

Allerdale Borough Council

Audit Committee – 29 June 2021

Assurance, Risk and Audit Year End Report 2020/21

Portfolio holder	Councillor Colin Sharpe.
Report from	Paula McKenzie, Assurance, Risk and Audit Officer.
Wards affected	All Wards.
Is this a key decision	No.

1.0 The reason for the decision

- 1.1 To inform the Committee of the work performed by the Assurance, Risk and Audit Team in the financial year 2020/21 and to provide the annual assurance opinion.

2.0 Recommendations

- 2.1 That the report is accepted and considered as part of the approval of the Annual Governance Statement 2020/21 subject to any additional information that the committee may require.

3.0 Background and Introduction

- 3.1 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 2020/21 Annual Governance Statement (AGS).
- 3.2 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 is reviewed annually by the Governance Group as part of compiling the Annual Governance Statement (AGS).

- 3.3 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 Council Strategy Delivery Plan 21-22 has been agreed and published at 12 May Executive 2021.
- 3.4 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.
- 3.5 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.
- 3.6 Internal Audit is a non-critical service, the team have provided redeployment resource to critical services as part of the Covid-19 response. The Audit Managers Post has been vacant since September 2020 and the Internal Auditor was also seconded to the grants team for part of the year. Due to this reduction in resource we lost a number of audit days from the 20/21 plan and will also be carrying forward some days into 21/22. 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.

4.0 Content (to include alternative options considered)

- 4.1 The table below summarises the assurances for the work completed and due for completion by the Assurance Risk and Audit (ARA) service during the financial year 2020/21. An opinion is provided for each area of the control environment reviewed.

	Opinion			
System Reviewed	Comprehensive	Substantial	Limited	Minimal
19/20 work carried forward				
Cash Management (Car Park Income)	0	3	2	0
Risk Management	0	4	0	0
Revenues and Benefits	3	0	0	1
Finance	0	4	0	0
Ethics and Culture	0	4	0	0
GDPR Compliance	4	3	0	0
20/21 work				
ICT Phishing no opinion, results based work.	Work completed			
Finance	4	3	0	0

Revenues and Benefits (Carry forward, at review stage)				
ICT	0	6	0	0
Allerdale Waste Services (Removed from Plan)				
Cash Management (Carry forward)				

4.2 The following reports were submitted this quarter and can be found in appendix one and two of this report:

- Financial Services (appendix one)
- ICT (appendix two)

4.3 Due to the large amount of audits carried forward from 19/20 the 20/21 reviews starts were delayed, loss of resource from September 20 also effected the deliver timescales and therefore x1 audit was still in testing stage and x1 was at review stage at the time of writing this report and will be presented to the Committee as part of the 2021/22 quarter two report. Due to the reduction of days available with reduced resource and change of responsibilities within the team, the following assurance reviews will not be completed in 20/21;

- Allerdale Waste Services

4.4 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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4.5 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 2020/21 include:

- Fraud support for grants
- Advice and guidance in relation to IR35.
- Advice and guidance in relation to benchmarking
- Role on Warning Marker Review Panel
- Advice and guidance in relation to Market Risks
- PSIAS self-assessment

5.0 Performance against the 2020/21 Audit Plan

5.1 Time Summary

Activity	Planned Days	Actual Days
Statutory Assurance Reviews	100	23.61
Assurance and Risk Support	4	2.23
Follow up and performance	13	9.36
Completion of 2019/20 reviews	15	26.86
Democratic Representation	17	13.48
Corporate Support	85	143.45
Projects incl Covid-19	41	65.71
Advice	5	0
Investigations	5	0
Fraud Activities	17	13.68
Risk Management Facilitation	9	6.96
Contingency & volunteer days	8	0
Total Audit Time	319	305.34
Hub Management	87	45.68
Total Chargeable Audit time	406	351.02
Non-Chargeable		
Non chargeable time	27	48.89
Training	27	15.10
Sickness / other absences	16	5.16
Total Non-Chargeable Time	70	69.15

Annual Leave	117.5	52.56
Total Days available	593.5	472.73

5.2 The chargeable time at year end was 74% (total chargeable time/total days) which is above the planned target of 73.72%, this is considered an excellent achievement based on challenges faced within the team during the year.

