

Blackburn with Darwen Borough Council



Annual Internal Audit Opinion Report 2022/23

**Audit & Assurance
Finance Department
June 2023**

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SECTION 1 – BACKGROUND

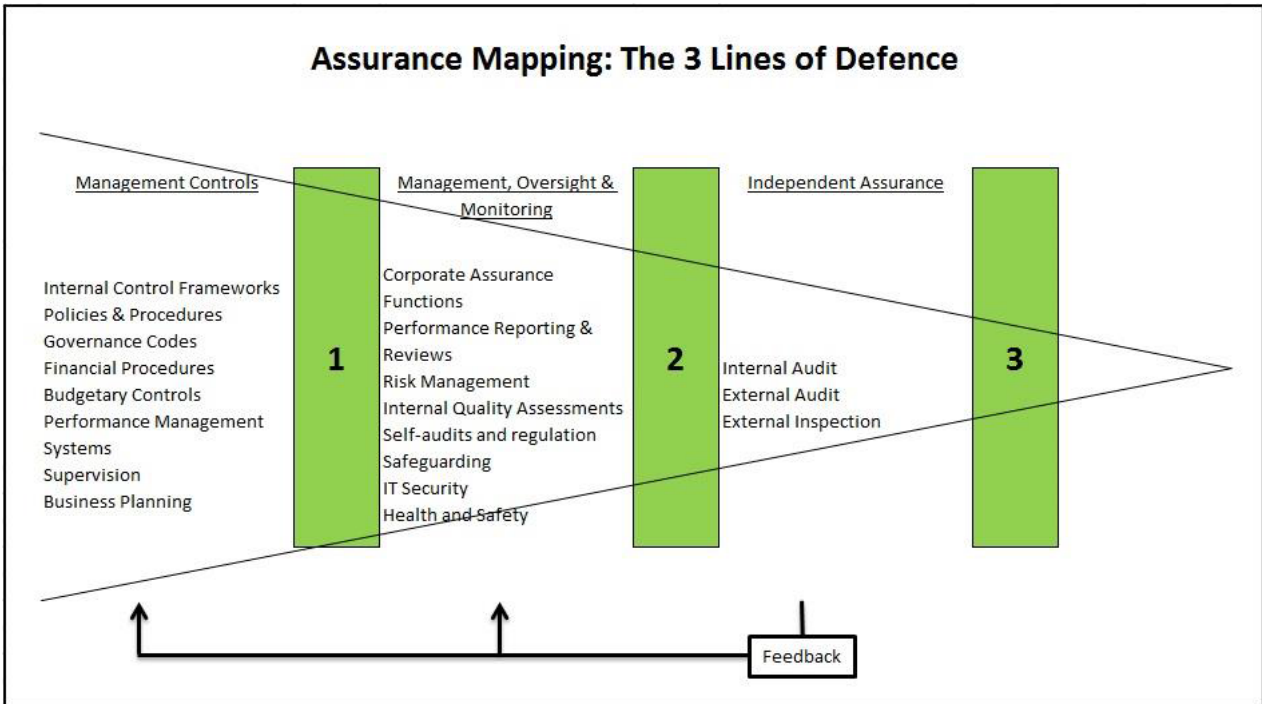
1.1 Introduction

- 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 2022 to 31 March 2023. 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.

