

Report of	Meeting	Date
Interim Head of Shared Assurance	Governance Committee	5 th June

INTERNAL AUDIT ANNUAL REPORT 2018/19

PURPOSE OF REPORT

1. The purpose of this report is to:-
 - i) summarise the work undertaken by the Internal Audit Service from April 2018 to March 2019;
 - ii) provide an opinion on the adequacy and effectiveness of the Council's framework of control; and
 - iii) to provide an appraisal of the Internal Audit Service's performance throughout the period.

RECOMMENDATION(S)

2. That the Governance Committee notes the Internal Audit Annual Report for 2018/19.

EXECUTIVE SUMMARY OF REPORT

3. The Public Sector Internal Audit Standards require the Head of Shared Assurance to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement are agreed with Senior Management and overall progress is reported to the Governance Committee on a quarterly basis. As can be seen in the final progress report attached at Appendix 1, only 1 service area has been categorised as providing Limited assurance the issues leading to that categorisation are further explained in the report at paragraph 9. As can be seen from the Appendix a number of services reviewed have been categorised as the systems and processes in place providing Full and Substantial Assurance in relation to the risks and controls in place.

Risk Management – Work has continued in the embedding of the Risk Management framework and the GRACE risk management system throughout the Council. Whilst a review of service risk registers identified management actions to improve processes, it is acknowledged that risk management continues to be developed and is an integral part of the Council's decision making process. Further work in regard to embedding risk within the Council will continue into 2019/20.

Governance – a range of actions have been taken during 2018/198 to strengthen the Council's governance arrangements; these are outlined in the Annual Governance Statement for 2018/19. The implementation of further actions arising from the AGS for 2018/19 will be monitored throughout 2019/20.

The 2018 AGS has been produced following a rigorous assessment process, an action plan has been produced and this will be monitored throughout 2019/20.

As there are a number of areas that have been awarded Substantial / Full Assurance and Limited has only been awarded in 1 case, it is the opinion of the Interim Head of Shared Assurance, that Council's overall control environment can be classed as being that of providing **Substantial / Full Assurance**, based on those areas reviewed during the 2018/19 financial year. It should be noted that there are significant areas of good practice and substantial controls being in place, where the opinion of the control environment has been classified as Adequate / Limited, management actions have been agreed to improve controls in those areas. These management actions will be monitored throughout 2019/20 and reported to Governance Committee.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

4. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	X

BACKGROUND

5. The Public Sector Internal Audit Standards require that the Head of Audit provide an opinion on the overall control environment of the organisation and to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

At Chorley Council this is the responsibility of the Interim Head of Shared Assurance. In order to form that opinion a number of areas are reviewed including the work undertaken by Internal Audit during the preceding financial year, in this case 2018/19; the review of the governance framework undertaken as part of the Annual Governance Statement work and the embedding of Risk Management within the Council.

These factors then come together to provide evidence to support the opinion of the Interim Head of Shared Assurance.

ANNUAL REPORT

Audit Plan

- Appendix 1 provides a detailed view of the individual audit's undertaken in 2018/19, each audit has been assigned an individual audit opinion of the control environment in regard to that service and the processes / systems reviewed within that service area. The appendix includes notes detailing key issues identified.
- The Appendix identifies that 84.45% of the Planned Audit work (excluding ongoing / project / other type of work) has been completed in year. This is identified in the first 2 pages of the appendix, this also identifies where work was completed in excess of the days allocated

and those completed under the days allocated. The allocation of days is not an exact science and it is only when the audit commences that the auditor understands the key risks in each specific area and then audits accordingly, in some areas this can mean more days are required than original allocated and vice versa, there may be more days allocated than required. It further shows that whilst 18.86% of work is carried forward, these reviews have been partially completed in the 2018/19 year with the exception of Performance Management Information. The appendix also identifies that 91% of all planned work (this includes project work, ongoing work etc.) was completed in the year and 20% of the work was completed under budget.

8. The appendix outlines the assurance opinion for each piece of work, 2 of the service reviews have been further broken down into assurance opinions for each of the particular areas reviewed. These are outlined below:-

Enforcement Service

Whilst the service area for review was Enforcement, 3 distinct functions had been brought together to deliver enforcement services, these are Building Control, Planning and Licensing enforcement, these services have different process and procedures and each distinct area was reviewed, therefore an assurance opinion was provided for each distinct area as outlined on the appendix.

Maintenance & Inspection Regime

This review included a review of the maintenance & inspections policies, systems and processes relating to 5 distinct areas, risks for each of the areas were identified and controls tested relating to each of the distinct areas. It was therefore appropriate to assign an assurance opinion for each of the distinct areas, as outlined in the appendix.

