

Blackburn with Darwen Borough Council



Annual Internal Audit Opinion Report 2020/21

**Audit & Assurance
Finance Department
June 2021**

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SECTION 1 – BACKGROUND

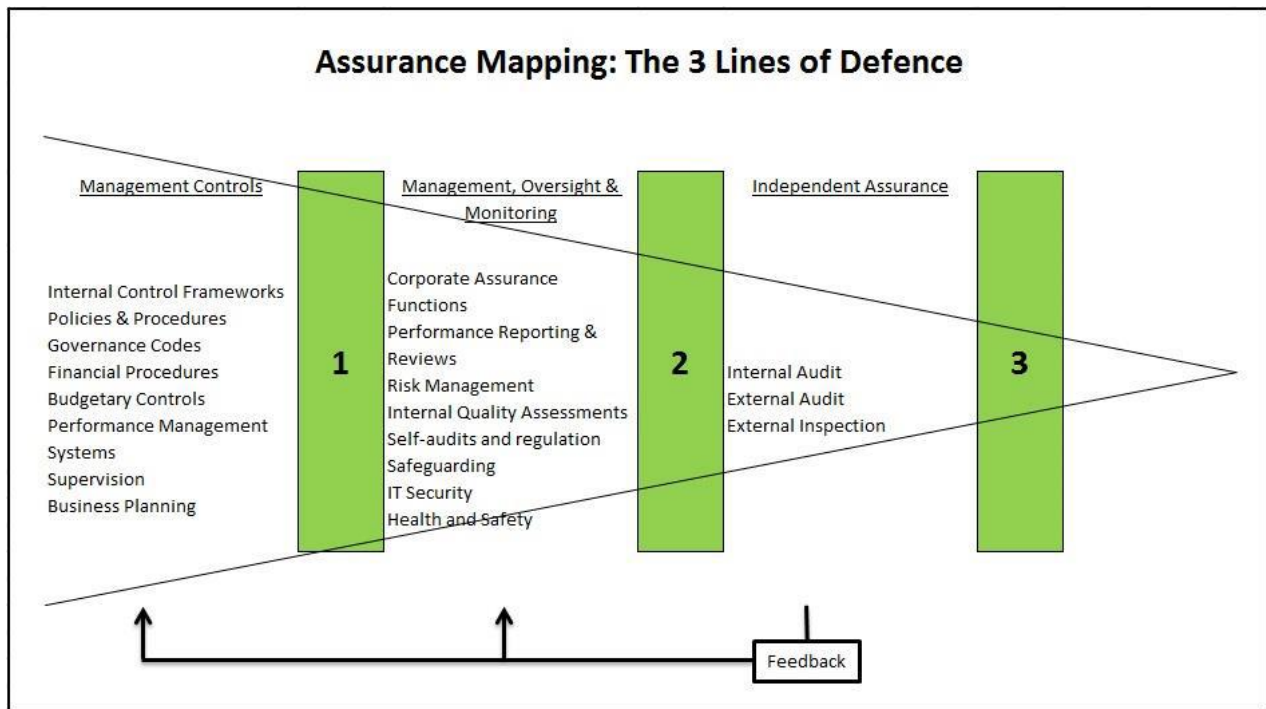
1.1 Introduction

- 1.1.1 This report details the cumulative activities undertaken by the Council's Audit & Assurance (Internal Audit) section of the Finance Department during the period 1 April 2020 to 31 March 2021. It highlights key issues and themes identified from the audit reviews of the Council's risk management, governance and internal control frameworks. The activities undertaken by the section are primarily directed by a risk-based audit plan, which takes into account the Council's organisational objectives and priorities.
- 1.1.2 This report is intended to provide the Audit & Governance Committee with:
- an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
 - a summary of the internal audit work that supports the opinion;
 - any qualifications to the opinion together with reasons for the qualifications;
 - any impairments or restrictions in scope of the work undertaken;
 - a comparison of the audit work actually undertaken with the work planned, including a summary of its performance and quality assurance;
 - a declaration that audit work undertaken is in conformance with the Public Sector Internal Audit Standards (PSIAS); and
 - details of any issues particularly relevant to the preparation of the Council's Annual Governance Statement (AGS).
- 1.1.3 This report meets the requirements for Internal Audit to provide an annual internal opinion on the overall adequacy of the Council's framework of governance, risk management and control, as detailed in the PSIAS and demonstrates that the Council is maintaining an adequate and effective system of internal audit as required by the Accounts and Audit (England) Regulations 2015.

1.2 Role of Internal Audit

- 1.2.1 The statutory basis for Internal Audit in local government is the Accounts and Audit (England) Regulations 2015, which state that each authority must:
- 'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.'*
- 1.2.2 Internal audit work is governed by the PSIAS. The Internal Audit Team has adopted the PSIAS definition of internal audit, which is:
- "Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."*
- 1.2.3 It should be remembered that internal audit is the Council's 'third line of defence, in a model where management and management controls represent the first line of defence. It is management's responsibility to directly assess, control and mitigate risks, and maintain adequate and effective systems of risk management, internal control and governance, in accordance with the Council's control frameworks and procedures. In-service compliance functions, whose role

includes confirming the operation of these controls, represents the second line of defence. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work. This model is illustrated in the table below:



1.2.4 Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses in the areas audited. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.

1.2.5 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities that may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

1.3 Objectives and Scope of Internal Audit

1.3.1 The objectives and scope of Internal Audit are set out in the Internal Audit Charter. The Audit & Governance Committee approve the Charter at least biennially. It was updated during 2020 and approved by the Committee at its meeting in March 2021. The Charter complies with the requirements of the PSIAS. The emphasis placed on Internal Audit's role in reviewing both financial and non-financial areas represents the profession's best practice and enables Internal Audit to give an opinion on the adequacy of the Council's key risk management, control, and governance systems.

1.3.2 Internal audit's role includes assessing the adequacy of the risk management process, key internal control system and corporate governance arrangements in place. Testing is performed to ensure the controls identified operated affectively for the period under review.

SECTION 2 – INTERNAL AUDIT OPINION

2.1 Arriving at the Annual Opinion

- 2.1.1 The overall opinion on the Council's systems of risk management, control and governance is based on Internal Audit's assessment of the Council's key management arrangements. This framework required to provide management with confidence that the main processes to achieve these business objectives:
- have adequate and effective systems and control process in place to achieve their purpose; and
 - are free from material financial and non-financial business risk.
- 2.1.2 In providing our opinion, it should be noted that assurance can never be absolute. Therefore, only reasonable assurance can be provided that there are no major weaknesses within these systems.
- 2.1.3 Our opinion on the systems of risk management, control and governance within the Council has been formulated by giving careful consideration to following:
- Planned work undertaken during 2020/21;
 - Unplanned work undertaken during 2020/21
 - Follow ups of audit work undertaken during 2019/20 and 2020/21; and
 - Other sources of assurance relevant during 2020/21.

2.2 My Annual Audit Opinion

Sufficient, reliable and relevant evidence has been obtained from a range of sources with the organisation other than from internal audit work alone.

I can provide adequate assurance overall, regarding the Council's frameworks of governance, risk management and control. Based on the results of internal audit work undertaken and completed during the period, evidence reviewed, explanations received and the processes reported upon during 2020/21, together with the other sources of assurance available to Internal Audit, it is considered that, overall, the Council has **adequately designed** systems of risk management, control and governance, which are being **operated effectively** overall.