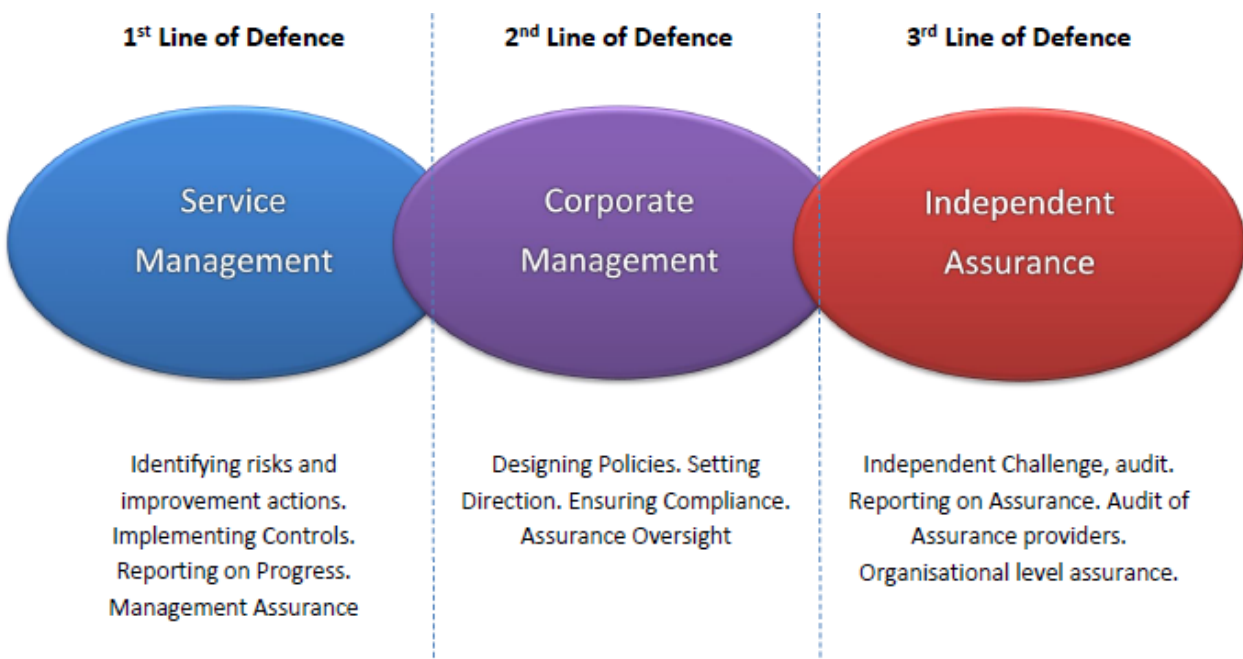
1.2 Role of Internal Audit

- 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 risk management model where management and management controls represent the first line of defence. It is management's responsibility to directly identify, assess, manage 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. This also includes those functions who provide the policies, procedures, frameworks, tools and support etc to enable risks and compliance to be managed in the first line. This can include monitoring processes to judge how effective the first line of defence are managing risks. This helps ensure consistency of definitions and measurement of risk. 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 and diagram below:



Risk assurance providers are also illustrated in the following:



- 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. We sit outside the risk management processes of the first two lines of defence. Our main roles are to ensure that the first two lines are operating effectively and advise how they could be improved. We provide an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control to those charged with governance and senior management.
- 1.2.5 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.
- 1.2.6 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 2022 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 2022/23;
 - Unplanned work undertaken during 2022/23;
 - Follow ups of audit work undertaken during 2021/22 and 2022/23; and
 - Other relevant sources of assurance during 2022/23.

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 2022/23, together with the other sources of assurance available to Internal Audit I consider that, overall, the Council has **adequately designed** systems of risk management, control and governance, which are being **operated effectively** overall.

- 2.2.1 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 results from the Management Accountabilities Framework (MAF) reporting arrangements and challenge process, Strategic and Assistant 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 2022/23 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 control 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 2022/23 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 2023 at its meeting on 29 March 2022.
- 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 50 assignments including 35 internal control, 10 risk related, and 4 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 11 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 53 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.

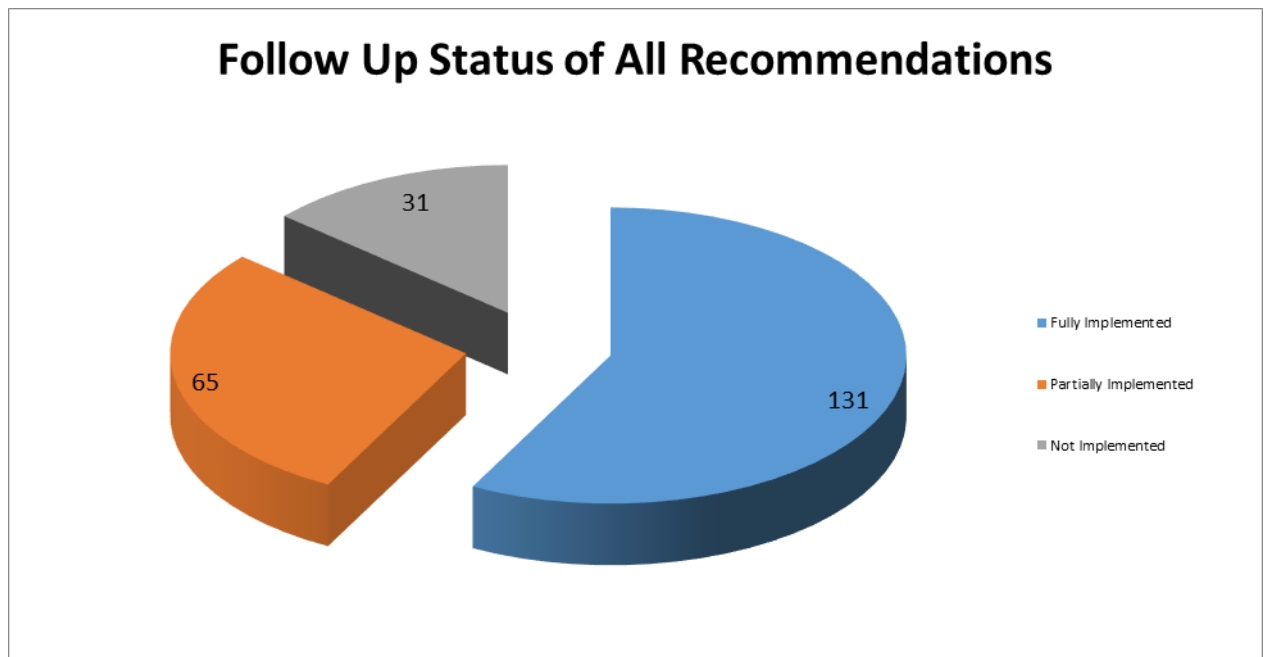
2.4.5 Our other/unplanned work includes the following areas:

- Supporting the Audit & Governance Committee (15 days);
- Annual Reporting (11 days);
- Liaison with departments/DMTs, external audit and responding to general requests from managers for advice/guidance (16 days);
- Specific activity on new systems and programmes or other cross cutting working groups and boards (8 days); and
- Monitoring the implementation of reported recommendations (5 days).

Follow Ups:

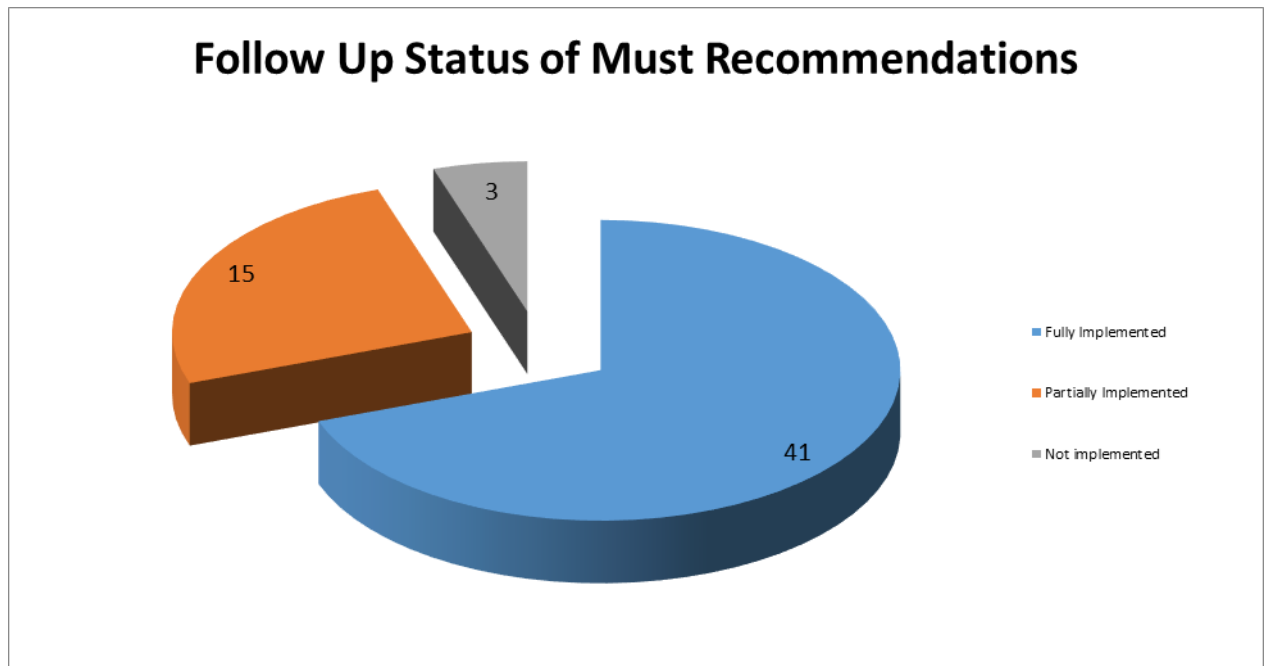
2.4.6 Where we issue a *limited* or *no* assurance report we undertake “standard” follow-ups after 3 months. For all other assurance reports, we undertake a “standard” follow up after 6 months. In 2022/23, we followed up 227 recommendations. These comprised of 59 “Must”, 149 “Should” and 19 “Consider” recommendations. The responses to the follow up reports are summarised in the chart below.

Follow Up Status of All Recommendations 2022/2023



2.4.7 Further analysis of the highest priority, “must” recommendations, identified that there were three 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 2022/2023



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 Strategic and Assistant Directors’ assurance certificates.
- The external auditor’s Annual Report for the year ended 31 March 2021 considered by the Audit & Governance Committee at its meeting in June 2022.
- In January 2023, 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 of the Council’s submission for the NHS Data Security & Protection Toolkit (DSPT) in February 2023. 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. 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 will be reported to the June Committee meeting. However no significant issues have been noted that would impact on the overall opinion.

