Appendix A

Blackburn with Darwen Borough Council

Annual Internal Audit Opinion Report 2021/22

Audit & Assurance
Finance Department
June 2022

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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 2021 to 31 March 2022. 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);
- the outcome of the peer review to assess the Internal Audit team's conformance with the requirements of the 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:

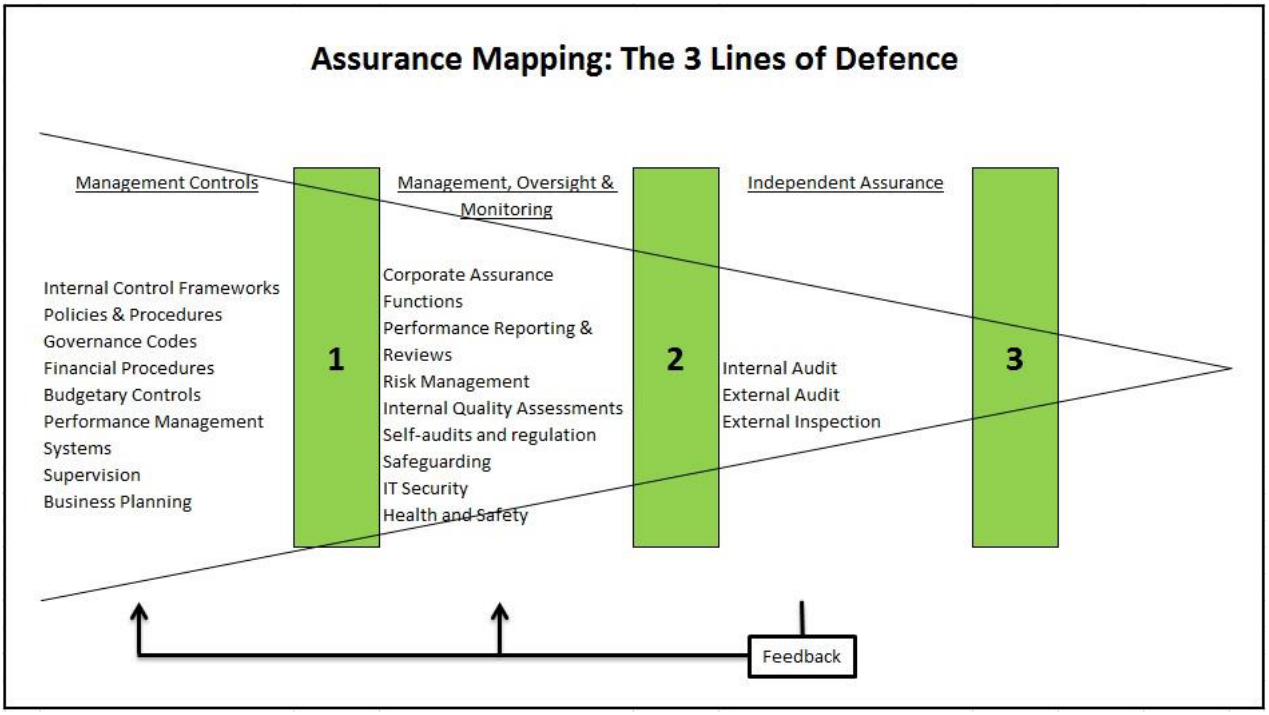
'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards.'

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 and risk management 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 effective proposals for remedial action to address the issues identified.

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 reviewed during 2021 and approved by the Committee at its meeting in March 2022. 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 systems and procedures and the corporate governance arrangements in place. Testing is performed to ensure the key 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, based on the results of the testing carried out.

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 2021/22;
- Unplanned work undertaken during 2021/22;
- Follow ups of audit work undertaken during 2020/21 and 2021/22; and
- Other relevant sources of assurance during 2021/22.

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 2021/22, together with the other sources of assurance available to Internal Audit, with the exception of Children's Social Care services noted in 2.4.10 below, it is considered that, overall, the Council has **adequately designed** systems of risk management, control and governance, which are being **operated effectively** overall.

The Ofsted inspection of Children's Services concluded that there had been a decline in the effectiveness of services for some children since the 2017 inspection and that overall effectiveness requires improvement to be good. The findings and actions from this report are included in the 2021/22 Annual Governance Statement as a significant issue.

2.2.1 In a year when the Council has not had the capacity to be fully audited, and resources have needed to be redeployed to respond effectively to the pandemic, some of the internal audit team were re-deployed at the start of the year to support other key priority areas. 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.

Qualifications to the Opinion

2.3.1 In providing the overall opinion, consideration is given to the assurance opinions provided during 2021/22 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 2021/22 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 2022 at its meeting on 30 March 2021.

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 30 assignments including 25 internal control, 4 risk related, and 3 governance reviews, which support our overall opinion on the Council's systems of risk management, governance and internal control. In addition to these, there were 16 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 60.5 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.