Management actions arising from the reviews will be monitored for each distinct area.

9. As can be seen in the appendix 1 service area was assigned an assurance rating of Limited, the issues arising from this review are outlined below:-

Environmental Permitting Regulations

The review identified a lack of guidance / information in relation to EPR being available publicly, internal guidance out of date / not reviewed since 2008, not all installations identified and EPR inspections not completed within specified timescales. Management actions were agreed and this will be followed up in 2019/20 and the outcomes reported to Governance Committee.

Audit Days

10. The Internal Audit Plan for 2018/19 was based on an overall resource of 340 days for Chorley Borough Council; this was based on resource in place at the time of Audit Planning in March 2018; following agreement of that plan, changes within the service have impacted on the available resource, this reduced the number of days available to undertake audit reviews. However, the percentage of planned audit reviews undertaken was maintained at 84.45%, the impact has been on other work undertaken which was planned to be undertaken utilising audit resource, as outlined in page 3 of the appendix. However, the lack of involvement of Internal Audit in those areas identified is not a cause for concern as advice and support has been provided as and when required by the Interim Head of Shared Assurance and by effective management of those other areas.

Performance Indicators

11. In 2018/19, Internal Audit have completed 84.45% of the Internal Audit Plan for Chorley Borough Council and achieved a 100% acceptance rate for agreed management actions.

IMPLICATIONS OF REPORT

12. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

13. Failure to produce and Internal Audit Annual Report would result in non-compliance of the Public Sector Internal Audit and failure for the Head of Internal Audit to provide and opinion on the overall control environment of the Council, this could impact on the Council's governance arrangements and result in failure to comply with Accounts & Audit Regulations

COMMENTS OF THE STATUTORY FINANCE OFFICER

14. No comment

COMMENTS OF THE MONITORING OFFICER

15. No comment.

Janice Bamber
Interim Head of Shared Assurance

Report Author	Ext	Date
Janice Bamber	5470	29 th May 2019

Waste & Street Scene										
Maintenance & Inspection Regime	MAJOR	3	10	11.6	0	(1.6)		COMPLETED	ADEQUATE	The overall assurance rating is classified as ADEQUATE, this is due to the following findings:-
Areas reviewed included:-										
Car Parks Maint & Inspection									ADEQUATE	Revised procedure 2018, resulted in some car parks not being inspected for 2 years due to lack of clarity of roles & responsibilities, those inspected have been undertaken in accordance with the revised policy.
Play Equipment Maint & Inspection									SUBSTANTIAL	Inspections have been scheduled and completed as required, however, a policy requires establishing.
Tree Safety Maint & Inspection									ADEQUATE	Tree M&I Policy has been revised & approved in 2018, policy includes statutory and good practice principles, work is underway to inspect high risk tree zones, however, this is only 30-40% completed and medium and low risk tree zones have not yet been risk assessed to determine frequency of inspection.
Memorial Safety Maint & Inspection Policies									FULL	Revised policy in place which takes account of guidance issued by the Institute of Cemetery & Crematorium Management. Suitable processes in place to address memorial safety.
Bodies of Open Water Maint & Inspection Policies									FULL	Policy introduced and approved in January 2018, includes suitable processes for the inspection of Bodies of Open Water.
Waste Contract Procurement	N/A	1	5	1.2	0	3.8		COMPLETED	N/A	Completed
ICT Services										
ICT Review	CRITICAL	3	15	0.4	0	14.6		Completed		ICT Work to be undertaken in 2019/20 due to significant changes within service in 2018/19.
EARLY INTERVENTION										
Housing Options & Support										
Choice Based Lettings	MAJOR	4	10	7.2	0	2.8		COMPLETED	SUBSTANTIAL	The allocation scheme in place complies with the relevant legislation, only 2 minor weaknesses in control were identified relating to the revised allocations scheme not yet being approved and out of date information appearing on the Council's website.
Regulatory Services										
Environmental Permitting Regulations	MAJOR	1	15	16.2	0	(1.2)		COMPLETED	LIMITED	Areas for improvement identified included lack of guidance / information available, guidance out of date and EPR inspections not completed within specified timescales.
BUSINESS DEVELOPMENT & GROWTH										
Market Walk & Town Centre										
Financial Governance of Large Projects	CRITICAL	2&3	15	8.4			6.6	In Progress		Review of 2 major projects and their financial governance, partially complete in 2018/19, will be reported in 2019/20
Property Services										
Commercial Properties	MAJOR	4	15	2.9			12.1	C/F 2019/20		Review c/f 2019/20
TOTAL PLANNED WORK			175	107.5		40.3	33			% of Audit Planned work completed in Year = 84.4Per5%
Actual Plus Balance Not Required Sub Total						147.8				