- 2.4.11 The Strategic and Assistant 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. The directors all confirmed that they were satisfied that "a sound system of governance was in place throughout the year ended 31 March 2023 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 provided their Audit progress Report to the March 2023 Audit & Governance meeting. They noted that their work on the 2021/22 financial statements was progressing well and there were no significant matters arising from their work to bring to the Committee's attention at that stage. 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 The external auditors review of the Council's value for money arrangements did not identify any significant weaknesses in arrangements to secure financial sustainability at the Council. Their work on both business as usual and adapted structures for the 2020/21 financial year did not identify any significant weaknesses in the arrangements in place.
- 2.4.14 An Internal IT Health Check was carried out in September 2022. The primary purpose was to provide an overview of the Council's security posture, 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 overall security posture of the Council's internal network was acceptable, though there were several areas with possible room for improvement.
 - The posture of the servers provided by the Council for review were good. The anti-virus solution in place on the Windows servers was up-to-date and there was a patching policy to match.
 - The security configuration of workstations was generally good. Patching was up-to-date and strong web filtering was encountered. Overall, the security was adequate and no recent privilege escalation techniques were found to be exploitable on the machines
 - No administrative accounts were compromised through password cracking which highlights the good password practice implemented on administrative accounts.
 - A review of two wireless networks was performed. Overall, the Wi-Fi security was of a good standard..
 - Mobile devices were found to need a minimum of 8 numeric passcodes, which is a best practice. However, it is also recommended to change from Numeric passcodes to Alphanumeric passphrases. Rooted devices were not allowed and encryption at rest was required, however no minimum version of

operating system was set and as such older, unsupported and potentially vulnerable mobile phone operating systems may present a risk to the security of the council should they be compromised.

- The report included recommendations for remediation of the issues identified from the review.

- 2.4.15 An external IT Health check of the Council's ICT perimeter network was carried out in September 2022. This included 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 security posture of the Council's external network perimeter was of an excellent standard. No critical and high risk severity vulnerabilities were identified within the assessment window. A review of email validation records was performed to assess them against best practices and ensure the applied configuration behaved in the intended manner. Overall, the records were all found to be in place and the configuration of them was excellent. A review of Council's Internal and Perimeter Firewall configurations was conducted to ensure that it met current industry good practices. While the firewalls were noted as being effective in protecting the internal and external network there were a few areas of concern that could be addressed in order to improve the security posture and management of the firewalls even further.
- 2.4.16 The Public Services Network (PSN) compliance of Council's ICT network was re-confirmed during the year for the period 15 January 2022 to 15 January 2023.
- 2.4.17 The Council's evidence submission for the 2022/23 NHS Data DSPT was submitted in February 2023. The submission was accepted as 'standards met' and certification was awarded. 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.
- 2.4.18 Zurich Cyber Risk consultants completed a Cybersecurity Health Check during the year. The overall cyber risk grading score indicated that the Council's present setup and cyber controls were fair but close to the poor zone. The score was neither better nor poorer than other councils in UK which Zurich have assessed, being in the 50th percentile.
- 2.4.19 Ofsted inspected two children's homes during 2022/23. One was judged as 'Outstanding' overall and the other was assessed as 'inadequate, and was subsequently closed. Two Children's centres were also inspected. The overall judgement for one was 'outstanding and the other as judged as being 'Good'
- 2.4.20 The percentage of schools in Blackburn with Darwen that are providing a good or better education by Ofsted is 87.5% which is broadly in line with national and regional averages (Ofsted reported a rise of 2% in at the end of February 2023 to 88%). This progress is something that the School Effectiveness Team and Local Authority want to sustain. In Blackburn with Darwen there are 11 schools graded outstanding whilst 59 are graded good. This year, 19 out of our 72 schools have received either a graded or ungraded inspection. Of the 9 schools who are Requiring Improvement 2 (22%) are academies or free schools, this in turn lowers the percentage overall across the borough.
- 2.4.21 Ofsted inspectors judge schools on categories including the quality of education, behaviour and attitudes, personal development and the effectiveness of the leadership and management on pupils' achievements. Schools identified by Ofsted as requiring improvement are re-inspected again within 30 months, while

those deemed good or outstanding are usually reviewed again once every four years.

