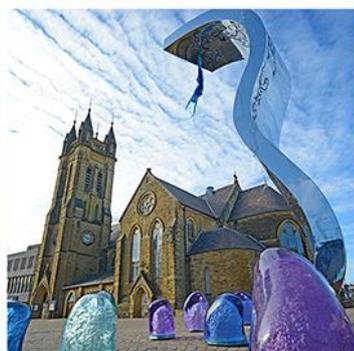


Annual Internal Audit Opinion 2021/22

Blackpool Council



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.

Appendix 5(a)

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:

Annual Audit Opinion 2021/22

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 regeneration programme being implemented, supported by various funding streams, increases risk in terms of project delivery and financial risks. The financial position of the Council's wholly owned companies also creates a financial sustainability risk as do the ongoing demands for social care provision.

The continued fall-out from the pandemic has created a risk to the control environment and placed pressure on already stretched services. Likewise, challenges facing the Council from the year on year funding cuts again places pressure on services to effectively delivery their statutory duties.

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 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.

Appendix 5(a)

- 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

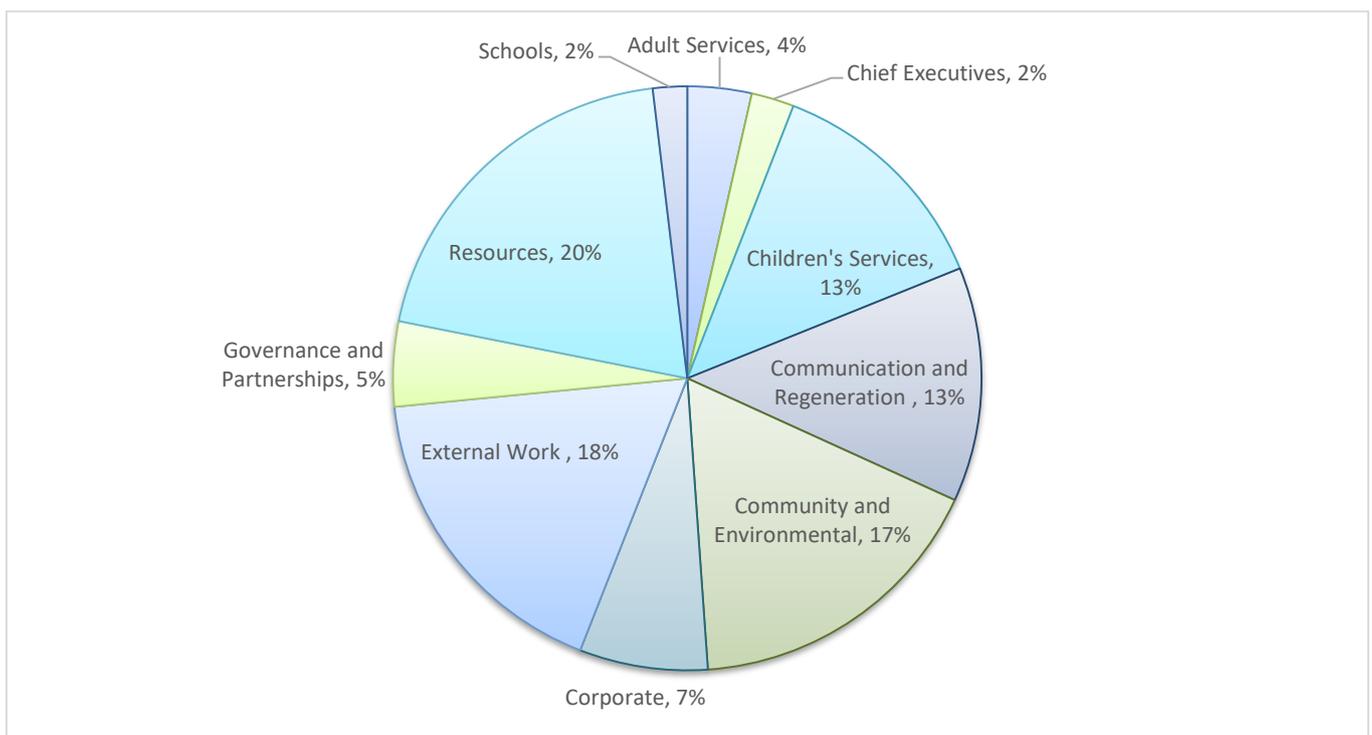
The Council was externally assessed against the Public Sector Internal Audit Standards (PSIAS) with the outcome reported to the Audit Committee in September 2021. The external assessment confirmed that the Council conforms to the Public Sector Internal Audit Standards. Some best practice recommendations were made as part of the external assessment and these have been taken forward as action in the Quality Assurance and Improvement Plan 2022/23.

The 2021/22 Quality Assurance and Improvement Plan has been reviewed in preparation for the new financial year and further details on progress are included in the 2022/23 document which will be considered by Audit Committee in June 2022.

Internal Audit Coverage and Output

Planned Audit Work

The Annual Internal Audit Plan for 2021/22 was approved by the Corporate Leadership Team in February 2021 and Audit Committee in March 2021. The coverage of work, by directorate, for the audit plan completed, was as follows:



Appendix 5(a)

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 2002/21 but were not finalised until 2021/22.