WORK AREA	RISK	QTR	EST (Days)	ACT	BAL	NOT REQ	C/F	REVIEW STATUS	ASSURANCE RATING	STATUS
ONGOING WORK THROUGHOUT THE YEAR										
CORPORATE										
Annual Governance Statement	N/A	1&4	20	15.8	0	4.2		COMPLETED	N/A	2017/18 AGS completed
Anti-Fraud & Corruption	N/A	ALL	10	2.7	0	7.3		Ongoing updates	N/A	Ongoing policy updates, fraud alerts circulated during 2018/19
National Fraud Initiative (NFI)	N/A	ALL	15	19.8	0	(4.8)		Data Sets submitted	N/A	Data Sets submitted, CTAX / Elec Reg. SPD results returned & being investigated Further results for other data sets available from end of January results reported to Gov. Cttee. 2019/20
PROJECT GROUPS										
GDPR Implementation	N/A	1	5	4.9	0	0.1		COMPLETED	N/A	Project Group Audit role advice & support completed
Primrose Gardens – Operations	N/A	ALL	10	6.8	0	3.2		COMPLETED	N/A	Project Group Audit role advice & support completed
Market Walk Extension	N/A	ALL	10	3.3	0	6.7		COMPLETED	N/A	Project Group Audit role advice & support completed
TOTAL CONTINUOUS WORK			70	51.6	0	16.7	0			
WORK OUTSIDE AUDIT PLANNING PROCESS										
GENERAL AREAS										
Residual Work from 2017/8	N/A	1	20	27.4	0	(7.4)		COMPLETED	N/A	Completed
GRACE System Administration	N/A	ALL	15	29.8	0	(14.8)		COMPLETED	N/A	Ongoing
Business Continuity	N/A	ALL	15	7.7	0	7.3		COMPLETED	N/A	Ongoing
Post Audit Reviews	N/A	ALL	10	5.2	0	4.8		COMPLETED	N/A	Ongoing
Contingency / Irregularities	N/A	ALL	20	6.5	0	13.5		COMPLETED	N/A	Ongoing
Governance Committee	N/A	ALL	15	8.5	0	5			N/A	Ongoing
TOTALS			95	85.1	0	8.4				
TOTAL WORK OUTSIDE PLAN										
SUB TOTAL										
Ongoing Work & Work outside plan			165	136.7	0	25.1	33			
TOTALS			340	244.2	0	65.4	33			
Actual + Balance not req							309.6			% of Audit Work Completed 91%
										20% of work completed under budget

SHARED FINANCIAL SERVICES

WORK AREA	RISK	QTR	EST (Days)	ACT	BAL	NOT REQ	C/F	REVIEW STATUS	ASSURANCE RATING	COMMENTS
Treasury Management	CRITICAL	3	20	20	0			COMPLETED	SUBSTANTIAL	
Payroll (Chorley)	CRITICAL	4	10	8	0	2		COMPLETED	ADEQUATE	The review undertaken was a review of the Payroll contract between Chorley and Blackpool Council. The following weaknesses have been identified:- - contract rolled over for a number of years , however, CPR's have not been contravened; - Performance against the service level agreement is not measured, nor are review meetings held - there is no reconciliation of the budgeted establishment with the HR system.
Payroll (South Ribble)			10	7	0	3		COMPLETED		
Creditors	CRITICAL	3	20	0.7	0		20	c/f 2019/20		Work being undertaken by External Audit at year end, IA will undertake review in April 2019/20
Main Accounting	CRITICAL	4	20	13	0	7		COMPLETED		
Cash & Bank (Chorley)	CRITICAL	4	10	6.2		3.8		COMPLETED		
Cash & Bank (South Ribble)			10	6.2		3.8		COMPLETED		
Residual Work from 2017/18	N/A	1	15	18	0	(3)		COMPLETED	N/A	Completed
GRACE System Administration	N/A	ALL	5	3.9	0	1.1		COMPLETED	N/A	
Post Audit Reviews	N/A	ALL	10	0	0	10		COMPLETED	N/A	
Contingency / Irregularities	N/A	ALL	10	9.2	0	0.8		COMPLETED	N/A	
TOTALS			140	72.2		28.5	20			
Actual plus balance not required					100.7					
										% of Shared Assurance Plan completed = 72%