- 2.4.22 The emphasis of school improvement in Blackburn with Darwen continues to be through a school-led system supported by partners and built around schools working collaboratively together. The model strategy was developed in 2015 and has evolved and matured. Last year, the decision was taken to undergo a full review in light of the proposals set out in the Government's 2022 White Paper. To do this, an independent nationally recognised educational consultant was commissioned. The full review, has been shared with stakeholders and partners, and highlighted that schools in our area remain strong due to the genuine commitment to work together on joint priorities that are identified collectively. The review also reinforced that schools continue to remain strong through the sharing of expertise and targeted support. Our local authority school effectiveness team provide robust challenge and support to schools in the Ofsted window and/or who are identified as vulnerable due to attainment or progress data, through the 'Schools which require additional support' intervention strategy which involves full multi-agency engagement.
- 2.4.23 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 2022/23. 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 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.
- 2.5.3 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 2022/23. I can therefore confirm the organisational independence of the Internal Audit activity.

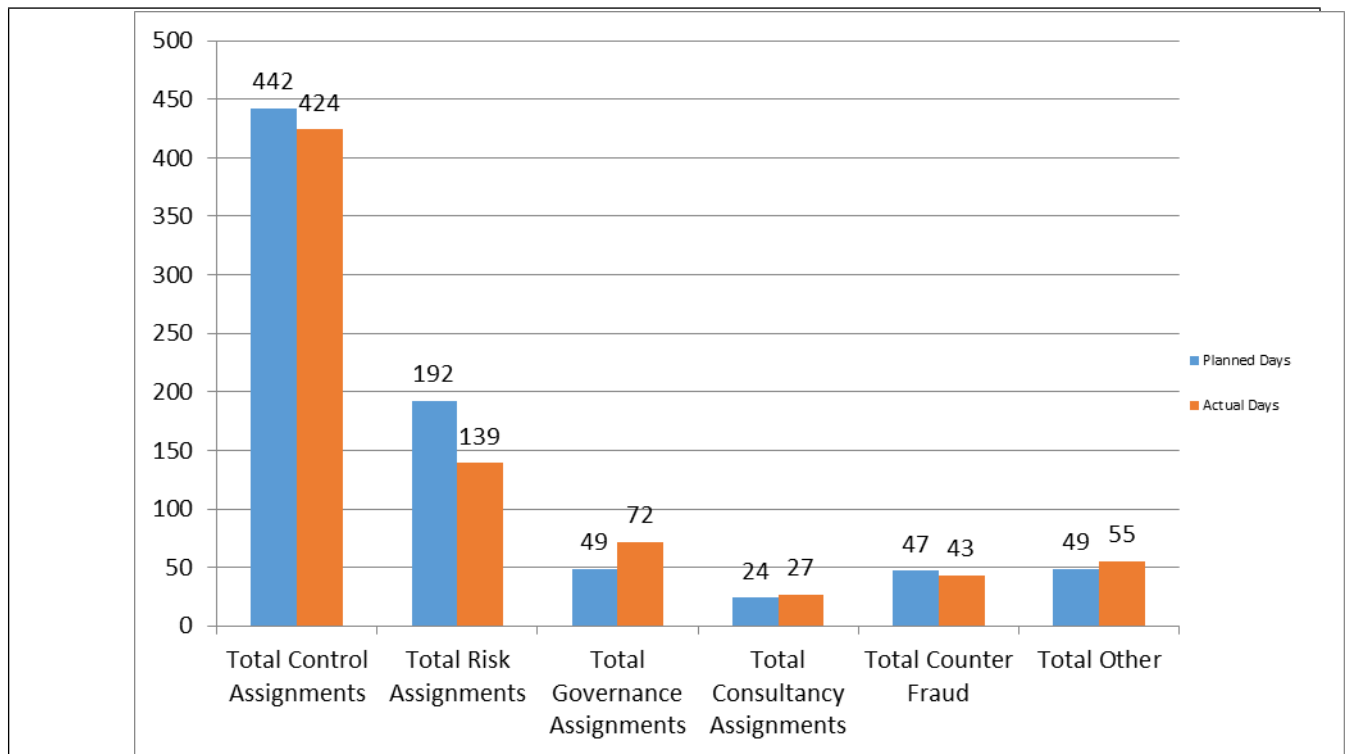
SECTION 3 – INTERNAL AUDIT PERFORMANCE/QUALITY ASSURANCE

3.1 Comparison of Actual and Planned Work

3.1.1 The Audit & Assurance Plan was approved by the Audit Committee on 29 March 2022. The Plan anticipated that Audit & Assurance would have staff resources amounting to 803 days for internal audit assignments and counter fraud work.