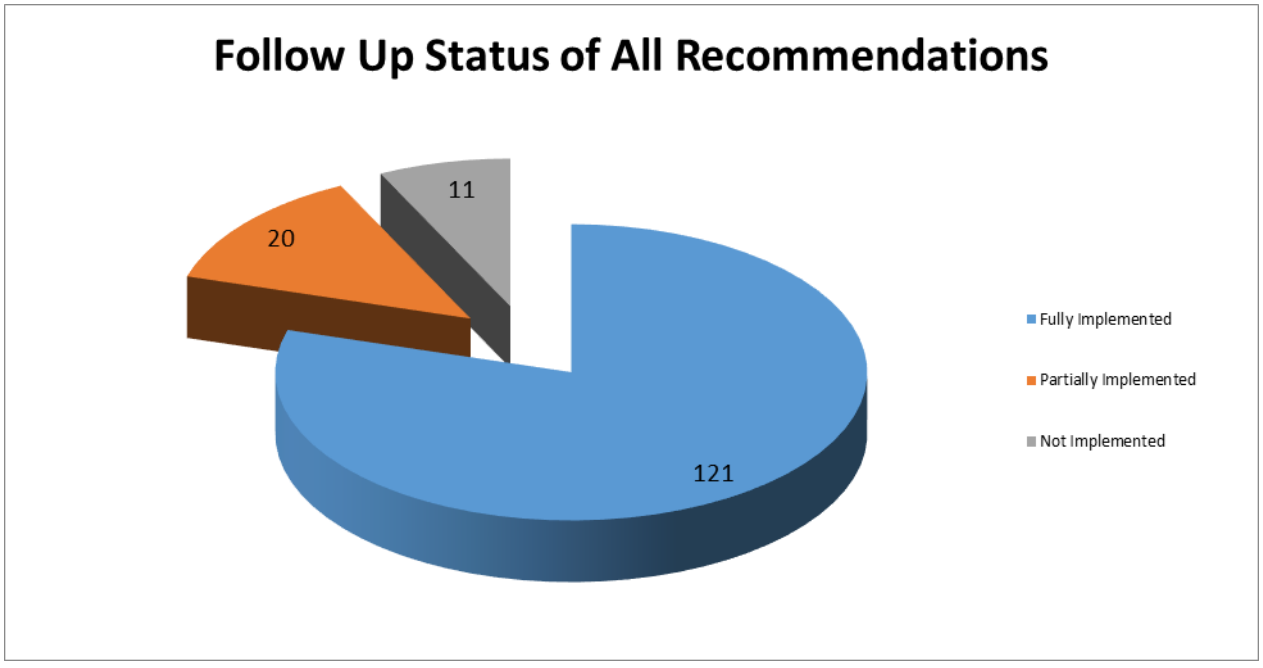
2.4.5 Our other/unplanned work includes the following areas:

- Supporting the Audit & Governance Committee (17 days);
- Annual Reporting (8 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 (4.5 days); and
- Monitoring the implementation of reported recommendations (8 days).

Follow Ups:

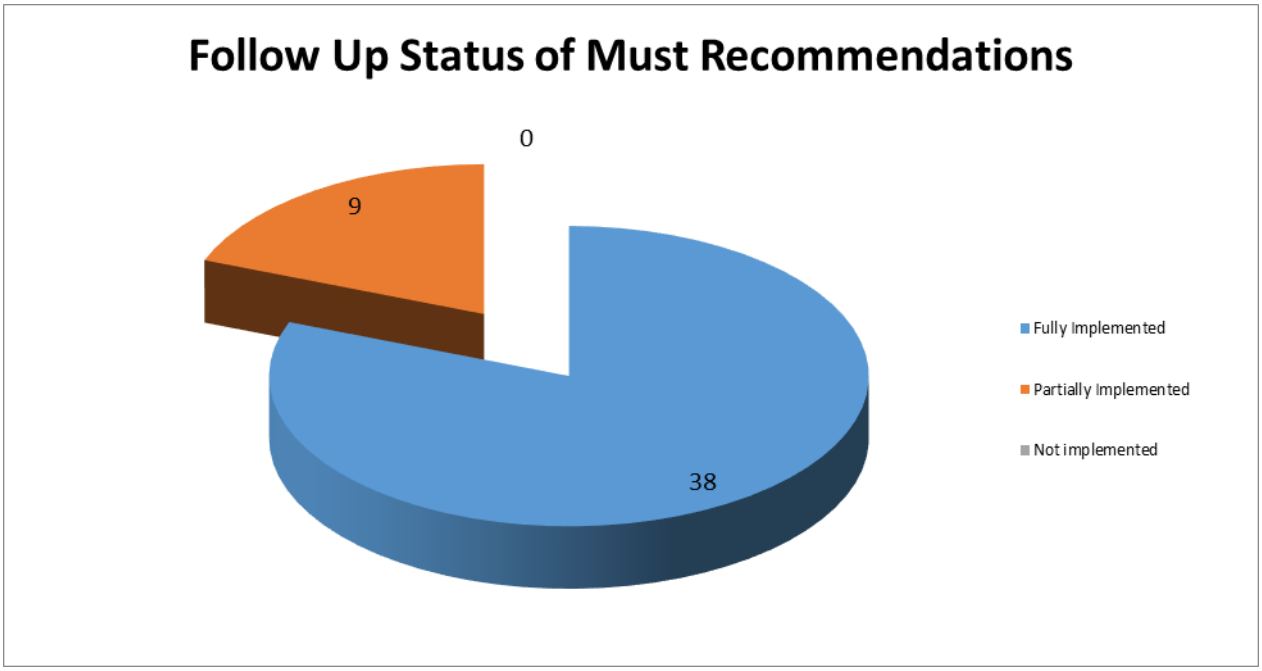
2.4.6 Where we issue a *limited* or *no* assurance report we undertake "standard" follow-ups after 3 months. For all other assurance reports, we undertake a "standard" follow up after 6 months. In 2021/22, we followed up 152 recommendations. These comprised of 47 "Must", 95 "Should" and 10 "Consider" recommendations. The responses to the follow up reports are summarised in the chart below.