5.3 The team have been under resourced since September 2020 which reduced the number of expected available days.

6.0 Consultancy Activities

6.1 The team provides assurance and risk advice to support the organisation in the achievement of its objectives, during 2020/21 advice and consultancy work has been performed in the following areas:

- Project support for the Market Provision Project Team
- Health and Wellbeing Group
- IR35 requirements
- Market Project Team
- Governance group
- Grant support

6.2 The team also supported 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 included:

- The Health and Wellbeing Group
- Tackling Inequality Board

7.0 Risk Management

7.1 The Hub Manager confirmed that no third tier risk workshops had been prioritised in 20/21, although a risk workshop looking at the Corporate Risk Register with Heads of Service had been held. Covid risks were being managed by strategic groups and sub groups which included third tier Managers.

The risk support for third tiers and all employees will be in the way of online learning moving forward due to Covid. The Hub Manager has approved a mandatory online course with the Learning & Development Advisor.

Due to Covid no member training was facilitated over the last year.

The Committee has received regular updates on the risk management process and that the corporate risk register is being looked at on a regular basis. It is not the Committee's duty to determine that risks are being adequately managed, more so that the process of monitoring risks is being adhered to and that regular updates on risk management are given to the Executive and Scrutiny Panels where appropriate.

7.2 This proactive engagement has led to an increase in the number of requests for risk profiling support from the ARA Team, 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 area:

- Covid 19

8.0 Corporate Fraud

8.1 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 Team 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.

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

8.3 A Corporate Fraud Group has been formed as a forum to discuss Fraud hot topics and working practices, which meets when needed.

8.4 The ARA Officer 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's exercise.

9.0 Quality Assurance and Improvement Program

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

9.2 The Assurance Risk and Audit Officer completed a PSIA's self-assessment, which was presented to this Committee on 1 February 2021. 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 was to revisit corporate assurance mapping following the changes to strategic priorities. This non-critical work is still on hold whilst the team support the Covid 19 pandemic, remote auditing and reduced resource.

9.3 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.

9.4 The team have produced a new questionnaire for client feedback and follow up results and opportunities for improvement with clients. It is hoped this will be rolled out in quarter one. As new ways of working are adopted by Allerdale Borough Council for 21/22 this is an area the team will review, to ensure client engagement is suitable and sufficient.

10.0 Management's implementation of agreed actions (recommendations)

At year end there was no agreed actions overdue.

11.0 Corporate Risks and Issues Log

11.1 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.

12.0 Opinion

12.1 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.

13.0 Implications and Impact

13.1 Contribution to Council Strategy Priorities, Outputs and Outcomes

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.

13.2 Finance/Resource implications

There are no additional finance or resource issues that have not been previously highlighted in this report or previously reported to the Committee.

13.3 Legal and governance implications

There are no additional legal and governance issues that have not been previously highlighted in this report or previously reported to the Committee.

13.4 Risk analysis

Acceptance of this report has no 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.

13.5 Equality impacts

Equality is considered during the Assurance, Risk and Audit activities.

13.6 Health and Safety impacts

Acceptance of this report has no health and safety impacts.

13.7 Health, wellbeing and community safety impacts

Acceptance of this report has no health, wellbeing and community safety impacts.

13.8 Environmental/sustainability impacts

Acceptance of this report has no environmental/sustainability impacts.

Appendices attached to this report

Appendix number	Title of appendix
1	ABC Financial Systems Key Controls Final Report 2020-21
2	Allerdale Borough Council Cyber Security Review – Final Report

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