

Allerdale Borough Council
Audit Committee - 7 June 2018

Assurance, Risk and Audit Year End Report 2017/18

The Reason for the Decision	To inform the Committee of the work performed by the Assurance, Risk and Audit Team in the financial year 2017/18 and to provide the annual assurance opinion.
Summary of options considered	N/A
Recommendations	That the report is accepted and considered as part of the approval of the Annual Governance Statement 2017/18 subject to any additional information that the committee may require.
Financial / Resource Implications	As outlined in the report.
Legal Implications	There is a legal requirement for the Council to publish an Annual Governance Statement which must include an independent assurance opinion.
Community Safety Implications	Acceptance of this report has no community safety implications.
Health and Safety and Risk Management Implications	Acceptance of this report has no Health and Safety implications. Consideration should be given to the activities reported and how they contribute to the organisations Risk Management Framework.
Equality Duty considered / Impact Assessment completed	Equality is considered during the Assurance, Risk and Audit activities.
Wards Affected	All
The contribution this decision would make to the Council's priorities	Acceptance of the Assurance, Risk and Audit Team's work provides a direct and indirect contribution to the achievement of the Council's priorities, in accordance with the Assurance, Risk and Audit Service Plan.
Is this a Key Decision	No
Portfolio Holder	Councillor Joan Ellis (e-mail: joan.ellis@allerdale.gov.uk)

Lead Officer

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Report Implications

Community Safety	N	Employment (external to the Council)	N
Financial	N	Employment (internal)	Y
Legal	Y	Partnership	N
Social Inclusion	N	Asset Management	N
Equality Duty	N	Health and Safety	N

Background papers: Assurance, Risk and Audit reports and working papers.

1 Introduction

- 1.1 The Council adopted the Good Governance Standard for Public Services in 2005. The standard provides a national framework for assessing good governance practice. CIPFA/SOLACE has published an update to the standard – a Framework for Delivering Good Governance in Local Government – to make the original standard directly relevant to Local Government. In December 2016 CIPFA updated the Framework, which includes 7 core principles that need to be taken into consideration. I can confirm that the Governance Group has considered these elements and principles when compiling the 2017/18 Annual Governance Statement (AGS).
- 1.2 The Council has made a public statement detailing how it will meet these governance commitments, this is set out in Allerdale Borough Councils Local Code of Corporate Governance which was reviewed and agreed in February 2018.
- 1.3 The Council's Commitment to Local Communities 2015-19 priorities is very much at the forefront of the organisation and a structured framework is in place driving every individual service plan moving forward. Quarterly performance reports are published detailing the progression of the agreed council plan projects.
- 1.4 The annual assurance gathering process was completed collectively by the Heads of Service for the respective areas. This increases the visibility of the assurance profile for the organisation, all in one place.
- 1.5 This report has been prepared in line with the CIPFA statement on the role of the Head of Internal Audit and the Public Sector Internal Audit Standards, 2450 Overall Opinions.

2 Summary of Work Completed

2.1 The table below summarises the assurances for the work completed by the Assurance Risk and Audit (ARA) service during the financial year 2017/18. An opinion is provided for each area of the control environment reviewed.

System Reviewed	Opinion			
	Comprehensive	Substantial	Limited	Minimal
16/17 work carried forward				
ICT	0	6	2	0
Creditors	3	3	0	0
Debtors	1	7	0	0
Treasury	2	2	0	0
Capital accounting	2	1	0	0
Payroll	5	4	1	0
Main Accounting	5	1	0	0
17/18 work				
Ethics and Culture	1	3	0	0
Economic Growth	0	3	0	0
Human Resources	0	0	5	0
AONB	0	2	1	0
Business Continuity	0	0	4	0
Development Services	0	5	0	0

2.2 The definitions of the opinions are as follows:

Comprehensive Assurance	There is a sound system of controls designed to meet objectives, manage risks and controls are consistently applied in all the areas reviewed.
Substantial Assurance	There is a good system of controls and risks are managed. However, there are opportunities for improvement in the design or consistency of application that will assist in the achievement of objectives identified as being at risk in the areas reviewed.
Limited Assurance	Key controls exist to help achieve objectives and manage principle risks. However, there are opportunities for improvement in the overall control environment which would enhance the design and application of controls, thereby assisting the achievement of objectives identified as being at risk in the areas reviewed.