3.1.2 Internal Audit was able to deliver a total of 760 days (95%) against the approved Audit & Assurance Plan, which can be summarised as follows:

Audit & Assurance Plan Against Actual 2022/23 (Days Achieved)

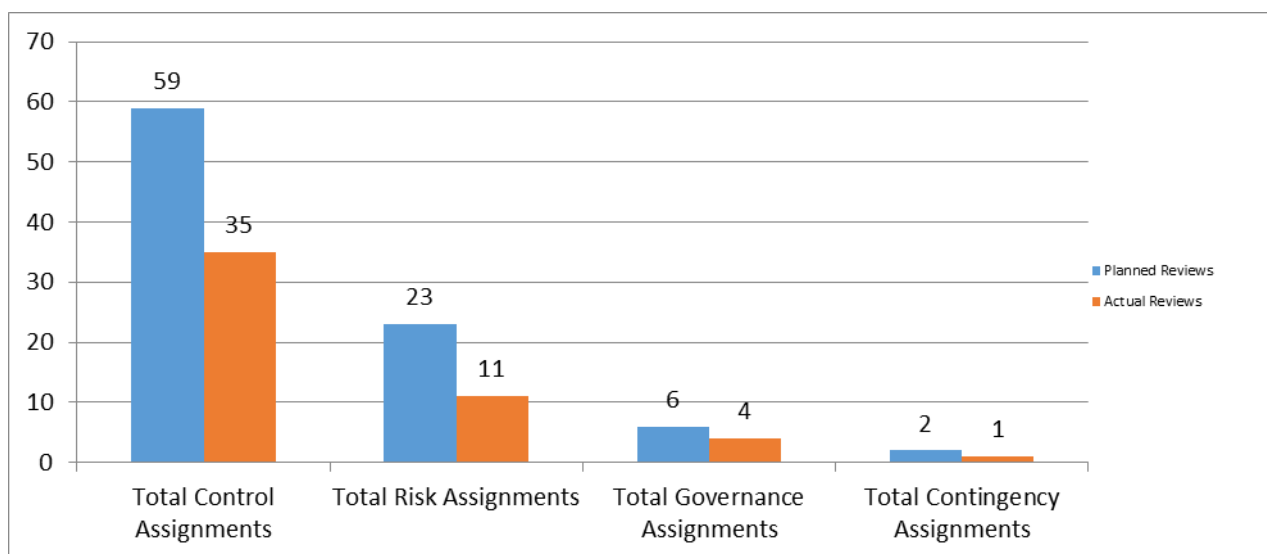


3.1.3 The shortfall in days during the year arose due to additional time members of the team provided to the Insurance team for support for the insurance tender and claims management processes, whilst covering for maternity absence, and for the reciprocal arrangement with Lancashire Chief Internal Auditors to carry out the peer review of the Burnley Borough Council internal audit service. 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 2022/23

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 51 assignments, 20% less than those originally planned (64). It should also be noted that 11 planned reviews were in progress at 31 March 2023.

Internal Audit Plan Against Actual 2022/23 (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 2022/23 Audit & Assurance Plan included six Priority 1 audit assignments, excluding grant certification audits. All of these have been delivered in 2022/23, with the exception of the planned reviews of the Inspection Readiness and Local Authority Improvement Plan audits for Children’s services, which were in progress at the year end.

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 2022/23 (together with the 2021/22 performance) is shown in the following table.

Internal Audit Performance 2022/23

Performance Measure	Target	Actual 2022/23	Actual 2021/22
Delivery of Priority 1 Audits	100%	87.5%	87.5%
Planned Audits Completed Within Budget.	90%	57%	80%
Final Reports Issued Within Deadline	90%	100%	95%
Follow Ups Undertaken Within Deadline	90%	95%	92%

Performance Measure	Target	Actual 2022/23	Actual 2021/22
Recommendations Implemented	90%	92%	88%
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 2022/23. Explanations were also provided where our performance did not meet the expected target.

3.4 Quality Assurance

3.4.1 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.

3.4.2 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.

3.4.3 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.

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

3.5.1 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.

3.5.2 This analysis shows that the Council's Internal Audit function is conforming with the PSIAS requirements. Furthermore, during 2021 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 2021. 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	

3.5.3 The next peer review of the internal audit team's compliance with the PSIAS requirements is planned for July 2026.

3.6 Improvement Plans for 2023/24

3.6.1 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 have been implemented during 2022/23.