Follow Up Status of All Recommendations 2021/2022



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 2021/2022



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 audit findings 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 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. The outcome of the Ofsted inspection, that was carried out under the Inspecting Local Authority Services for Children (ILACS) Framework during January 2022, was reported as an amber issue by the Strategic Director of Children's Services in her year-end Directors Dashboard. This requires 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". However, the Strategic Director of Children's Services noted that a Children's Services Improvement Plan was being prepared to address the conclusion from the ILACS inspection in February 2022 that Children's Services are now assessed as Requires Improvement to be Good.

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 provided their draft Audit Findings report to the January 2022 Audit & Governance meeting. They noted that whilst this was an interim report and they had some outstanding matters to finalise they anticipated issuing an unmodified audit opinion report on the Council's financial statements for the year ended 31 March 2021. They also concluded that the other the information published with the financial statements was consistent with their knowledge of the Council and with the financial statements they had audited.

2.4.13 An Internal IT Health Check was carried out in August 2021. 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. It covered six areas. The report included the following conclusions and included recommendations for the remediation of the findings:

- The Council's internal network security exhibited a strong security posture, with best practise controls and up-to-date patching in place throughout the internal network and Active Directory domain.
- The overall security posture of the Council's server estate provided for review was found to be great. The anti-virus solution in place on the Windows servers was up-to-date and a patching policy to match. It was possible to browse the internet on these servers and this should be prohibited even if the web filtering was considered to be strong.
- A review of a workstation builds found the configuration to be strong.
- 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. Web

filtering was also present on the public network. Overall, the Wi-Fi security was good.

- 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 require a minimum of six numeric digits. It was recommended that this was increased to eight alphanumeric character passwords. Rooted devices were not allowed.

2.4.14 An external IT Health check of the Council's ICT perimeter network was also carried out in August 2021, 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 overall conclusion from the review was that the overall network infrastructure was found to be reasonably good and security posture of the perimeter network was strong.

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. Compliance was re-confirmed during the year for the period 15 January 2022 to 15 January 2023.

2.4.16 The Council's evidence submission for the 2021/22 NHS Data 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 an inspection under the 'Inspection of Local Authority Children's Services' (ILCAS) Framework in January 2022. The report gave the following judgements across four categories, as follows:

- **The experiences and progress of children who need help and protection – '**requires improvement to be good'.
- **The experiences and progress of children in care and care leavers – '**requires improvement to be good'.
- **The impact of leaders on social work practice with children and families – '**requires improvement to be good'.
- **Overall Effectiveness –** 'requires improvement to be good'.

2.4.18 Whilst a number of recommendations were made the report it was clear that the Council's response was timely and appropriate when children are at immediate risk of significant harm. Inspectors confirmed that children who are in local authority care need to be in care, and that most children and their families receive early help and support when they need it.

2.4.19 An improvement plan has been developed and is due to be submitted to Ofsted by 1st July 2022. The plan will be driven by a multi-agency 'Achieving Excellence' Partnership Board which has been established to oversee the delivery of the response and actions identified.

2.4.20 A Care Quality Commission (CQC) inspection of the Reabalement Service and Home First Service was also carried out during the year. The report highlights a positive picture of service delivery in the main and a good rating was received for three areas of the Inspection. However, the overall rating for the service was 'requires improvement'. This was based on the two areas of Well Led and Safe. Management has taken the inspectors feedback on board and are working to address the issues though an improvement plan that will enable management to strengthen the areas identified in a timely manner. The findings from the inspection are not considered significant in the context of the overall control framework in place within the Council.

2.4.21 The Shared Lives scheme and St Aidan's were also inspected. The overall rating for Shared Lives was 'Good'. The inspection carried out at St Aidan's only looked at part of the service and did not result in any judgements. The CQC previously rated the service as 'Good' in the last routine inspection undertaken on 13 October 2017, with all sub-judgements also rated as Good. As of 3 March 2022, the CQC declared that they have not found evidence that they need to carry out an inspection or reassess their rating at this stage.

2.4.22 Ofsted inspected three children's homes during 2021. One was judged as 'Outstanding', one as 'Good' and one as 'Requires improvement to be good'.

2.4.23 The number of schools that are providing a good or better education as deemed by Ofsted has risen again from 87.3% to 89%, which has broadly in line with National and regional averages. This progress is something that the School Improvement Board and Council 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 Council for schools who were in an Ofsted window or who were vulnerable through data. Of the 6 schools (14 in 18-19 and 9 in 20-21) who are RI 2 out of 6 (33%) are academies or free schools which in turn lowers the percentage overall for the borough.

2.4.24 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.