- 2.2.1 In a year when the Council has had reduced capacity to be audited, and resources have needed to be redeployed to respond effectively to the pandemic, some of the internal audit team have been re-deployed at times during the year to other roles. Nonetheless, I have sufficient evidence to support the overall opinion for the year.
- 2.2.2 In forming the annual opinion I have considered the conclusions of the internal audit reviews that have been undertaken during the year, along with the result from the Management Accountabilities Framework (MAF) reporting arrangements and challenge process, Directors annual assurance statements and other external inspection results. I have also reflected on mine and the audit team's experience, observations and understanding of the overall culture within the Council's, its attitude towards control and risk and its improvement journey in response to previous audits and recommendations.

2.3 Qualifications to the Opinion

- 2.3.1 In providing the overall opinion, consideration is given to the assurance opinions provided during 2020/21 in respect of audits identified in the approved plan as priority 1 risk areas, or on functions that have been identified as corporate risks. There were no areas in either of these categories where the opinions provided were less than adequate.
- 2.3.2 The assurance opinions provided in the finalised the audit reports issued and reported to the Audit & Governance Committee during 2020/21 across the categories of risk management, internal control and governance are detailed in Appendix A attached.

2.4 Work Supporting the Opinion

Planned Work:

- 2.4.1 The Audit & Governance Committee approved the Audit & Assurance Plan for the year to 31 March 2021 at its meeting on 29 July 2020.
- 2.4.2 Each internal audit report provides two areas of assurance: (i) an opinion on the control environment based on the internal controls identified in place; and (ii) an opinion on compliance regarding the application of those controls. The level of assurance given is derived from the findings and based on the following definitions:

Control Environment Assurance		
	Level	Definition
1	SUBSTANTIAL ASSURANCE	There are minimal control weaknesses that present very low risk to the control environment.
2	ADEQUATE ASSURANCE	There are some control weaknesses that present a medium risk to the control environment.
3	LIMITED ASSURANCE	There are significant control weaknesses which present a high risk to the control environment
4	NO ASSURANCE	There are fundamental control weaknesses, which present an unacceptable level of risk to the control environment.
Compliance Assurance		
	Level	Definition
1	SUBSTANTIAL ASSURANCE	The control environment has substantially operated as intended although some minor errors have been detected.
2	ADEQUATE ASSURANCE	The control environment has mainly operated as intended although errors have been detected.
3	LIMITED ASSURANCE	The control environment has not operated as intended. Significant errors have been detected.
4	NO ASSURANCE	The control environment has fundamentally broken down and is open to significant error or abuse.

- 2.4.3 Internal Audit has completed and formally reported upon 28 assignments including 22 internal control, four risk related, and one governance assignment and one proactive fraud review, which support our overall opinion on the Council's systems of risk management, governance and internal control. In addition to these, there were 10 reviews in progress at the year-end. A summary of the assurance levels that support our opinion is also provided in Appendix A.

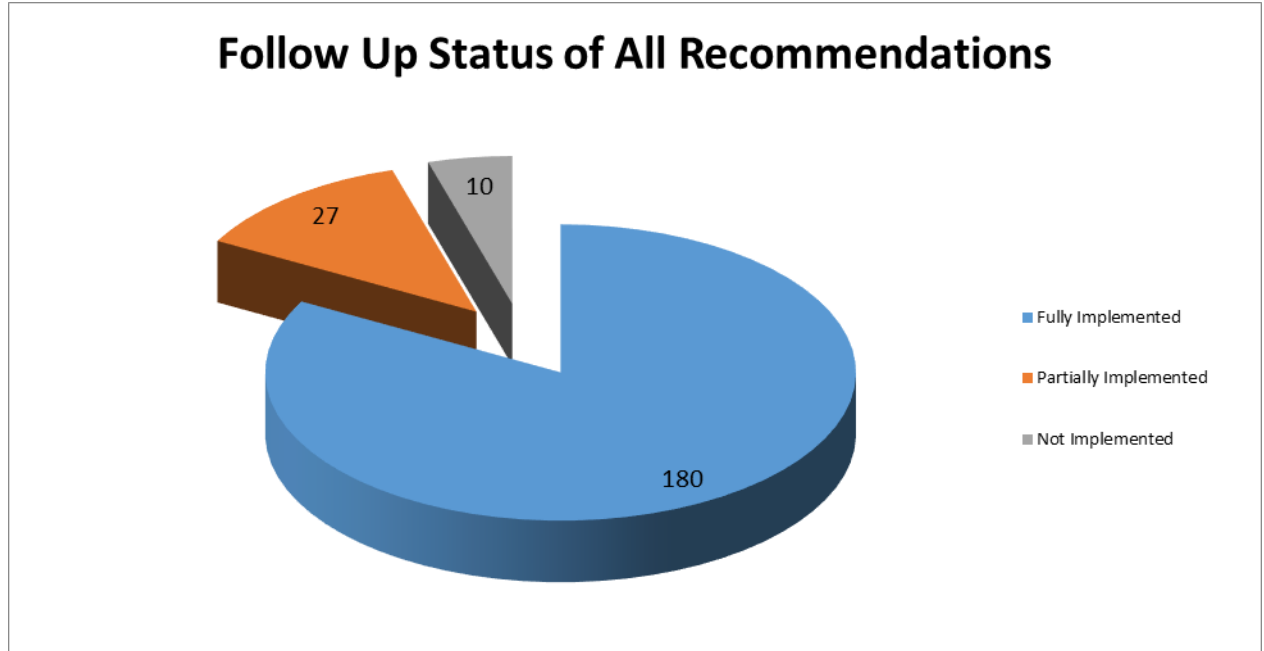
Other/Unplanned Work:

- 2.4.4 During the year we have carried out a number of other activities/unplanned audit work and provided advice and assistance to managers, departments and schools on a number of areas. A total of 46.5 audit days has been spent on these areas. A summary of the days on each area is set out in the second graph included at Appendix A.
- 2.4.5 Our other/unplanned work includes the following areas:
- Supporting the Audit & Governance Committee (15.5 days);
 - Annual Reporting (3 days);
 - Liaison with departments/DMTs, external audit and responding to general requests from managers for advice/guidance (12 days);
 - Specific activity on new systems and programmes or other cross cutting working groups and boards (8.5 days); and
 - Monitoring the implementation of reported recommendations (6 days).

Follow Ups:

- 2.4.6 Where we issue a *limited* or *no* assurance report we undertake “standard” follow-ups after 3 months. For all other assurance reports, we undertake a “standard” follow up after 6 months. In 2020/21, we followed up 217 recommendations. These comprised of 45 “Must”, 150 “Should” and 22 “Consider” recommendations. The responses to the follow up reports are summarised in the chart below.

