

Report to Audit Committee

Agenda
Item:

A.4

Meeting Date: 30 July 2020
Portfolio: Finance, Governance and Resources
Key Decision: Not Applicable:
Within Policy and Budget Framework YES
Public / Private Public

Title: INTERNAL AUDIT ANNUAL REPORT 2019/20
Report of: Designated Head of Internal Audit
Report Number: RD07/20

Purpose / Summary:

This report provides a summary of the outcomes of the work undertaken by Internal Audit for Carlisle City Council in 2019/20 and includes the Designated Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

Recommendations:

Members are requested to note

- (i) The progress achieved in 2019/20 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at **Appendix A**;
- (ii) The Designated Head of Internal Audit's opinion of **reasonable assurance** on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2020;
- (iii) The Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;
- (iv) The Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;
- (v) The performance of the Internal Audit service as shown at **Appendix B**;

Tracking

Audit Committee:	30 July 2020
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. BACKGROUND

- 1.1 Local Authorities are required to make proper provision for internal audit in line with the Local Government Act 1972. The Accounts and Audit Regulations 2015 require that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS).
- 1.2 Internal Audit is responsible for providing independent assurance to the Council's Senior Management and to the Audit Committee on the systems of governance, risk management and internal control.
- 1.3 It is the responsibility of management to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls operate effectively.

2. INTERNAL AUDIT OPINION

- 2.1 The purpose of this report is to give my opinion as the Designated Head of Internal Audit on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2020. This annual opinion is a requirement of the PSIAS.
- 2.2 This report is a key contributor to the Council's Annual Governance Statement.
- 2.3 In giving this opinion, it should be noted that assurance can never be absolute and it is not possible to give complete assurance. My opinion is based on the work undertaken by Internal Audit during the year, including the outcomes of any follow up work undertaken.
- 2.4 I am satisfied that sufficient internal audit work has been undertaken to allow me to give a conclusion on the adequacy and effectiveness of risk management, governance and internal control.
- 2.5 In my opinion, based on the completed audit work, the overall framework of governance, risk and internal control is **reasonable** and audit testing has confirmed that controls are generally working effectively in practice, although as detailed below there are control concerns in relation to ICT services.

- 2.6 In the 2018/19 internal audit report I raised concerns around ICT controls. This was due to a partial review of the firewall and 9 recommendations made in a review of mobile devices, along with further ICT related recommendations and slow progress in implementing historic recommendations.
- 2.7 During 2019/20 the ICT Services team had several absences and vacancies, including the long-term absence and subsequent retirement of the Head of Service. The Council is undertaking a re-structure of the service and is in the process of recruiting a new Head of Service, although this has been delayed by the Covid-19 global pandemic.
- 2.8 These vacancies have resulted in limited progress being made in implementing the audit recommendations from the above reviews and a formal follow-up of the mobile devices review in 2019/20 resulted in a revised partial assurance. Remaining planned ICT audit work (IT Strategy / ICT Specialist Audit) was deferred as it was agreed ICT control concerns existed and further reviews would not add more value. It should be noted that continued development of the Council's Information Governance and Records Management is also reliant on the ICT Service.
- 2.9 Internal Audit recognise the hard work, knowledge and dedication of the existing service, including their considerable efforts to ensure the Council could quickly and efficiently adapt to a new way of working through the pandemic. Internal Audit will continue to work closely with the team to progress implementation of outstanding recommendations and devise a new assurance programme going forward into 2020/21.
- 2.10 I can confirm that Internal Audit has maintained its independence during the year. In my dual role as Financial Services Manager and Designated Head of Internal Audit, I can confirm that my independence and that of Internal Audit has not been in any way diminished by this working arrangement (the External Quality Assessment (Apr 2018) and annual self-assessment (June 2020) confirmed that suitable arrangements are in place to maintain audit independence). Where necessary, audit reports in relation to financial services activities have been reviewed by the Principal Auditor, and all findings reported to the Corporate Director of Finance and Resources where necessary.