3.4.25 As a system the Council is committed to providing the best possible outcomes for all Blackburn with Darwen children and young people through the raising of standards and the elimination of underperformance in our schools. We fundamentally believe that school leaders are the best people to meet this challenge and achieve our vision. Collective moral purpose, commitment to excellence and learning through partnership underpins our approach. With the introduction of the new Schools Inspection Framework in 2019-2020, with the enhanced focus on the curriculum, we radically revised our school intervention strategy and devised a new Strategy for "Schools which require additional

support". This is an identified area that the SIB will be monitoring, along with the new separate judgements for personal development and behaviour and attitudes to ensure a multi-agency approach.

2.4.26 Our planned audit 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 2021/22. 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 was restricted by the impact of the Covid-19 pandemic on the organisation in the early part of the year. 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 Leadership Team, the Council's senior managers and the Audit & Governance Committee, but remain decisions for the Head of Audit & Assurance. 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 line management responsibility for the Council Insurance team in addition to Audit & Assurance. However, internal audit staff had no direct operational responsibility or authority over any of the activities audited in 2021/22. I can therefore confirm the organisational independence of the Internal Audit activity.

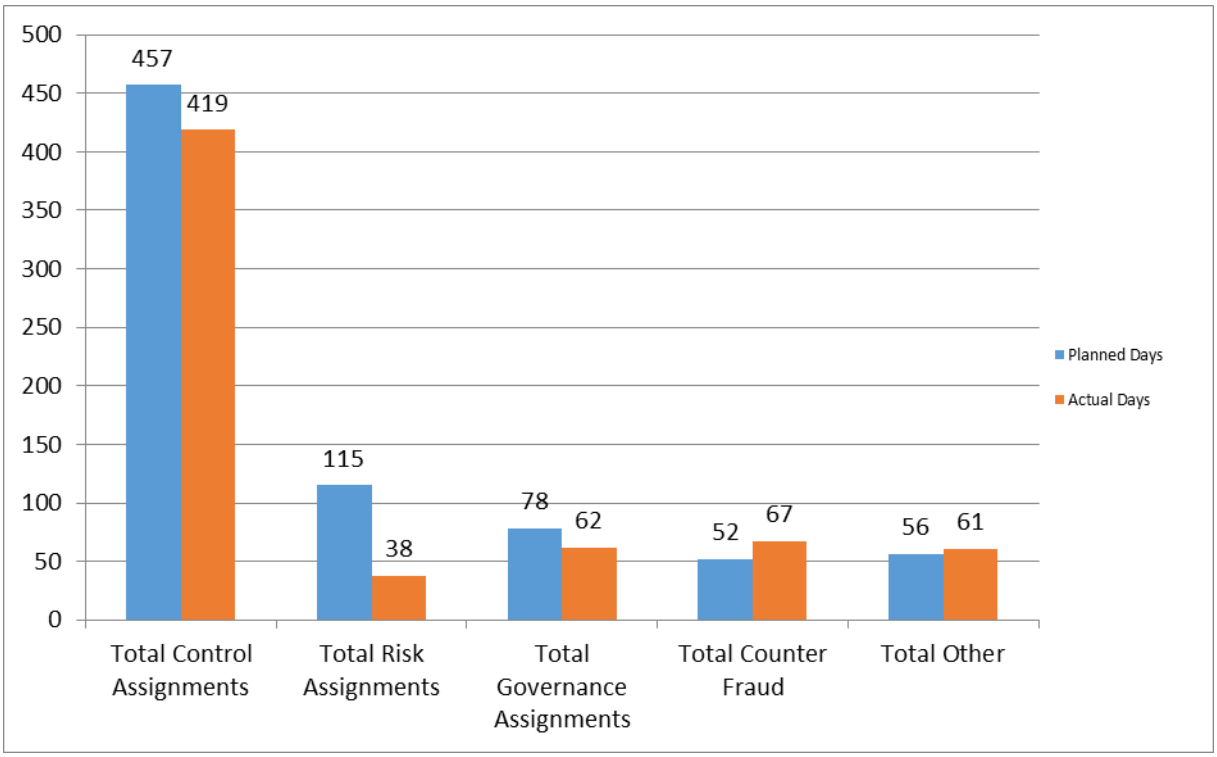
SECTION 3 – INTERNAL AUDIT PERFORMANCE/QUALITY ASSURANCE

3.1 Comparison of Actual and Planned Work

3.1.1 The Audit & Assurance Plan was approved by the Audit Committee on 30 March 2021. The Plan anticipated that Audit & Assurance would have staff resources amounting to 758 days for internal audit assignments and counter fraud work.

