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Assurance Statement	Reviews
Good	<ul style="list-style-type: none"> • Adult Services Executive Decisions • Governance and Partnerships Executive Decisions • Election Process • Treasury Management • Woodlands School
Adequate	<ul style="list-style-type: none"> • Troubled Families Grant Compliance 2019/20 • Wedding Chapel Establishment Visit • Council Tax Financial Control Assurance Testing • Opportunity Area Funding • Parking Services • Corporate Print Services • Flood Management • Information Governance (Data Protection Security Toolkit) • Personal Health Budgets • Blackpool Museum Project • Tourist Information Centre Establishment Visit • Anti-Social Behaviour • Business Loans Fund • Cashiers / Payments Financial Control Assurance Testing • Business Rates Financial Control Assurance Testing • Strategic Leisure Assets • Personal Protective Equipment during Covid-19 • Individual Access Rights (GDPR) • Social Care Benefits Team • Safeguarding (Recruitment) • IT Admin Rights • Research and Data Analysis • Covid Income Return (September 2020) • Covid Income Return (December 2020) • St. Nicholas Church of England Primary School • Bispham Endowed Primary School • St. Kentigern's Catholic Primary School • Highfurlong School
Split Assurance	<ul style="list-style-type: none"> • School Meals • Household Waste Recycling Centre
Inadequate	<ul style="list-style-type: none"> • CCTV • Vehicle Operators License Compliance
Uncontrolled	<ul style="list-style-type: none"> • N/a

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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. In addition, the Audit Committee approve a sample of internal audit reports each year and ask for a full update of all recommendations to be presented by the relevant Head of Service. This provides an additional layer of assurance that priority two and priority three recommendations are also being implemented.

The 2020/21 financial year has been unprecedented due to the Covid-19 pandemic. For the first three months of the financial year most members of the internal audit team were redeployed to support the Council with its initial response to the pandemic. The remaining team members used the first three months to adapt the teams working practices to enable a move towards virtual internal audits, although site visits have continued to be undertaken where deemed necessary. In addition, many Council services have continued to be involved in the acute pandemic response which has reduced the resource available to support internal audit work. For these reasons a number of planned audits for 2020/21 have not been undertaken but where this is the case they have been carried forward onto the 2021/22 internal audit plan as outlined below:

Deferred Reviews
• Day Care Centres
• Care at Home
• Workforce Development and Planning
• Children’s Services Financial Systems
• School Improvement Strategy
• Growth and Prosperity
• Enforcement Activity
• Highways Maintenance Grant
• Climate Change
• Compliance with Mandatory Arrangements
• Follow-up of Peer Review Outcomes
• Bereavement Service
• Health Protection Arrangements

In addition, two new areas of coverage were added to the plan in the year to provide assurance around issues pertinent to the pandemic and these included:

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Additional Reviews

- Personal Protection Equipment during the Covid-19 Pandemic
- Covid-19 Income Grant Return

There is also some planned audit work for 2020/21 which is still at fieldwork / draft report stage 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:

Not Yet Completed Reviews

- Enterprise Zone
- Regulation of Private Sector Housing
- Management of Investment Properties
- Tourism and Destination Management
- Covid Income Loss Grant Returns (March 2021)
- Our Lady of Assumption RC School
- Pupil Referral Unit
- St Johns CoE Primary School
- Troubled Families Grant Compliance 2020/21

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
Lesson Learned During Major Projects	<ul style="list-style-type: none"> • The production of a number of case studies on key Council projects to understand what has worked well to help inform future project delivery.
Channel Shift Scrutiny	<ul style="list-style-type: none"> • Participation in the Channel Shift scrutiny working group to provide advice based on internal audit findings.
Cedar E-Financials Upgrade	<ul style="list-style-type: none"> • Project support advice on the upgrade to the CEDAR financial system.
Access to the Academy System	<ul style="list-style-type: none"> • Provided advice on service access to the Academy Council Tax system to ensure compliance with data protection arrangements.

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Advice	Outcome
Covid Support Grants	<ul style="list-style-type: none">• Provided advice on the arrangements in place to process the payment of a range of Covid support grants to businesses and individuals who need to self-isolate.
Process changes as a result of Covid	<ul style="list-style-type: none">• Provided advice on any changes needed to process due to the pandemic to ensure that adequate controls were maintained.
Financial Procedures	<ul style="list-style-type: none">• Advice offered in relation to temporary changes of financial limits for authorising expenditure and write-offs.

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:

- Senior Leadership Team
- Senior Leadership Team Agenda Setting / Council Services Recovery Group
- Extended Corporate Leadership Team (as required re: Covid Secure and Business Continuity)
- Good Governance Group
- Income and Debt Strategy Group
- Stage Three Complaints Panel
- Lancashire Waste Partnership Group
- Brexit Task and Finish Group
- Enveco Phase Two Project Group
- HR and Finance System Replacement Project Board
- Covid-19 Outbreak Management Group
- Information Governance Group
- Covert Surveillance Group

Other Sources of Assurance

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 2021/2025 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 Audit and 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 a task and finish group consisting of members of the group 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.