Minimal Assurance	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error. Risks to objectives are not being managed
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2.3 Three reports were issued as final during the final quarter of 2017/18 (see appendix a), the areas were:

- AONB
- Business Continuity
- Ethical Culture

2.4 Additional assurance activities have contributed to informing the audit opinion conclusion. These include participation in working groups, various governance boards and specific requests for project or systems assurances. This corporate awareness and engagement assists with the evaluation of all aspects of the control environment in particular those relating to culture, ethical values and human factors. The main areas of additional assurance during 2017/18 include:

- Membership of the Commissioning and Procurement Board
- Supporting the Project X project team
- Wise grant return assurance
- Supporting the GDPR Project Group

3 Performance against the 2017/18 Audit Plan

3.1 Time Summary

Activity	Planned Days	Actual Days
Statutory Assurance Reviews	80	67.25
Assurance and Risk Support	30	23.45
Agreed Action Follow up	10	12.91
Completion of 2016/17 reviews	20	20.37
Assurance Reviews	88	66.72
Democratic Representation	25	21.52
Corporate Support (inc Peer Review)	123	165.31
Projects	25	21.52
Advice	10	3.99
Investigations	10	5.57
Fraud Activities	22	12.60
Risk Management Facilitation	8	3.31
HR Management	30	25.18
Total Audit Time	481	449.70
Non-Chargeable		

Non chargeable time	50	52.20
Training	65	64.56
Sickness / other absences	10	16.79
Total Non-Chargeable Time	125	133.55
Total Days	606	583.25
Annual Leave / bank holidays	104	91.85
Total Days	710	675.10

3.2 The chargeable time at year end was 77.10% which is slightly below the planned target of 81.77%, but is considered an excellent achievement based on changes within the team during the year. The reduced output of days available relates to the recruitment dates of the new posts being estimated at the time of the revised plan and also relates to less Governance Support Assistant resource than previously planned.

4 Consultancy Activities

4.1 The team provides assurance and risk advice to support the organisation in the achievement of its objectives, during 2017/18 advice and consultancy work has been performed in the following areas:

- Arcus procurement evaluation
- Governance Group

4.2 The team also supports a number of corporate groups and project boards which provides a greater depth of insight into strategic objectives and provides valuable advice to the group on risk management, control and governance. The groups include:

- The Health and Wellbeing Group
- The Employee Engagement Group
- The Procurement and Commissioning Board
- Fleet Project

5 Risk Management

5.1 In line with Public Sector Internal Audit Standard 2120 a review is in progress of the effectiveness of the risk management processes. This report will be presented to management upon completion of the testing.

5.2 The ARA Manager has facilitated two well attended Risk Workshops with all Members of the Senior Management Team and Third Tier Managers. These sessions were to focus on to Corporate Risks and to look at risks associated with information management and contract management. Feedback from the workshops is very positive and the organisation is becoming much more risk aware and using these tools to support effective decision making. The

outcomes from these workshops are also used to inform the Audit Planning process going forward.

5.3 This proactive engagement has led to an increase in the number of requests for risk profiling support from the ARA Manager, these meetings are designed to challenge and encourage risk managers to explore, evaluate and prioritise risks to create an action plan to address a specific plan, project or issue. Support has been provided for the following areas:

- Parking income collection
- Multi Storey Carpark
- Lillyhall purchase

6 Corporate Fraud

6.1 The ARA service works in support of the organisation and its approach to improving fraud awareness and the detection of corporate fraud. As the key contact for the National Fraud Initiative (NFI) the ARA Manager plays a key role in the coordination and communication of the requirements of this Cabinet Office initiative. Fraud risks are included on the organisational Service Risk Register and are reviewed in line with the Integrated Assurance Strategy.

6.2 An instance of Fraud was reported to this Committee 21 August 2017. This related to an online credit card payment for Council Tax, where the card holder was not present. A refund was requested on this account and was paid into the bank account provided. Subsequently the card provider informed us that the credit card payment was not authorised by the card holder and they reversed the transaction. This action has resulted in a financial loss of £2,967.10. Testing of Council Tax refunds as part of the Council Tax Review 2017/18 did not highlight any concerns in this area.