3.1.2 Internal Audit was able to deliver a total of 646 days (85%) against the approved Audit & Assurance Plan, which can be summarised as follows:

Audit & Assurance Plan Against Actual 2021/22 (Days Achieved)

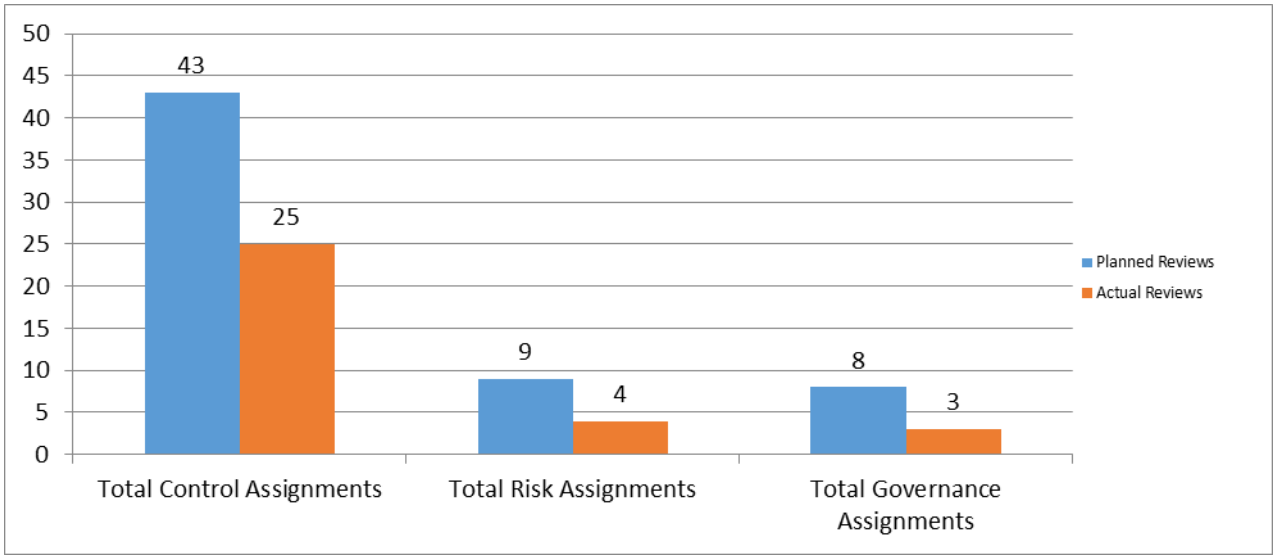


3.1.3 The shortfall in days during the year arose due to members of the team being redeployed to support the Council's response to the pandemic at the start of the year and the impact of a vacancy that occurred in the team, and the associated recruitment activity to fill the post. However, despite this 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 2021/22

3.2.1 Despite the reduction in the 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, 46% less than those originally planned (60). It should also be noted that 16 planned reviews were in progress at 31 March 2022.

Internal Audit Plan Against Actual 2021/22 (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 2021/22 Audit & Assurance Plan included eight Priority 1 audit assignments. All of these have been delivered in 2021/22, with the exception of the planed review of the Inspection Readiness audit for Children's services. This audit was postponed due to the Ofsted ILACS inspection that was carried out during the year.

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 2021/22 (together with the 2020/21 performance) is shown in the following table.

Internal Audit Performance 2021/22

Performance Measure	Target	Actual 2021/22	Actual 2020/21
Delivery of Priority 1 Audits	100%	87.5%	83%
Planned Audits Completed Within Budget.	90%	80%	67%
Final Reports Issued Within Deadline	90%	95%	100%
Follow Ups Undertaken Within Deadline	90%	92%	85%

Performance Measure	Target	Actual 2021/22	Actual 2020/21
Recommendations Implemented	90%	88%	95%
Client Satisfaction	75%	100%	100%
Compliance with PSIAS	95%	100%	99%

3.3.2 The actual performance against these targets was reported to each Audit Committee meeting during 2021/22. 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 sized authorities.

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 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 2021/22 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 Internal Auditors 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 the 138 elements (100%) of the Standards.

3.6.2 This analysis shows that the Council's Internal Audit function is conforming with the PSIAS requirements. Furthermore, during the year a peer review was carried out to assess the internal audit team against the PSIAS. Independent colleagues from the Lancashire Chief Auditors Group carried out the review. The results were reported to the Audit & Governance Committee in October. The overall judgement confirms that the Council's internal audit team (within Audit & Assurance) conforms with the requirements of the PSIAS across all areas of focus as follows:

Exhibit 11: PSIAS Summary Peer Review Assessment 2021/22

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 2026.

3.7 Improvement Plans for 2022/23

3.7.1 No significant observations were noted. A number of minor observations were made and six actions were identified for consideration to further improve the service, its status or impact, or the quality of the service provided. The relevant actions will be implemented over the next 12 months.

3.7.2 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 arising from the completed audit reviews 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.