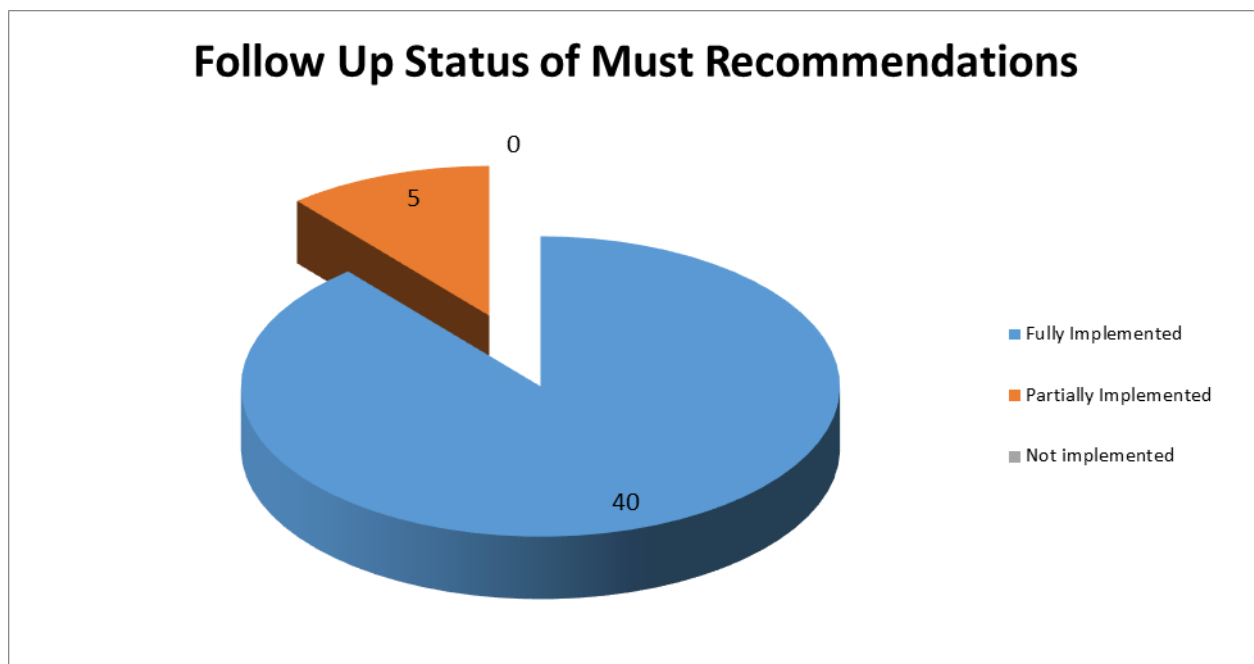
Follow Up Status of All Recommendations 2020/2021



- 2.4.7 Further analysis of the highest priority, “must” recommendations, identified that there were none that had not been implemented in accordance with the agreed timescales. The results from the follow up of agreed recommendations are included in the regular Audit & Assurance Progress Reports presented to each Audit & Governance Committee meeting during the year for consideration. This includes explanations where of any responses to follow ups undertaken have not received at the time of the report and any recommendations that have not been

implemented. We received appropriate explanations from management for those recommendations not being implemented within agreed timescales.

Follow Up Status of 'Must' Recommendations 2020/2021



2.4.8 Where we have particular concerns about the implementation of recommendations we undertake further “physical” follow up exercises where documentation will be reviewed and further testing undertaken to confirm actions taken are adequate. There were no instances where this was considered necessary for the follow-up reviews carried out during the year.

Other Sources of Assurance:

2.4.9 In addition to the internal audit work carried during the year, we have gained assurance on a number of the Council’s processes from other internal and external sources. The sources of assurance include:

- The Council’s Management Accountabilities Framework (MAF) reporting arrangements and challenge process;
- The annual Directors’ assurance certificates;
- The external auditor’s annual audit letter and certification report;
- In January 2021, the Council had its compliance to connect to the Public Services Network (PSN) reviewed. It was demonstrated that the IT infrastructure is sufficiently secure to connect to the PSN for the next 12 months.
- The results from an Internal IT Health Check Review, carried out in August 2020. The internal network security of the Blackburn and Darwen Borough Council had a good security posture, with some best practice controls in place to prevent a malicious attack.
- The result of the Council’s submission for the NHS Data Security & Protection Toolkit (DSPT). This was assessed as ‘standards met’ to enable the Council to continue to exchange data with the NHS;

- The reports from the inspections of the Council's services by Ofsted and the Care Quality Commission. We also consider relevant school Ofsted inspection reports when carrying out our school visits.

- 2.4.10 The “red” priority thematic areas of concern from the MAF are reported to the Audit & Governance Committee on a six monthly basis. The reporting of the half year “red” areas did not identify any further challenges from the Audit & Governance Committee. The results of the year-end exercise are reported to the June Committee meeting. A review of the year-end Directors Dashboard reports did not identify any significant issues that would require consideration as part of the annual audit opinion.
- 2.4.11 All Directors and the Chief Executive are required to complete a statement of assurance each year regarding the governance arrangements, including risk management and internal control arrangements for their areas of responsibility as part of the process to produce the Council’s Annual Governance Statement. Completed statements of assurance were received from all these officers. All directors confirmed that they were satisfied that “a sound system of governance was in place throughout the year ended 31 March 2021 and is ongoing”.
- 2.4.12 The audit approach used by the Council’s external auditors includes an evaluation of the Council’s internal control environment. The auditors gave an unqualified opinion on the Council’s financial statements for the year ended 31 March 2020 on 4 February 2021. They also confirmed that the remainder of the information published with the financial statements was consistent with their knowledge of the Council and with the audited statements. They were satisfied that proper arrangements were in place, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.
- 2.4.13 An internal IT Health check of the Council’s ICT perimeter network was carried out in May 2019, including an external network penetration test. The primary purpose was to check for security misconfiguration and other weaknesses that could lead to system compromise and access to sensitive or valuable information. The conclusion from the review was that the overall security posture of the perimeter network was strong.
- 2.4.14 An Internal IT Health Check was carried out in August 2020. It covered seven areas. The report included the following conclusions and included recommendations for the remediation of the findings:
- The Council’s internal network security had a good security posture, with some best practice controls in place to prevent a malicious attack.
 - The overall security posture of the Council’s server estate was found to be good. The anti-virus solution on all Windows servers was up to date.
 - A review of a deployed workstation found that overall, the security was good and web content filtering was in place.
 - The password policy in place was considered strong.
 - A review of two wireless networks was performed. The findings noted that the internal network was well configured using the 802.1x protocol. Good Wi-Fi security practice was demonstrated on the public Wi-Fi network.
 - A firewall ruleset review for the internal, external and PSN firewalls was carried out as part of this project. The firewalls were found to be well configured, with the majority of rules having comments and references to change requests.

- A review of the corporate mobile device management policies noted that mobile passwords were configured to eight numeric digits. This could be further improved by enforcing alphanumeric character passwords. Rooted and Jailbroken devices were prohibited from accessing corporate resources, and devices were to be wiped after ten incorrect login attempts.