3.6.2 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

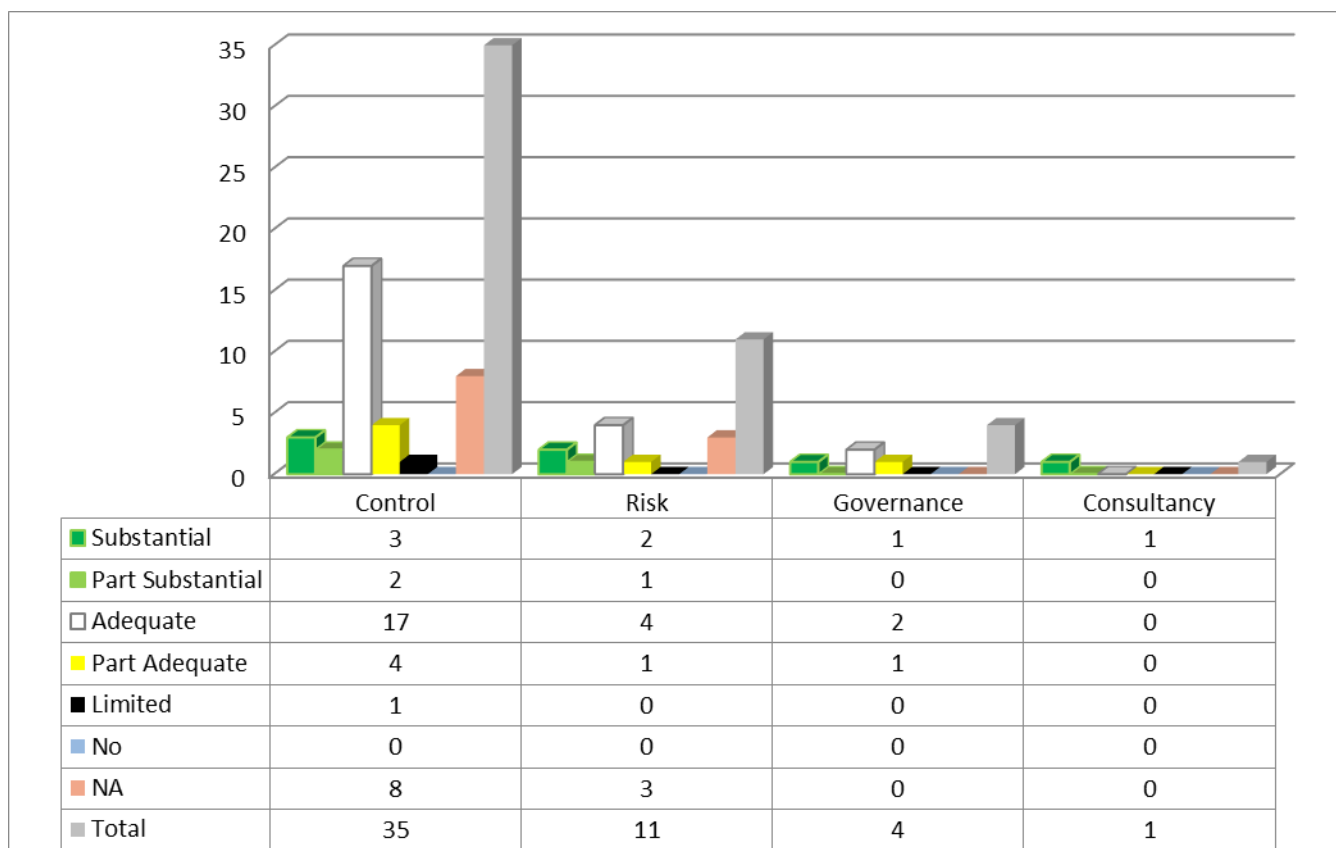
In my opinion, none of the qualifications arising from the completed audit reviews that inform the annual internal audit opinion constitutes a material weakness in the Council's overall governance framework that requires disclosure in the Annual Governance Statement.