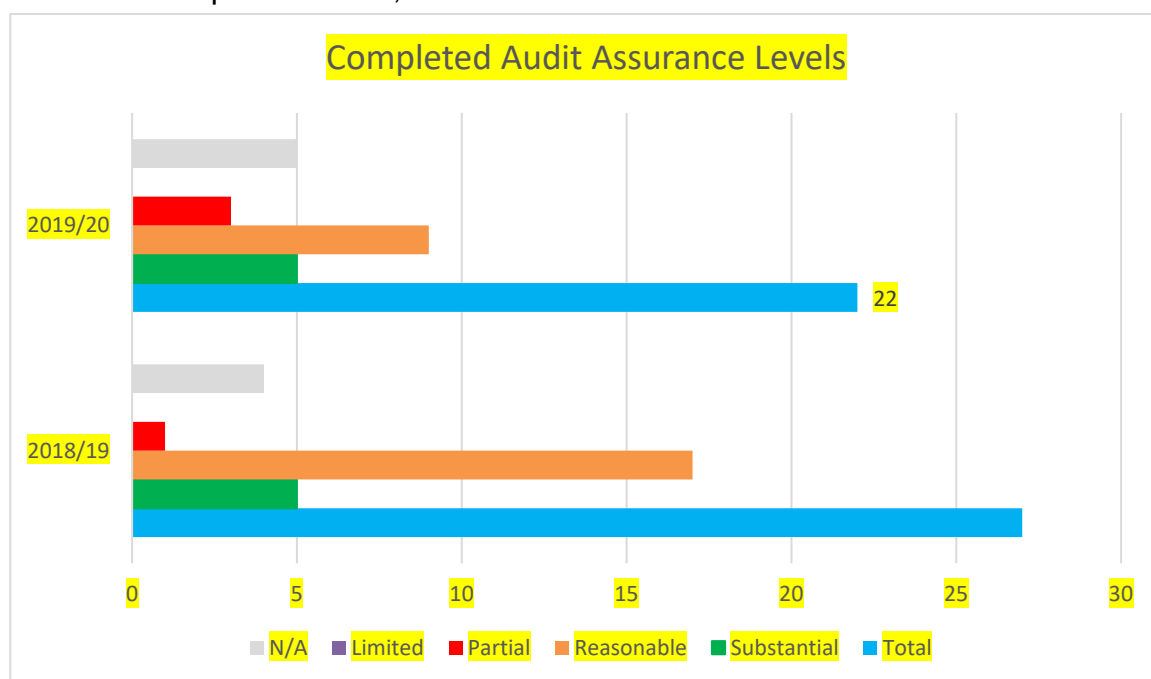
Internal Audit Coverage and Outcomes

2.11 The Internal Audit Plan was approved by the Audit Committee at its meeting on 18 March 2019 and included 28 planned reviews. Internal Audit had a vacancy in January 2020, which also required additional officer time to engage in a recruitment and induction exercise. In addition the Covid-19 pandemic impacted on the ability to deliver reviews. The following could not be carried out in 2019/20 and changes have had to be made to the Audit Plan:

- Carry Forward of the ICT Strategy (agreed in September 2020 due to head of service vacancy)
- Carry Forward of the Safe Recruitment Audit (See proposed plan 2020/21)
- Carry Forward of the Fees & Charges VFM Audit (See proposed plan 2020/21)
- Carry Forward of Carlisle Partnership VFM Audit (See proposed plan 2020/21)
- Cancellation of Lanes Income audit (See proposed plan 2020/21)
- Part review of homeless accommodation (See proposed plan 2020/21)
- Specialist ICT Audit (Provision included in 2020/21 plan)

2.12 Following these changes there were 22 risk-based audits in the revised 2019/20 plan. (2018/19 - 27 completed). It is my opinion that sufficient audit work has been completed that I may provide an overall audit opinion.

