

Allerdale Borough Council

Audit Committee – 29 July 2020

Assurance, Risk and Audit Year End Report 2019/20

The Reason for the Decision	To inform the Committee of the work performed by the Assurance, Risk and Audit Team in the financial year 2019/20 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 2019/20 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 Jim Lister Portfolio Holder for Finance and Legal
Lead Officer	Emma Thompson, Assurance, Risk and Audit Manager. 01900 702988 emma.thompson@allerdale.gov.uk

Report Implications (Please delete where applicable).

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 2019/20 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 Strategy 2020-2030 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. The new Council Interim Delivery Plan 2020-2021 has been communicated following the Covid 19 pandemic.
- 1.4 The annual assurance gathering process was completed collectively by Third Tier Managers with oversight from the Heads of Service for the respective areas. This increases the visibility of the assurance profile for the organisation, all in one place. This process commenced in December 2019 and will require further focus in 20/21 to embed this framework.
- 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.
- 1.6 Internal Audit is a non-critical service, the team have provided redeployment resource to critical services as part of the Covid-19 response. Due to this reduction in resource we have carried forward an increased number of audit days into 20/21. Assurance Risk and Audit have an agile approach, meaning Assurance Risk and Audit can adapt when needed and work quickly to help the rest of the organisation

address an increasingly chaotic, unpredictable environment and the audit methodology must be flexible enough to support these changes throughout the year.

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 2019/20. An opinion is provided for each area of the control environment reviewed.

System Reviewed	Opinion			
	Comprehensive	Substantial	Limited	Minimal
18/19 work carried forward				
Risk Management	2	2	0	0
Financial Services	0	5	0	0
Revenues and Benefits	3	0	0	0
19/20 work				
Health and Safety	0	4	0	0
Procurement	1	1	2	0
Contract Management (provided as appendix a)	0	2	2	0
Cash Management	0	3	2	0
ICT Phishing no opinion, results based work.				

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 At the time of writing this report testing has concluded and draft reports have been produced for all planned 2019/20 reviews, these have been considered as part of the 2019/20 opinion and will be presented to this Committee as part of the 2020/21 quarter one report. These include:

- **Financial Services**
- **Revenues and Benefits**
- **Risk Management**
- **Ethics and 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 2019/20 include:

- GDPR compliance report
- Supporting the moderation of the Environmental and Waste contracts

3 Performance against the 2019/20 Audit Plan

3.1 Time Summary

Activity	Planned Days	Actual Days
Statutory Assurance Reviews	78	65.95
Assurance and Risk Support	5	3.09
Follow up and performance	8	5.71
Completion of 2018/19 reviews	10	20.02
Assurance Reviews	48	42.50
Democratic Representation	27	21.79
Corporate Support	70	102.73
Projects	20	16.08
Peer Review	5	0.41
Advice	6	5.61
Investigations	8	11.52
Fraud Activities	13	9.53
Risk Management Facilitation	5	8.65
Contingency & volunteer days	7	0.51
Total Audit Time	310.00	314.09
Hub Management	85	87.57
Total Chargeable Audit time	395	401.66
Non-Chargeable		
Non chargeable time	28	35.64

Training	45	55.24
Sickness / other absences	95	78.07
Total Non-Chargeable Time	168	168.95
Annual Leave	108	92.82
Total Days available	671	663.43

3.2 The chargeable time at year end was 65% which is above the planned target of 64.85%, this is considered an excellent achievement based on challenges faced within the team during the year and a supporting a new team member with no previous audit experience who started in June 2019.

3.3 The team have experienced a significant amount of sickness absence during 2019/20 which has reduced the number of expected available days.

4 Consultancy Activities

4.1 The team provides assurance and risk advice to support the organisation in the achievement of its objectives, during 2019/20 advice and consultancy work has been performed in the following areas:

- Governance Group
- Member of the Health and Wellbeing Group
- Chair of the Poverty Board delivering the Tackling Inequality Strategy
- Project support for the Market Working Group
- IR35 requirements

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
- Tackling Inequality Board

5 Risk Management

5.1 In line with Public Sector Internal Audit Standard 2120 a review has been completed and draft report issued 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 well attended Risk Workshops one for all Members of the Senior Management Team and Third Tier Managers and the second the Audit Committee. These sessions were to focus on 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. Management are encouraged to use 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:

- Waste and Recycling
- Cash Income Security

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 A full review of Fraud Policies was undertaken in 2019/20 and these were received by the Audit Committee 26 November 2019.

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 The ARA Manager is part of the Lancashire and District Chief Auditors Group and attends these meetings quarterly. Fraud cases are shared and discussed as a learning from each other exercise.

7 Quality Assurance and Improvement Program

7.1 The ARA Officer and Assurance Risk and Auditor have agreed to further their professional studies, this was due to commence in Spring 2020 but has been delayed due to the Covid 19 pandemic.

7.2 The Assurance Risk and Audit Manager completed a PSIA's self-assessment, which was presented to this Committee on 19 February 2020. This self-assessment will be completed on an annual basis as part of the quality assurance and improvement programme. The QAIP focus for 2020/21 will be to revisit corporate assurance mapping following the changes to strategic priorities. This non-critical work is on hold whilst the team support the Covid 19 pandemic.

7.3 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.

- 7.4 The team has created a 'survey monkey' based questionnaire for client feedback and follow up results and opportunities for improvement with clients. As new ways of working are adopted by Allerdale Borough Council for 20/21 this is an area the team need to review, to ensure client engagement is suitable and sufficient.

8 Management's implementation of agreed actions (recommendations)

At year end there are 13 agreed actions overdue. Of the 13 overdue actions 12 are in progress. Six are over 50% complete. All actions have been followed up by the ARA team and responsible officers have had the opportunity to respond and update their risks

9 Corporate Risks and Issues Log

- 9.1 The latest high level risk report is attached linked [risk register - performance report link](#) 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 no additional finance or resource issues that have not been previously highlighted in this report or 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 2019/20 subject to any additional information that the committee may require.

Emma Thompson
Assurance, Risk and Audit Manager