Appendix A

Audit & Assurance Plan & Actual 2021/22

Audit Assignment	CLASSIFICATION	Priority	21/22 Plan Days	Actual Days	Assurance Opinion	
					Control	Compliance
Personalised budgets/Direct payments	Control	2	10	15	Adequate	Limited
Adults Social Care Income - Identification, Debt Management and	Control	3	10	0		
Disabled Facilities Grant	Control	3	10	0		
Commissioning/Contract Management	Control	2	15	0		
Audits of Schools Finance systems - General Planning	Control	3	12	9		
- St Stephens	Control	3	9	12	Adequate	Adequate
- Daisyfield	Control	3	9	12	Adequate	Adequate
- Holy Trinity	Control	3	9	14	Adequate	Adequate
- Turncroft	Control	3	9	13	Adequate	Limited
- Griffin Park	Control	3	9	13.5	Adequate	Adequate
- Meadowhead Infants	Control	3	9	12	Adequate	Adequate
- St Josephs RC	Control	3	9	15	Adequate	Limited
Finance Transactional Team	Control	3	10	1		
Adoptions - Regional contract	Control	3	10	1		
Section 17 Payments (2021/22 WIP)	Control	3	6	16.5		
Contract Monitoring (PH Contracts commissioned via CAPS)	Control	3	10	0		
KGH Arts Council Grant - Additional to plan	Control	1	4	10	N/A	N/A
Software licencing (2021/22 WIP)	Control	2	10	3		
NNDR	Control	2	15	0		
PC Inventory Controls	Control	3	10	0		
IT Device Management (2020/21 WIP)	Control	2	12	18	Substantial	Adequate
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5	5	N/A	N/A
Bus Subsidy Grant	Control	1	5	5	N/A	N/A
Local Discretionary CV-19 Grant Payments to Businesses	Control	1	10	12	Substantial	Adequate
Follow up implementation of agreed actions arising from EZE limited assurance review (2021/22 WIP)	Control	1	5	3		
Asset Management System - Corporate and Commercial Portfolio (WIP 2021/22)	Control	2	10	13.5		
Commercial Property Rental Management (2020/21 WIP)	Control	2	2	15.5	Substantial	Adequate
Planning enforcement (2021/22 WIP)	Control	2	3	6.5		
Markets (2020/21 WIP)	Control	3	1	2	Adequate	Adequate
Highways maintenance - procurement and contracting arrangements re highways external spend.	Control	2	15	18.5	Adequate	Adequate
HMO Licencing/Selective Licensing/ Housing Standards Inspection Arrangements	Control	3	5	0		
Police & Crime Commissioner Grant	Control	1	4	16	Adequate	Adequate
Budgetary Setting and Control / Failure to deliver a balanced budget and MTFS (2021/22 (WIP)	Control	1	5	4		
Protocol ICS System	Control	2	10	0		
Payroll - Core system/Failure of HR & payroll system incl staff & Mgr. self service.	Control	1	15	0		
Off payroll engagement (IR35) (2021/22 WIP)	Control	2	10	12		
Arrangements for appointing and paying Legal Counsel (2021/22 WIP)	Control	2	10	15		
RIPA processes	Control	2	10	0		
Resource Link System Replacement (2021/22 WIP)	Control	2	10	20	N/A	N/A
Service to schools	Control	3	10	0		
HR Contract Procurement and Management (2021/22 WIP)	Control	3	10	15		
Mileage payments/Staff Expenses (2020/21 WIP)	Control	2	1	3.5	Adequate	Limited
Transport Procurement/Fleet Management - implementing the fleet vehicle replacement programme.	Control	3	10	0		
Retail Hospitality & Leisure and SBR Grant Payments (2021/22 WIP)	Control	1	15	13.5		
Creditors/E-Procurement	Control	2	10	12.5	Adequate	Adequate
Main Accounting System - including account reconciliation's	Control	2	10	14	Substantial	Substantial
Income Recording & Collection (Sundry Debtors)	Control	2	15	18	Adequate	Adequate
Civica Asset management module	Control	3	10	0		
Treasury/Cash flow management/Major loss incurred regarding investment and/or borrowing.	Control	3	10	1		
Restart grant - Additional to plan	Control	1	6	15	Substantial	Substantial
Creditors (2020/21 WIP)	Control	2	1	2	Adequate	Adequate
Budget Setting and Monitoring (2020/21 WIP)	Control	1	7	11	Substantial	Substantial
Total 2021/22 Control Assignments (43)			**457**	**418.5**	**25 (43)**	
Audit Assignment	**CLASSIFICATION**	**Priority**	**21/22 Days**	**Actual Days**	**Assurance Opinion**	
					Control	**Compliance**
Transitional Arrangements : Children to Adult Care	Risk	2	10	0		
Client case management systems including Access Controls	Risk	2	15	0		
Homelessness/Supported Living/Housing Needs Cross Cutting review - Impact of Universal Credit	Risk	2	15	0		
Inspection Readiness - Preparedness for inspection of LA under the Children's Social Care Framework	Risk	1	10	1.5		
Building Control (2020/21 WIP)	Risk	3	1	5	Adequate	Adequate
Ofsted Inspection Framework (2020/21 WIP)	Risk	2	1	7	Substantial	Substantial
Educational Visits (WIP 2020/21)	Risk	2	5	5	Substantial	Adequate
Corporate Appointee (2020/21 WIP)	Risk	2	3	11	Substantial	Substantial
Failure to prevent data loss (Information Governance)/ Compliance with GDPR	Risk	2	10	0.5		
Equality Impact Assessments	Risk	3	10	0		
Property Statutory Inspection Processes	Risk	2	10	0		
Arrangements for inspection of highways and property retaining walls and structures supporting and/or adjacent to highway. (2021/22 WIP)	Risk	2	15	7		
Unable to complete statutory inspections on premises in the borough and not fulfilling statutory responsibilities. Public Protection	Risk	3	10	0.5		
Total 2021/22 Risk Assignments (9)			**115**	**37.5**	**4 (9)**	