- 2.4.15 The Public Services Network (PSN) compliance of Council's ICT network was reviewed during 2020/21. The Council demonstrated that its infrastructure was sufficiently secure to connect to the PSN for the period 15 January 2021 to 15 January 2022.
- 2.4.16 The Council's evidence submission for the 2020/21 NHS DSPT was reviewed and approved by the Council's Senior Information Risk Officer. The Organisation search on the NHS DSPT website shows the Council as meeting the standards. This provides assurance on the arrangements in place for the management and security of data and will enable the Council to continue to exchange data with NHS bodies.
- 2.4.17 Ofsted carried out a focussed visit of Children's Services in February 2020. The inspectors looked at the arrangements for decision-making for children who come into care and the quality of early care planning and placements. The report noted that senior leaders understand the strengths and areas for development within the service. While there have been improvements in some areas of service, progress remains slow in key areas of weakness that were identified at previous in sections.
- 2.4.18 The report concluded that leaders have recognised that, despite the local authority being judged to be good overall at the last inspection, there is significant work to do to ensure that this is sustained. It recognised that a new quality assurance framework has been introduced as part of the plan for practice improvement. This has led to an increase in the range of audit activity to support a greater understanding of practice.
- 2.4.19 Ofsted only carried out one monitoring visit at a Council setting during the year due to the pause of routine inspections under the Education and Social Care Common Inspection Frameworks. The report noted that the recommendations made in the previous inspection had been met. No overall judgement was provided following this visit. The judgement from the previous visit, in 2020, was good.
- 2.4.20 The number of schools that are providing a good or better education as deemed by Ofsted has risen again from 85% to 87.3%, which has broadly in line with National and regional averages. This progress is something that the School Improvement Board and Local Authority want to sustain. The rise is because of some schools moving from Requiring Improvement (RI) to Good, some remaining consistently good and some on their way to outstanding through good leadership. It is also due to the targeted support by the School Improvement Board along with the local authority for schools who were in an Ofsted window or who were vulnerable through data. Of the nine schools (14 in 18-19) who are RI or lower three out of the nine (33%) are academies or free schools which in turn lowers the percentage overall for the borough.
- 2.4.21 As is the case nationally, the emphasis in school improvement has been on a school-led school improvement system, built around schools working collaboratively together. The Council developed a new, dynamic model of School Improvement in 2015, which is school led and embraces system leadership and self-improvement. This Strategy and model continue to mature. Our dynamic School Improvement Board (SIB) contains representatives from each of the Primary, Secondary School, Special and Alternative Provision Improvement Groups and from the primary and secondary Teaching School Alliances. There are also representatives from each Multi Academy Trust and Diocese.

The Director of Children's Services and two senior local authority officers together with a representative of the Regional Schools Commission (RSC) make up the remainder of the Board

- 2.4.22 With the introduction of the new Schools Inspection Framework in 2019/20, with the enhanced focus on the curriculum, the Council radically revised its school intervention strategy and devised a new Strategy for "Schools which require additional support". This is an identified area that the School Improvement Board will be monitoring, along with the new separate judgements for personal development and behaviour and attitudes to ensure a multi-agency approach. The School Improvement Strategy Group (SISG) oversees this new approach.
- 2.4.23 The Care Quality Commission has not routinely inspected services during the pandemic. They have contacted a number of Council service areas through existing monitoring arrangements and engagement and support calls. They have provided summary records of their findings. However, they note that these summary records are not inspection reports. They have assessed the services contacted as managing the impact of Covid 19 pandemic. They did not consider any further regulatory activity was indicated as a result of their findings.
- 2.4.24 Our planned work, other/unplanned work, follow ups and other sources of assurance has not identified any serious concerns in relation to the Council's systems of risk management, control and governance.

2.5 Impairments/Restrictions in Scope

- 2.5.1 No limitations have been placed by management on the scope of work carried out by Internal Audit during 2020/21. Audit recommendations have been made based on the findings from each review. These have been discussed and agreed with the managers responsible for each area reviewed. Action plans have been agreed for each audit report issued. Implementation of the recommendations, as per the agreed action plans, is followed up to confirm that the agreed recommendations have been implemented.
- 2.5.2 The scope of the work able to be carried out has been restricted by the impact of the Covid-19 pandemic on the organisation. However this has not limited the scope of the annual audit opinion provided.
- 2.5.3 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from the internal audit work. These limitations include the possibility of faulty judgement in decision making, of breakdowns due to human error, of controls identified being circumvented by the collusion of two or more people and of management overriding controls. In addition, there is no certainty that internal controls identified will continue to operate effectively in future periods, or that the controls will be adequate to mitigate all significant risk that may arise in the future.
- 2.5.4 Decisions made in designing internal controls inevitably involve the acceptance of a degree of risk. The outcome of the operation of internal controls cannot predict with absolute assurance, and assessment of internal control is judgemental.

2.6 Organisational Independence

- 2.6.1 The Internal Audit Service has access to and support from the Council's Corporate Leadership Team. In the course of its normal work it is able to operate independently within the organisation and, in accordance with its charter, the service remains independent of the Council's other functions.

- 2.6.2 The Internal Audit Service's work programme and priorities are determined in consultation with the Corporate Management Team, the Council's senior managers and the Audit & Governance Committee, but remain decisions for the Head of Internal Audit. I have direct access to and freedom to report in my own name and without fear or favour to all officers, and to members of the Audit & Governance Committee.
- 2.6.3 I have has line management responsibility for the Council Insurance team in addition to Internal Audit. However, internal audit staff had no direct operational responsibility or authority over any of the activities audited in 2020/21. I can therefore confirm the organisational independence of the Internal Audit activity.

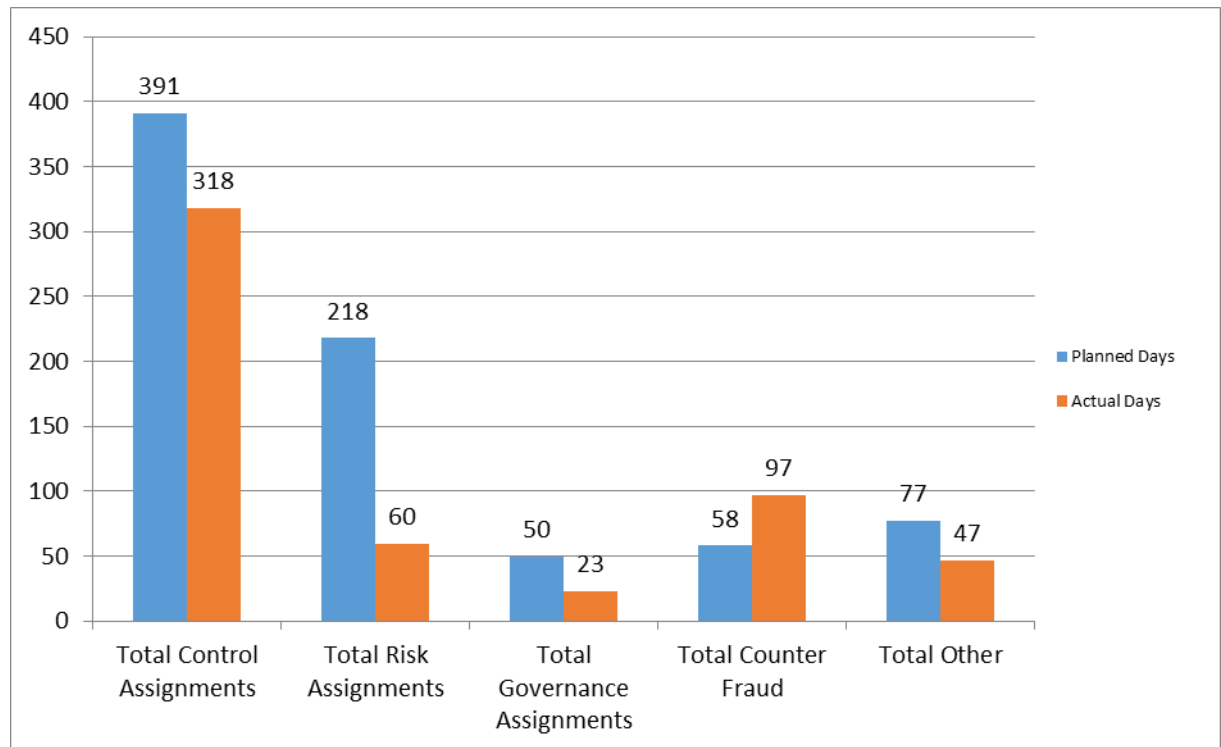
SECTION 3 – INTERNAL AUDIT PERFORMANCE/QUALITY ASSURANCE

3.1 Comparison of Actual and Planned Work

3.1.1 The Audit & Assurance Plan was approved by the Audit Committee on 29 July 2020. The Plan then anticipated that Audit & Assurance would have staff resources amounting to 794 days for internal audit assignments and counter fraud work.