2.13 Of the 22 completed audits, the overall assurances are as follows:



2.14 The table at **Appendix A**, provides the detail of the Audit work completed and shows when reports were considered by the Audit Committee.

2.15 The following additional work was also undertaken and considered as part of internal audit's opinion:

- Three formal investigations (including recommendations for improvement)
- A review of the authority's financial regulations from a counter-fraud perspective
- Audit advice delivered in the year, including corporate credit cards and e-purchasing
- Preparation and inclusion of counter-fraud advice within the officer's induction hand-book
- Attendance at the Operation Risk Management sub-group.

Other Assurances

2.16 The Council also receives assurance from other sources and during 2019/20 the following assurances to the way the Council operates have been provided:

- External Audit Review of Statement of Accounts – Unqualified Opinion
- External Audit Review of Value for Money – Unqualified Opinion
- LEXCEL Accreditation
- Annual ICT Health Check (external provider)
- Assessment of compliance with disclosure and barring process performed by DBS.
- Achievement of the Silver Better Health at Work Award
- Internal work performed by Council's Safety, Health & Environmental Manager.
- Attendance at monthly management briefings, regular staff briefings and corporate communications
- Regular summary updates of key Council meetings.
- Self-assessment questionnaires completed for both main accounting systems not audited in the year and general directorate assurances.

Statement of Conformance with Public Sector Internal Audit Standards

2.17 The Internal Audit manual includes a (QAIP) Quality Assurance and Improvement Plan that details how Internal Audit ensure continuous improvement in line with the Public Sector Internal Audit Standards and a methodology designed to ensure all internal audit work is conducted in accordance with the standards.

- 2.18 All audit work has been conducted in line with the agreed QAIP and Internal Audit work is subject to quality assurance checks by internal audit management, to ensure the approved methodology is followed.
- 2.19 A set of performance indicators was established and agreed by the Audit Committee to enhance performance monitoring arrangements. The Audit Committee has received progress against these performance measures as part of the in-year reporting arrangements and **Appendix B** summarises the year-end performance against these.
- 2.20 The Internal Audit team was subject to an external quality assessment of their compliance with the Public Sector Internal Audit Standards in April 2018. The assessment found that the department conforms with all the standards. Recommendations made following this review have all since been implemented and the department continue to perform annual self-assessments against the standards.

3. Risk Management

- 3.1 The Principal Auditor attends the Risk Management Sub-Group on a monthly basis with members of the Senior Management Team and Service Managers. This group focuses on reviewing operational risk registers ensuring they are consistent, up to date and completed in line with the Council's risk management policy. The group also monitors emerging risks within the authority, taking action to review as required.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 4.1 Internal Audit work has been carried out in accordance with the mandatory standards for internal audit.
- 4.2 The work of internal audit is considered to be sufficient to provide an overall opinion on the systems of governance, risk management and internal control
- 4.3 Internal audit has maintained its independence in order to provide a fair and objective annual opinion statement
- 4.4 The annual opinion has concluded reasonable assurance over the systems of governance, risk management and internal control.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 Internal Audit provides independent assurance on the Council's arrangements for governance, risk management and internal control in support of delivery of the Council's strategic priorities

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Designated Head of Internal Audit

Appendices	Appendix A – Summary of Internal Audit Work
attached to report:	Appendix B – Internal Audit Performance 2019/20

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Legal - The legislative background is helpfully set out in section 1 of the report. The PSIAS requires the Designated Head of Internal Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Property Services – None