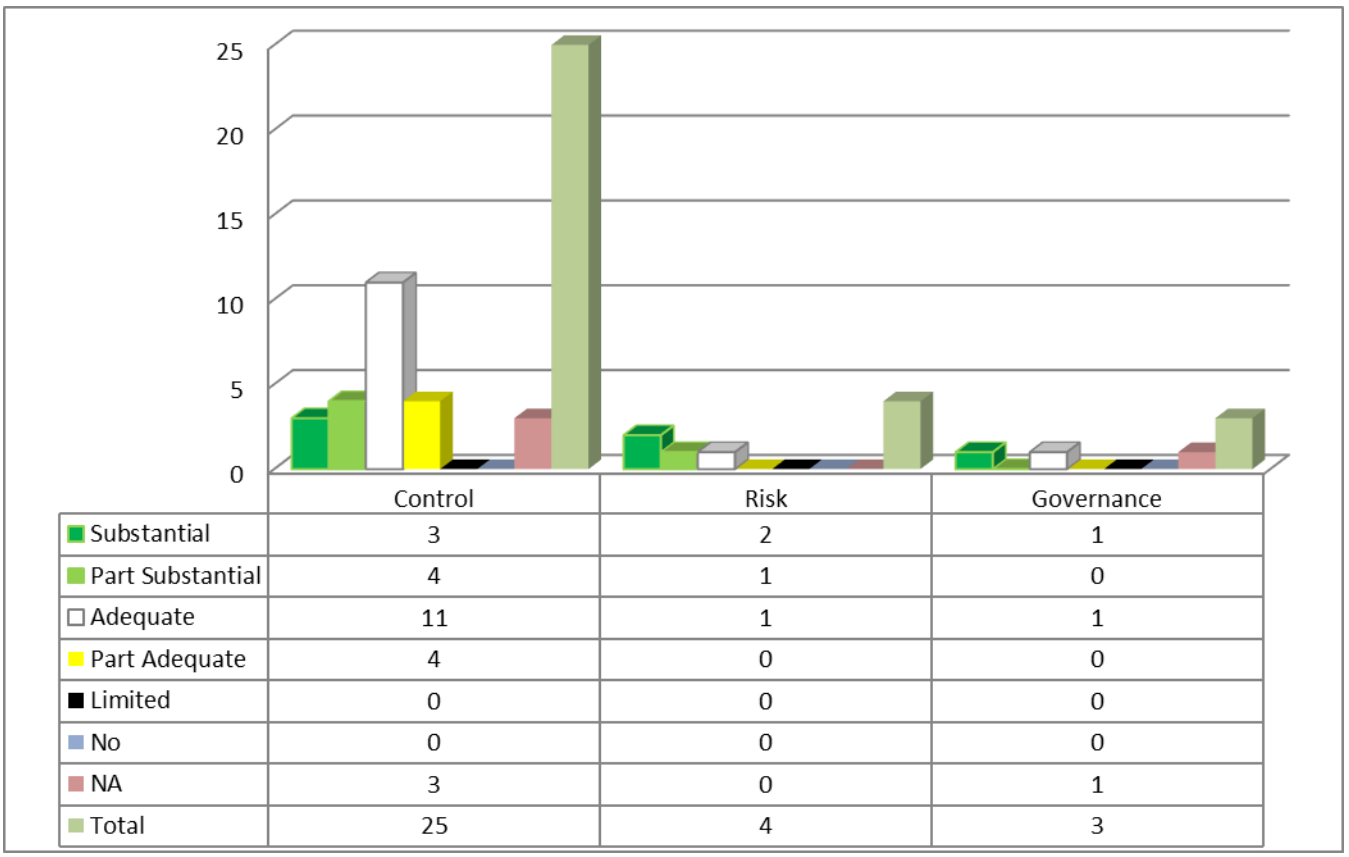
Audit Assignment	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Sports England Grant - Pennine Lancashire Pilot (2021/22 WIP)	Governance	1	10	8.5		
Elections	Governance	2	10	0		
Social Determinants of Health Fund/Public Health Internal Spend - Governance	Governance	2	10	0.5		
Use/management, monitoring and reporting of Covid 19 Grant Funding received (2021/22 WIP)	Governance	2	10	10	N/A	N/A
Partnership Scrutiny/Accountability	Governance	2	10	17	Substantial	Adequate
Town Fund (Darwen) and Other Grant Funding Projects	Governance	2	10	8	Substantial	Substantial
Corporate Governance, Ethical Framework, Scheme of Delegation and Departmental governance arrangements (2021/22 WIP)	Governance	2	10	4		
Governance Arrangements (2021/22 WIP)	Governance	1	8	13.5		
Total 2021/22 Governance Assignments (8)			**78**	**61.5**	**3 (8)**	
Grand Total			**650**	**517.5**		

Audit Assignment	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Other Audit Work						
Review of Financial Regulations, SFIs, etc.	Governance	2	2	2		
Follow up work	Governance	1	10	8		
Audit Committee	Governance	1	10	17		
Liaison with external audit	Other	1	2	2.5		
Audit Committee Annual Report/Evaluation	Governance	1	4	3		
HolA Annual Report	Governance	1	4	5		
PSIAS Peer Review		1	4	6		
A & A Client liaison/Queries	Other	2	10	12.0		
A & A Client liaison/DMT attendance	Other	2	5	0.5		
A & A Client liaison/Project Groups	Other	2	5	4.5		
Contingency (15 days included in approved plan - allocated to additiona to plan reveiws)	Other	2	0	0		
Total Other (11)			**56**	**60.50**	**0 (11)**	