6.3 A monthly Fraud Bulletin is circulated on the intranet to highlight instances of fraud in public sector to employees and members to raise awareness of this risk. A Corporate Fraud Group has been formed as a forum to discuss Fraud hot topics and working practices.

6.4 Allerdale along with four other Cumbria authorities have applied to participate in the NFI pilot scheme to tackle fraud and error in business rates. Allerdale have applied as the lead authority which involves helping to ensure:

- all bodies extract and submit data as required;
- all bodies review and investigate matches appropriately; and
- all bodies report outcome from the pilot as required.

The partner authorities for this application are Copeland Borough Council, Carlisle City Council, South Lakeland Council and Eden District Council.

7 Quality Assurance and Improvement Program

- 7.1 The ARA Manager completed the Leader to Leader Program sponsored by Allerdale. The program ended in June 2017. The monthly workshops have been extremely beneficial to the ARA Manager in the development of management skills. Since this course the ARA Manager has taken the opportunity to take on additional strategic management responsibilities for the Human Resources Service on a temporary basis to cover part of the Head of Governance responsibilities who is on maternity leave. This has allowed the ARA Manager to use and develop the skills gained from the Leader to Leader programme.
- 7.2 The ARA Officer has almost completed the AAT Level Two course at Lakes College which started in September 2017. She has also gained her Chartered Institute of Internal Auditors IIA Cert level in September 2017.
- 7.3 Audit professionals from Wyre Council and Lancaster Council conducted an external review of the Internal Audit Service at Allerdale Borough Council during 2017/18. They completed interviews with key officers and members associated with the work of internal audit and those charged with governance. They also reviewed all documentation detailed in the agreed Memorandum of Understanding. The assessment provided an overall opinion on 'Conforms' with the standards for all areas reviewed.
- 7.4 As part of this review the Assurance Risk and Audit Manager completed a PSIA's self-assessment, which was presented to this Committee on 12 February. This document was used to inform the Peer Review, I can confirm that the external review team found this to be an accurate representation of the Internal Audit Service at Allerdale Borough Council. This self-assessment will be completed on an annual basis as part of the quality assurance and improvement programme.
- 7.5 To measure effectiveness an internal measure is used relating to **Management's acceptance of recommendations – 100 % for the year**
- Assurance, Risk and Audit is designed to add value and assist management in achieving the organisations overall key aims and objectives. An indicator for ARA performance is that 100% of all recommendations made are accepted by management, only one 'Low risk' recommendation was not accepted during 2017/18 this was presented to Audit Committee on 21 August 2018 and related to scanning documentation for corporate credit card administration.
- 7.6 The team has created a 'survey monkey' based questionnaire for client feedback, see appendix b for the results. Following historically low response rates the team were set personal objectives in 2017/18 to increase feedback from their clients. We have since seen an increase in the number of responses received, well done to the team for prioritising this.

8 Management's implementation of agreed actions (recommendations)

- 8.1 At the financial year end there are eight agreed actions overdue, seven of these are in progress and one has now been moved to June for completion. There has been an increased momentum and focus on the implementation of ARA actions and these now form part of SMT KPIs discussed monthly and the Heads of Service appraisal process. Agreed actions are now maintained on a shared one drive document which is accessible to all action owners to increase visibility, accountability and responsibility.

9 Corporate Risks and Issues Log

- 9.1 The latest high level risk report is attached as appendix c for your information, the full Corporate Risks Log is available on the intranet at all times for members to review as part of their oversight role and to support all their activities within the Council.

10 Opinion

- 10.1 It is my opinion that the independent assurance reviews completed by the Assurance Risk and Audit Team and the evidence gathering processes employed by the Governance Group provide substantial assurance over the adequacy and effectiveness of the organisations framework for risk management, control and governance.

11 Finance and or Resource Implications

- 11.1 There are currently no finance or resource issues that have not been previously reported to the Committee.

12 Legal Implications and Risks

- 12.1 Acceptance of this report has no legal, health and safety or risk management implications other than the consideration of the Corporate Risks and Issues Log by the Committee in terms of oversight of the effectiveness of Risk Management Framework.

13 Recommendations

- 13.1 That the report is accepted and considered as part of the approval of the Annual Governance Statement 2017/18 subject to any additional information that the committee may require.

Emma Thompson
Assurance, Risk and Audit Manager