Finance – Contained in the report

Equality – None

Information Governance - None

CARLISLE CITY COUNCIL - AUDIT WORK 2019/20

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation
Various	Main Financial Systems	Internal Control Questionnaires - Non Audited Systems	5	5	Final	July 19	N/A
Council-wide	Directorate	Local Code of Conduct	5	7	Final	July 19	N/A
Council-wide	Counter-Fraud	NFI 2019/20	10	10	Final	July 19	N/A
Council-wide	Counter-Fraud	Annual fraud review	5	5	Final	Sep 19	N/A
Customer Services	Corporate	Customer Services (Performance Data)	10	13	Final	Sep 19	Reasonable
Investment & Policy	Directorate	Affordable Housing Register	10	14	Final	Sep 19	Reasonable
Policy & Performance / Finance & Resources	Directorate	External Funding / Grant Monitoring incl. Grants Procedures	10	19	Final	Sep 19	Reasonable
ICT	Follow Up	Mobile Devices	5	5	Final	Sep 19	Partial
Council-wide	Corporate	Programme and Project Management	15	16	Final	Dec 19	Reasonable
Health & Well-being	Directorate	Tourist Information Services	20	22	Final	Dec 19	Reasonable
Health & Well-being	Directorate	Bereavement Services	20	26	Final	Dec 19	Reasonable
Regulatory Services	Directorate	Contaminated Land	20	22	Final	Dec 19	Substantial
Building Control	Directorate	Building Control	20	22	Final	Jul 20	Substantial
Community Services	Directorate	Car Parking - Off Street (including Contract Parking)	15	17	Final	Jul 20	Reasonable
Finance & Resources	MFS	Car Parking Income	10	12	Final	Jul 20	Reasonable

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation
Health & Well-being	Directorate	Tullie House (inc Guildhall)	20	22	Final	Jul 20	Reasonable
Community Services	Directorate	Driver Checks	5	9	Final	Jul 20	Partial
Revenues & Benefits	MFS	National Non Domestic Rates	20	22	Final	Jul 20	Substantial
Finance & Resources	MFS	Treasury Management	20	22	Final	Jul 20	Substantial
Council-wide	Corporate	Information Security	20	10	Final	Jul 20	N/A
Homelessness Prevention & Accommodation	Directorate	Hostels (Part-Review)	20	10	Final	Jul 20	Substantial
Council-wide	Corporate	Data Quality & Absence Management	20	22	Draft	TBC	TBC
Property Services	Directorate	The Lanes (Abandoned due to pandemic)	10	4	Cancelled	TBC	-
HR & Payroll Services	Directorate	Safe recruitment (including health checks).	10	-	c/f	TBC	-
Finance & Resources	Value for Money	Fees & Charges	10	-	c/f	TBC	-
Carlisle Partnership	Value for Money	Carlisle Partnership	10	-	c/f	TBC	-
ICT	Directorate	ICT Strategy	0	-	c/f	TBC	-
ICT	IT Audit	Specialist Review (TBC)	14	-	c/f	TBC	-
		Follow-up contingency	20	17			
		Counter Fraud Contingency	50	46			
		Advice & Guidance Contingency	10	8			
		General Contingency	26	14			
		Audit Committee	15	19			
		Planning & Management	48	57			
		OVERALL TOTAL	528	497			

CARLISLE CITY COUNCIL
INTERNAL AUDIT PERFORMANCE 2019/20

Indicator	Target 18/19	Actual 18/19	Target 19/20	Actual 19/20	Commentary
Planned Audits Completed (to draft)	N/A	N/A	95%	79%	Vacancy and disruption caused by Covid-19 pandemic.
Planned Audits Completed	95%	92%	80%	79%	
Draft Reports issued by agreed deadline	75%	91%	80%	63%	Disruption in year, including additional investigatory work.
Timely issue of Final Reports	90%	100%	90%	93%	
Recommendations agreed	95%	100%	95%	100%	
Assignment completion within allocated resource	60%	69%	60%	62%	
Customer satisfaction survey feedback (scored as good)	80%	100%	90%	100%	
Efficiency (Chargeable time)	80%	80%	80%	83%	
Recommendations implemented	No target	79%	80%	63%	