3.1.2 Internal Audit was able to deliver a total of 545 days (69%) against the approved Audit & Assurance Plan, which can be summarised as follows:

Audit & Assurance Plan Against Actual 2020/21 (Days Achieved)

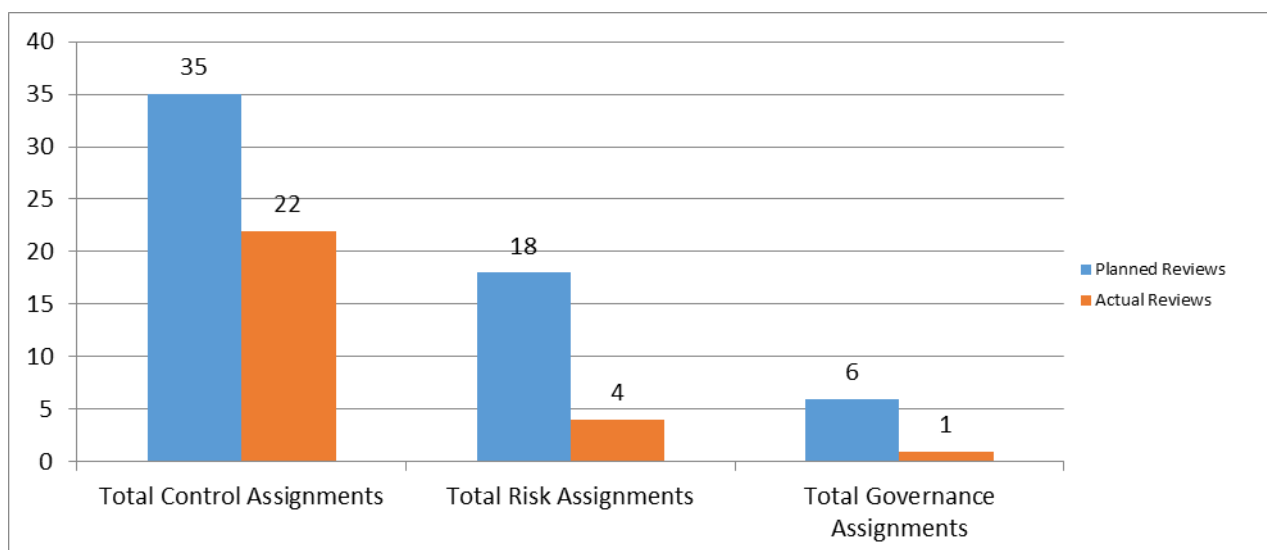


3.1.3 The shortfall in days during the year arose primarily due to members of the team being redeployed to support the Council's response to the pandemic. This has included a staff member providing support to the payroll team during the period May to July 2020, to carry out reconciliations of payroll suspense and control accounts and two colleagues providing support to the Council Tax team administering the application and payments process for self-isolation grants during the period from January to March 2021. In addition, members of the audit team have also provide support to the Insurance team to cover staff maternity leave. However, despite this the days achieved against the original and revised Audit & Assurance Plan are considered sufficient to provide an opinion on the effectiveness of risk management, control, and governance processes within the constraints that are being placed upon the Council and Audit & Assurance.

3.2 Key Achievements 2020/21

3.2.1 Despite the reduction days available Internal Audit was able to deliver sufficient audit assignments to provide an overall opinion on the risk, control and governance environment in place within the Council. The following exhibit shows Internal Audit was able to deliver 32 assignments, 45% less than those originally planned (58). It should also be noted that 16 planned reviews were in progress at 31 March 2020.

Internal Audit Plan Against Actual 2020/21 (Assignments Delivered)



3.2.2 We consider that the volume of audit assignments completed in relation to risk management, control and governance, along with the other work carried out on these areas by Audit & Assurance staff is sufficient to allow us to provide an overall opinion on each of those Council processes.

3.2.3 The Audit & Assurance Plan is prioritised according to the level of risk associated with each audit assignment. A Priority 1 (highest level) assignment is “a strategic risk or fundamental review required to provide a statutory opinion for the Annual Governance Statement”. The 2020/21 Audit & Assurance Plan included six Priority 1 audit assignments. All of these have been delivered in 2020/21, with the exception of the planned review of the budget setting and control arrangements. The previous review of this area, completed in November 2019, provided substantial opinions in respect of the control environment and compliance with the controls. The findings of this review did not identify any significant areas of concern that would affect the annual overall opinion provided.

3.3 Key Performance Information

3.3.1 The Finance Business Plan and Audit & Assurance Plan includes a number of measures to assess the performance of Internal Audit in terms of its achievement and quality. The actual performance against these targets for 2020/21 (together with the 2019/20 performance) is shown in the following table.

Internal Audit Performance 2020/21

Performance Measure	Target	Actual 2020/21	Actual 2019/20
Delivery of Priority 1 Audits	100%	83%	90%
Planned Audits Completed Within Budget.	90%	67%	70%
Final Reports Issued Within Deadline	90%	100%	93%
Follow Ups Undertaken Within Deadline	90%	85%	83%

Performance Measure	Target	Actual 2020/21	Actual 2019/20
Recommendations Implemented	90%	95%	91%
Client Satisfaction	75%	100%	100%
Compliance with PSIAS	95%	99%	99%

3.3.2 The actual performance against these targets was reported to each Audit Committee meeting during 2020/21. Explanations were also provided where our performance did not meet the expected target.

3.4 Benchmarking

3.4.1 The Internal Audit team participated in the 2019/20 Lancashire benchmarking exercise. The results showed that the team's staff costs per full-time equivalent were comparable with similar authorities and the cost of audit per capita was below the unitary average for 2018/19 and 2019/20. The team had lower audit days per £million of turnover compared to similar authorities for the two years. This is a reflection of the lower staffing levels in the internal audit team compared to similar authorities. However, it is considered that the team has had sufficient resources to deliver an effect internal audit service for the Council.

3.5 Quality Assurance

3.5.1 The PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessments or internal assessments by others with sufficient knowledge, and independent external review at least once every five years. The Quality Assurance & Improvement Programme (QAIP) was presented to the September 2016 Committee meeting. The QAIP covers all aspects of internal audit activity and enables conformance with the PSIAS to be evaluated. A key objective of the QAIP is to assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. This is achieved through both internal and external assessments. A summary of the QAIP is attached at Appendix B.