	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Other Fraud Work						
National Fraud Initiative (NFI)	Governance	1	10	19		
Review of Counter Fraud Strategy	Control	1	4	4		
Counter Fraud Annual Plan/Report	Governance	1	2	2.5		
Proactive Fraud Testing	Governance	2	10	0		
Reactive investigations	Governance	2	20	39.5		
Review/Monitor Fraud Risk Register	Control	2	2	0		
Fraud awareness and whistle blowing initiatives	Control	2	4	2		
Total Internal Audit & Counter Fraud (7)			**52**	**67**	**0 (7)**	

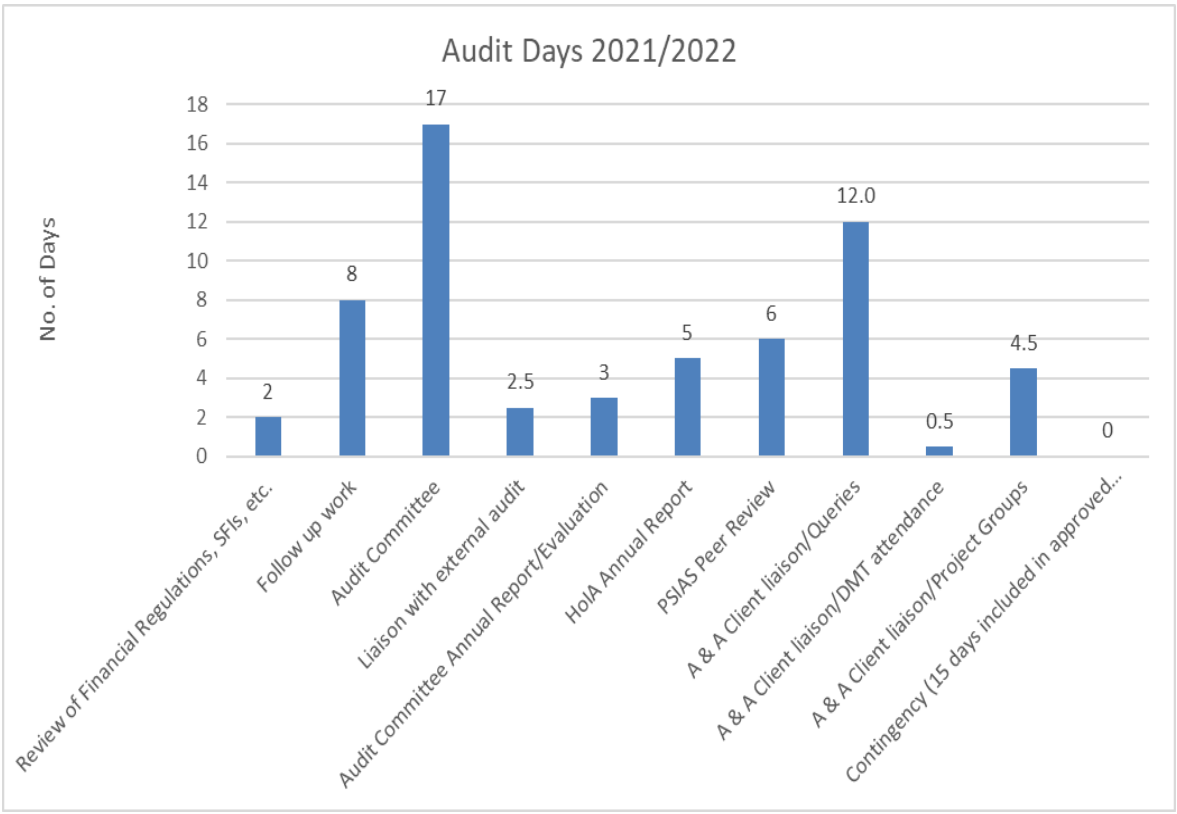
	CLASSIFICATION	Priority	21/22 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Other Risk and Governance Work						
Annual Gov Statement	Governance	1	10	28.5		
MAF Process Review	Governance	2	4	1		
MAF and MAF Challenges	Governance	1	10	16		
Risk Management Support	Risk	1	5	14		
Road Risk Mgmt Group	Risk	1	5	1.5		
Review/Monitor Corporate Risks	Risk	1	5	3		
Review Monitor Departmental Risks	Risk	1	10	3		
Business Continuity Champions Meetings	Risk	1	2	1		
Risk Annual Plan/Report	Risk	2	4	3.5		
Review of Risk Management Strategy and Arrangements - Additional to plan	Risk	1	5	12		
Total Risk and Governance Work (10)			**60**	**83.5**	**0 (10)**	
Total Time Spent			**818**	**728.5**		

Summary of Internal Audit Opinions 2021/22



	Control	Risk	Governance
Substantial	3	2	1
Part Substantial	4	1	0
Adequate	11	1	1
Part Adequate	4	0	0
Limited	0	0	0
No	0	0	0
NA	3	0	1
Total	25	4	3

Summary of Other/Unplanned Work 2021/22



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	Quarterly Progress and Annual Reports 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	HoIA 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	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