Assurance Statement	Reviews
Good	<ul style="list-style-type: none"> • Impact of Covid-19 on the Collection Fund • St Johns CoE Primary School • Educational Diversity • Vitaline • Employee Health and Wellbeing • Covid-19 Business Support Grants • Information Commissioners Audit Follow-Up • Housing Benefit Financial Control Assurance Testing
Adequate	<ul style="list-style-type: none"> • Regulation of Private Sector Housing • Troubled Families Grant Certification 2020/21 • Enterprise Zone • Skills and Employment Schemes • Allotments • Covid Income Return (May) • Covid Income Loss Grant Return (October) • School Improvement Strategy • Our Lady of Assumption Primary School • Tourism and Destination Management • Permit for Street Works • Sundry Debtors Financial Control Assurance Testing • Budgetary Control Financial Control Assurance Testing • Capital Accounting • Early Years and Early Year Portage • Town Deal • Bereavement Service • Kincaig Primary School • Moor Park Primary School • Executive Decisions • Special Guardianship Order Process • Communications • Adult Learning • Highways Maintenance Grant • Management of Leisure Centres • Climate Change • St Teresa's Primary School • St Bernadette's Primary School

Appendix 5(a)

Assurance Statement	Reviews
Split Assurance	<ul style="list-style-type: none"> • Purchase Card Financial Control Assurance Testing • Delivery of the Track Maintenance Programme • Management of Investment Properties • Care at Home (Internal Provision) • Compliance with Corporate Arrangements • Governance of Wholly Owned Companies • Keats and New Langdale Day Centres • Cyber Security (Data Infrastructure) • Boundary Primary School
Inadequate	<ul style="list-style-type: none"> • Animal Health Outbreak Planning • Energy Management • Enforcement Activity • Carbon Emissions
Uncontrolled	<ul style="list-style-type: none"> • N/a

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.

A small number of planned audits did not take place in the year and these are captured in the below table:

Audits Not Undertaken
<ul style="list-style-type: none"> • Social Housing White Paper Preparations – deferred to 2021/22 • Workforce Development and Planning – deferred to 2021/22 • Argosy Avenue Children’s Home – service closed in year and therefore audit not required

In addition, one new area of coverage was added to the plan in the year:

Additional Reviews
<ul style="list-style-type: none"> • Information Commissioners Audit Follow Up of Recommendations

Appendix 5(a)

There is also some planned audit work for 2021/22 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
<ul style="list-style-type: none"> • Commissioning • Children’s Services Financial Systems Developments • Early Years Payment System • Troubled Families Grant Certification 2021/22 • Library Management • Conference Centre • Growth and Prosperity Programme • Business Loans Fund • Children’s Legal Services • Health Protection Arrangements • Medium Term Financial Sustainability Strategy / Impact of Spending Cuts • Layton Primary School

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
Taxi Licencing	<ul style="list-style-type: none"> • Reviewed the robustness of the current process and made recommendations on how risk can be managed with more efficient processes and controls.
Council Tax Energy Rebate	<ul style="list-style-type: none"> • Provide advice on the controls required for the energy rebate scheme.
Lessons Learned for the Festival of Light Court Ruling	<ul style="list-style-type: none"> • Facilitated a workshop to identify lessons learned from the court ruling which found BTS and the Council failed to meet the Public Sector Equality Duty and made recommendations on how to strengthen controls.
Direct Debits	<ul style="list-style-type: none"> • Provide advice on controls which needed to be implement to ensure that direct debits were correctly accounted for.
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.
Use of personal credit cards	<ul style="list-style-type: none"> • Provide advice around the use of personnel credit cards for the purchase of goods for the Council.

Appendix 5(a)

Advice	Outcome
Financial Procedures	<ul style="list-style-type: none">• Advice offered in relation to temporary changes of financial limits for authorising expenditure and write-offs.
Grant Certification	<ul style="list-style-type: none">• External funding received has been checked and certified to confirm that expenditure was in line with the terms of the grant.

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
- EU Exit Task and Finish Group
- Enveco Phase Two Project Group
- HR and Payroll System Replacement Project Board
- Finance System Replacement Project Board
- Covid-19 Outbreak Management Group
- Information Governance Group
- Company Governance Group
- Social Value Corporate Steering Group
- Covert Surveillance Group
- Channel Shift Scrutiny Review
- Enveco Phase Two Project Working Group
- Airport Licence Transition Project Working Group
- Business Restart Grants Working Group
- Building Resilience Task and Finish Group
- Growth and Prosperity Project Board

The Head of Audit and Risk is also an attendee at a number of Audit Committees to provide strategic advice and guidance on risk and controls matters including:

- Blackpool Council Audit Committee
- Blackpool Transport Services Audit Committee

Appendix 5(a)

- Blackpool Entertainment Company Audit Committee
- Blackpool Operating Company Audit Committee
- Blackpool Coastal Housing Audit Committee
- Blackpool Housing Company Audit Committee
- Lumen Housing Audit Committee
- Blackpool Waste Services Audit Committee
- Blackpool Airport Operations Audit Committee

The Head of Audit and Risk, or a Senior Auditor, also attends various networking groups to ensure the sharing of risk and control best practice with peers in other local authorities including:

- North West Chief Audit Executives
- Lancashire Chief Internal Auditors
- Chartered Institute of Internal Auditors Local Authority Forum
- Local Authority Chief Auditor Network
- Lancashire Computer Audit 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.

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

Appendix 5(a)

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

The Head of Audit and Risk or a member of the wider Audit and Risk team have facilitated project risk workshops or reviewed risk registers during 2021/22 including:

- Blackpool Central Project Risk Workshop
- Potential Court Demolition Project Risk Workshop
- HR and Payroll Systems Delivery Plan Risk Workshop
- Town Deal Risk Workshop
- Medium Term Financial Sustainability Risk Register Review
- Strategic Finance System Replacement Risk Register Review
- Income and Debt Strategy Risk Register Review

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.