3.5.2 The Internal Audit Service has designed procedures and an audit methodology that conform to the PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit engagement.

3.5.3 Following this framework, the Internal Audit Service's QAIP consists of internal ongoing monitoring of audit engagement quality, periodic internal assessment of the professional and operational framework, and external review. During 2020/21 the Head of Audit & Assurance has had operational involvement in the ongoing quality monitoring process as a result of the 2017 staffing restructure. This has involved reviewing the work of the Principal Audit & Assurance Officers and quality assuring the final reports of all staff. This allows the Head of Audit & Assurance to ensure consistent application of the quality standards and to review the process to identify opportunities for improvement.

3.6 Statement of Conformance with the Public Sector Internal Audit Standards (PSIAS)

3.6.1 From 1 April 2013 Audit & Assurance has been required to comply with the requirements of the PSIAS. Our assessment is that we comply fully or partially

with 330 of the 334 elements (99%) of the Standards. The areas of non-conformance shown in the table on the following below.

Exhibit 10: PSIAS Non-Conformance 2015/16

Conformance with the Standard	No
1300 Quality Assurance and Improvement Programme	
If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in (accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	1#
2450 Overall Opinion	
Does the annual report incorporate the following:	
h) The results of the QAIP?	1*
i) Progress against any improvement plans resulting from the QAIP?	1*

The Accounts & Audit Regulations 2015 states that organisations are no longer required to undertake an annual review of effectiveness of internal audit as there is an overriding requirement to undertake an external assessment.

* Section 3.5 and Appendix B of this report demonstrates the implementation of these actions.

3.6.2 This analysis shows that the Council's Internal Audit function is generally in conformance with the PSIAS. Furthermore, the results of the PSIAS Peer Review assessment, carried out by independent Head of Audit colleagues from the North West Chief Auditors Group (NWAG), (reported to the April 2016 Committee meeting) confirmed that the Council's internal audit team conforms to the PSIAS across all areas of focus:

Exhibit 11: PSIAS Summary Peer Review Assessment 2015/16

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Overall Judgement	Conforms

3.6.3 The next peer review of the internal audit team's compliance with the PSIAS requirements is planned for July 2021. The results will be reported to the Audit & Governance Committee in due course once it has been completed.

3.7 Improvement Plans for 2021/22

3.7.1 No significant areas for improvement have been identified for 2021/22 from the results of the quality assurance process in place within Audit & Assurance. Following completion of the Audit & Assurance service review and the implementation of the revised structure the team has focussed on ensuring that it continues to deliver an effective and improving service. Audit management will continue to work with senior management to ensure that systems in operation to promote effective control, risk management and governance are adequate in the current evolving transformational climate. The team will also continue to maintain and improve its corporate visibility to take every opportunity to market itself to the

organisation, particularly at lower levels of management and operational areas of management, emphasising the added value that it offers.

SECTION 4 – ANNUAL GOVERNANCE STATEMENT

4.1 Criteria for Identifying Issues Relevant to the Annual Governance Statement

4.1.1 The CIPFA (Chartered Institute of Public Finance & Accountancy) and APB (Auditing Practices Board) guidance suggests the following criteria should be applied when judging what may constitute a significant control issue for the purposes of disclosure in the Annual Governance Statement:

- the issue has seriously prejudiced or prevented achievement of a principal objective;
- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant a diversion of resources from another aspect of the business;
- the matter has led to a material impact on the accounts;
- the issue or its impact has attracted significant public interest or has seriously damaged the reputation of the organisation; or,
- the issue has resulted in formal action being taken by the Chief Financial Officer or Monitoring Officer.

4.2 Issues Relevant to the Preparation of the Council's Annual Governance Statement

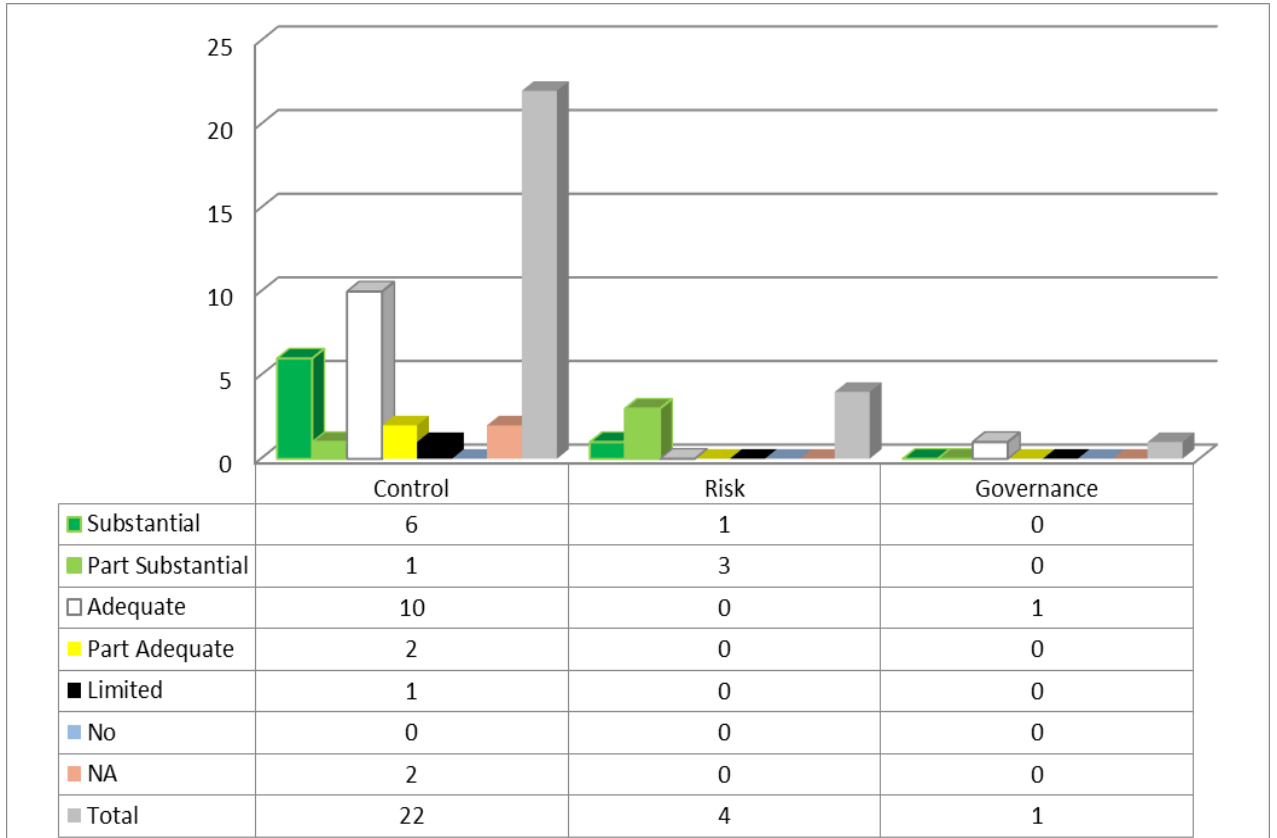
In my opinion, none of the qualifications that inform the annual internal audit opinion constitutes a material weakness in the Council's overall governance framework that requires disclosure in the Annual Governance Statement.

Audit & Assurance Plan & Actual 2020/21

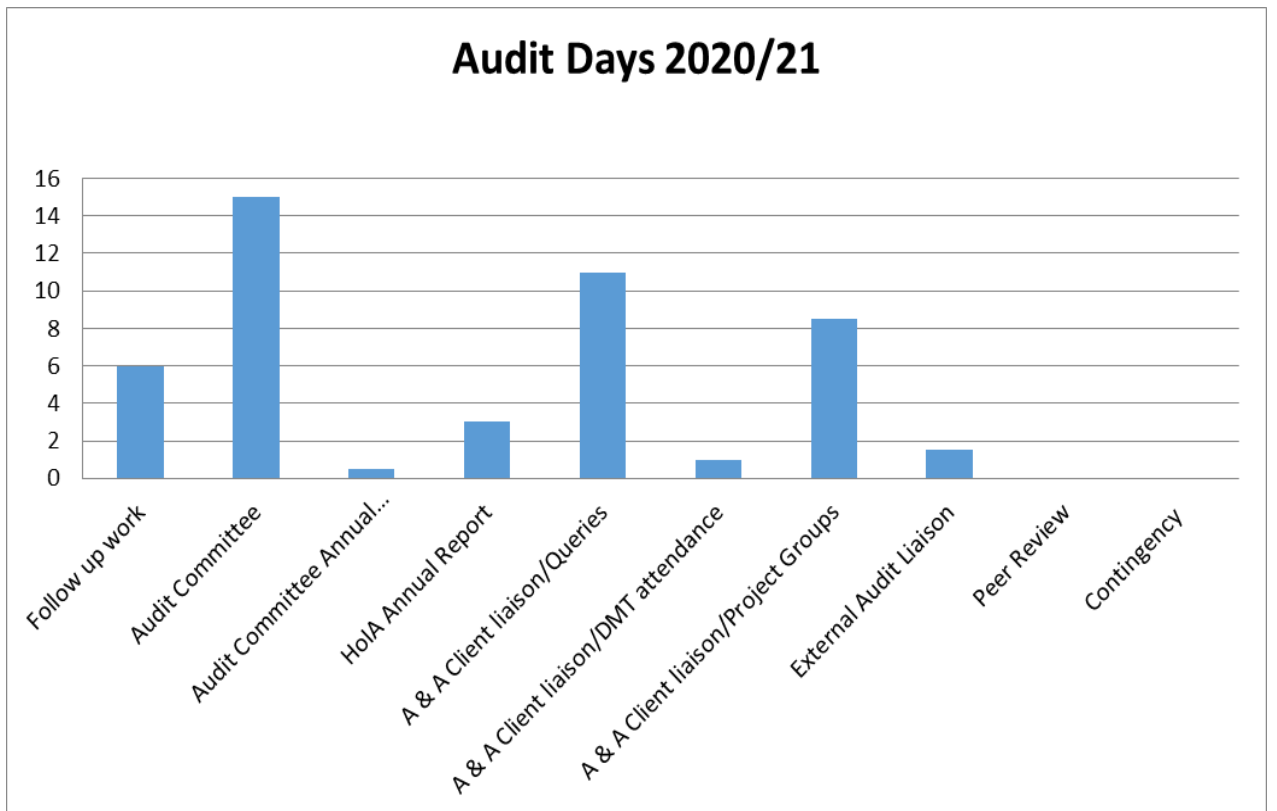
Audit Assignment	CLASSIFICATION	Priority	20/21 Day	Actual Day	Assurance Opinion	
					Control	Compliance
Volunteers/ Demand Management Strategy	Control	2	10	0		
Audits of Schools Finance systems	Control	3	18	7		
Feniscowles Primary School (WIP 2019/20)	Control	3	1	2.5	Substantial	Substantial
Lower Darwen Primary school	Control	3	6	0		
Turncroft Nursery	Control	3	6	0		
Griffin Park Primary School	Control	3	6	0		
St Cuthberts CE Primary School	Control	3	6	12.5	Adequate	Adequate
St Matthews Primary School	Control	3	6	14	Adequate	Adequate
Meadowhead Infants School	Control	3	6	0		
St Stephen's Tockholes CE Primary School	Control	3	6	0		
Adoptions - Regional contract	Control	3	10	1.5		
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5	5	N/A	N/A
Bus Subsidy Grant	Control	1	5	5.5	N/A	N/A
Commercial Property Rental Management (WIP 2020/21)	Control	2	10	23		
Police & Crime Commissioner Grant	Control	1	5	5	Adequate	Adequate
RIPA processes - deferred to 2020/21	Control	2	10	2		
Payroll - Core system/Failure of HR & payroll system incl staff & Mgr. self service (WIP 2019/20)	Control	2	8	23.5	Adequate	Adequate
Payroll - Core System	Control	2	15	0		
Off payroll engagement (IR35)	Control	2	5	0		
Main Accounting System - including account reconciliation's	Control	2	10	6	Substantial	Substantial
Creditors	Control	2	10	32	Adequate	Adequate
Mosaic - Financial Assessment module	Control	2	10	0		
Sundry Debtors	Control	2	10	0		
Personalised budgets/Direct payments (WIP 2020/21)	Control	2	10	3.5		
Mileage payments	Control	3	10	38	Adequate	Adequate
Treasury/Cash flow Management	Control	3	10	0		
Children Centres	Control	3	20	0		
Leisure income collection & Recording	Control	3	10	0		
Leisure cash - Blackburn Sports and Leisure Centre	Control	3	2	0		
Darwen Leisure centre	Control	3	2	0		
Witton Park Arena	Control	3	2	0		
Museums Collections Recording System	Control	3	10	0		
Business intelligence/Customer Dashboard	Control	3	10	0		
Internet controls - filtering system and reporting notifications	Control	2	10	0		
Asset Management Strategy and decision making	Control	2	10	0		
Markets - Leases (Additional to the Plan)	Control	3	0	17.5	Adequate	Limited
East Z East Lease Arrangements (Additional to Plan)	Control	3	0	14	No	N/A
Planning Enforcement (WIP 2020/21)	Control	3	10	12		
Events management, Halls (KGH)/ Reduction in KGH business performance impacting income	Control	3	10	0		
Selective licensing/ Housing Standards	Control	3	10	0		
Budgetary Setting and Control / Failure to deliver a balanced budget and MTFs (WIP 2020/21)	Control	1	10	3		
Grant certification re Implementation of new Blue Badge Criteria	Control	1	5	2.5	Substantial	Substantial
Civica asset management module	Control	2	10	0	Substantial	Substantial
Museum (WIP 2019/20)	Control	3	2	6	Adequate	Adequate
Apprentice Levy (WIP 2019/20)	Control	2	4	6	Adequate	Adequate
Use of Contractors - Arrangements re-use of contractors - Growth and Development Framework (WIP 2019/20)	Control	2	14	14	Substantial	Substantial
Council Tax (WIP 2019/20)	Control	3	5	12		
Highways Procurement (WIP 2019/20)	Control	2	2	5	Adequate	Limited
Car Parking Income (WIP 2019/20)	Control	3	3	12	Substantial	Substantial
Cemeteries (WIP 2019/20)	Control	3	5	15	Adequate	Substantial
Proactive Fraud - Blue badges (WIP 2019/20)	Control	3	5	6	Adequate	Adequate
Turton Tower (WIP 2019/20)	Control	3	4	8.5	Adequate	Adequate
Digital & Business - Change Control (WIP 2019/20)	Control	2	2	3.5		
Total 2020/21 Control Assignments (35)			391	318	22	22
Audit Assignment	CLASSIFICATION	Priority	20/21 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Homelessness Prevention Strategy - Impact of Universal Credit	Risk	2	10	0		
Transitional Arrangements - Children to Adult Care	Risk	3	15	0		
Safeguarding the most vulnerable	Risk	3	10	0		
Protocol ICS System	Risk	2	10	0		
Ofsted Inspection Framework (WIP 2020/21)	Risk	2	10	8.5		
Educational trips and visits (WIP 2020/21)	Risk	2	10	1.5		
Corporate Appointee (WIP 2020/21)	Risk	2	10	10.5		
Section 17 Payments / Financial support to families (WIP 2020/21)	Risk	3	15	10.5		
Device Management/ Software licencing/Asset Management/PC Inventory Controls (WIP 2020/21)	Risk	2	15	5.5		
Service desk performance	Risk	2	10	0		
Health & Safety - Failure to comply with H&S legislation & Council standards	Risk	3	10	0		
Failure to inspect and maintain - Highways	Risk	2	15	0		
Transport Procurement/Fleet Management - implement 2018/19 fleet vehicle replacement programme.	Risk	3	10	0.5		
DOLS and COP Applications & Public Law	Risk	2	10	0		
Elections	Risk	2	15	0		
Legal case management	Risk	3	10	0		
Performance Indicators/ Data quality	Risk	2	10	0		
Social Media	Risk	3	10	0		
Pupil Transport (WIP 2019/20)	Risk	3	4	7.5	Substantial	Substantial
YPS educational trips and visits risk assessment and approval system and process. (WIP 2019/20)	Risk	A*	5	10	Substantial	Adequate
Information Governance (WIP 2019/20)	Risk	1	1	1	Substantial	Adequate
Digital & Business - Business Continuity (WIP 2019/20)	Risk	2	2	3		
Mosaic - client case management system (WIP 2019/20)	Risk	1	1	1	Substantial	Adequate
Total 2020/21 Risk Assignments (18)			218	59.5	4	4

Audit Assignment	CLASSIFICATION	Priority	20/21 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Health & Social Care Integration - Sustainability & Transformation Plan	Governance	2	10	0		
Sports England Grant - Pennine Lancashire Pilot	Governance	2	10	0		
Governance and decision making and reporting arrangements (WIP 2020/21)	Control	2	10	9.5		
Equality Impact Assessments	Governance	2	10	0		
Review of Financial Regulations, SFIs, etc	Governance	2	5	0		
Building Control (WIP 2020/21)	Governance	2	4	12.5		
Soc Determinants of Health	Governance	2	1	1	Adequate	Adequate
Total 2020/21 Governance Assignments (6)			50	23	1	1
Audit Assignment	CLASSIFICATION	Priority	20/21 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Other Audit Work						
Follow up work	Governance	1	10	6		
Audit Committee	Governance	1	15	15		
Audit Committee Annual Report/Evaluation	Governance	1	4	0.5		
HolA Annual Report	Governance	1	4	3		
A & A Client liaison/Queries	Other	2	10	11		
A & A Client liaison/DMT attendance	Other	2	5	1		
A & A Client liaison/Project Groups	Other	2	5	8.5		
External Audit Liaison	Other	2	2	1.5		
Peer Review	Other	1	10	0		
Contingency	Other	2	12	0		
Total Other			77	46.50		
Other Fraud Work						
National Fraud Initiative (NFI)	Governance	1	10	26.5		
Counter Fraud Annual Plan/Report	Governance	1	4	1		
Proactive Fraud Testing	Governance	2	15	4.5	Adequate	Adequate
Reactive investigations	Governance	2	15	65		
Review Counter Fraud Strategy	Control	2	5	0		
Review/Monitor Fraud Risk Register	Control	2	5	0		
Fraud awareness and whistle blowing initiatives	Control	2	4	0		
Counter Fraud Activities			58	97		
Total Internal Audit & Counter Fraud			794.00	544.00		
Other Risk and Governance Work						
Annual Gov Statement	Governance	1	10	14.5		
MAF and MAF Challenges	Governance	1	10	17		
MAF Process Review	Governance	2	5	2		
Risk Management Support	Risk	1	5	12.5		
Road Risk Mgmt Group	Risk	1	5	1		
Review/Monitor Corporate Risks	Risk	1	5	0.5		
Review Monitor Departmental Risks	Risk	1	10	0.5		
Business Continuity Champions Meetings	Risk	1	2	1		
Risk Annual Plan/Report	Risk	2	4	4.5		
Risk Management Activities			56	53.5		
Grand Total			850.00	597.50		

Summary of Internal Audit Opinions 2020/21



Summary of Other/Unplanned Work 2020/21



Appendix B

Summary Quality Assurance & Improvement Programme Activities

Activity	Frequency	Responsibility	Reporting
Internal Assessments – Ongoing Monitoring			
Review of internal audit charter, audit policies and procedures	Annual	Head of Audit & Assurance	Annual Plan to Audit & Governance Committee
Agree performance metrics for internal audit	Annual	Head of Audit & Assurance/Director of Finance	Annual Plan to Audit & Governance Committee
Allocation of audit assignments to appropriate internal auditors	Each Assignment	Head of Audit & Assurance/Principal Internal Auditors	Annual Report to Audit & Governance Committee
Review of audit assignments	Each Assignment	Head of Audit & Assurance / Principal Internal Auditors	Annual Report to Audit & Governance Committee
Moderation and approval of internal audit reports	Each assignment	Head of Audit & Assurance/ Principal Internal Auditors	Annual Report to Audit & Governance Committee
Customer survey/questionnaire	Each Assignment	Head of Audit & Assurance/ Principal Internal Auditors	Quarterly Progress Report to Audit & Governance Committee
Analyse performance metrics of internal audit activity	Quarterly	Head of Audit & Assurance	Quarterly Progress Report to Audit & Governance Committee
Discuss performance of internal audit activity	Monthly	Head of Audit & Assurance	Team Meeting Minutes
Discuss performance with individual internal auditors	Monthly	Head of Audit & Assurance/ Principal Internal Auditors	HolA 121s and Finance DMT
Internal Assessments – Periodic Self-Assessments			
Self-Assessment against PSIAS	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Review of QAIP	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Progress against the audit & assurance plan/completion of priority 1 audits	Annual	Head of Audit & Assurance	Review of Audit Plan to Audit & Governance Committee
Appraisal of Head of Audit & Assurance	Annual	Director of Finance /Chief Executive/Chair of Audit & Governance Committee	Finance DMT
Appraisal of auditors including objective/target setting against agreed skills & competencies.	Annual	Head of Audit & Assurance/ Principal Internal Auditors	Finance DMT
Client Satisfaction Survey	Annual	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
Benchmarking review of internal audit services	Every 3 Years	Head of Audit & Assurance	Annual Report to Audit & Governance Committee
External Assessments			
Assessment against PSIASs	Every 5 Years	Head of Audit & Assurance	PSIA Report to Audit & Governance Committee