Audit & Assurance Plan & Actual 2022/23

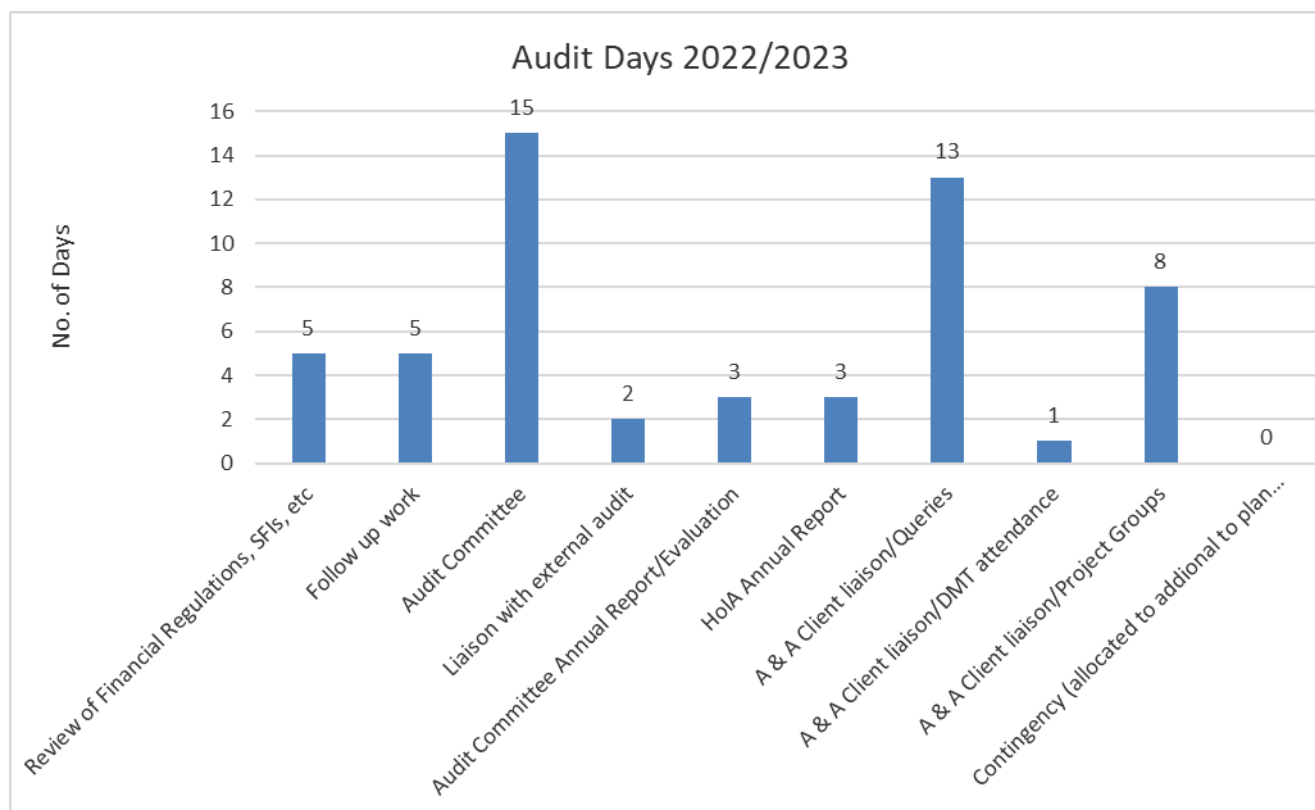
Audit Assignment	CLASSIFICATION	Priority	22/23 Plan Days	Actual Days	Assurance Opinion	
					Control	Compliance
CCTV Provision (Deferred to 2023/24)	Control	2	10	1		
Reablement Service (Deferred to 2023/24)	Control	3	10	1		
Transitional Arrangements : Children to Adult Care (deferred to 2023/24)	Control	2	5	0		
Protocol ICS System	Control	2	10	17	Adequate	Adequate
Commissioning Panel Arrangements - Identification and collection of Health contributions (deferred to 2023/24)	Control	2	10	0		
Children's Centres	Control	3	10	11	Adequate	Adequate
Audits of Schools Finance systems:	Control	3	12	11		
- Lower Darwen Primary School	Control	3	6	17	Limited	Limited
- Longshaw Infants School	Control	3	6	12	Adequate	Adequate
- Audley Infants School	Control	3	6	12	Adequate	Adequate
- St Edwards RC Primary School	Control	3	6	12	Limited	Adequate
- Lammack Primary School (Deferred to 2023/24)	Control	3	6	1		
- St Gabriel's CE Primary School	Control	3	6	11	Adequate	Adequate
- St James' CE Primary School (Lower Darwen) (WIP 2022/23)	Control	3	6	10		
- St Michael and St John CE Primary School	Control	3	6	10	Adequate	Adequate
Contract Monitoring (PH Contracts commissioned via CAPS) (WIP 2022/23)	Control	2	10	9		
Adult Weight Management Services Grant (additional to plan)	Control	1	2	2	N/A	N/A
Implementation of MIAA Audit Findings (Deferred to 2023/24)	Control	2	10	2		
Software licencing	Control	2	10	12	Limited	Adequate
Performance Indicators/Data Quality (WIP 2022/23)	Control	3	10	14		
Asset Management System (Deferred to 2023/24)	Control	2	10	2		
Local Transport Capital Funding/LTP Grant Certification Requirement	Control	1	5	6	N/A	N/A
Bus Subsidy Grant	Control	1	5	6	N/A	N/A
Protect & Vaccinate (Additional to plan)	Control	3	0	5	Substantial	Substantial
Fleet Procurement	Control	3	10	12	Adequate	Adequate
Property Services - Services to Schools (WIP 2022/23)	Control	3	10	3		
Property Services - Use of Design Consultants (WIP 2022/23)	Control	3	10	3		
Museums Collections Recording System (Deferred to 2023/24)	Control	3	10	1		
Payroll - Core system	Control	1	15	18	Adequate	Adequate
iTrent Implementation	Control	1	5	26	Adequate	Limited
Service to schools (Deferred to 2023/24)	Control	2	10	2		
RIPA processes (WIP 2022/23)	Control	2	10	18		
Members Allowances and Induction	Control	3	10	12	Adequate	Adequate
Legal Case Management	Control	3	10	11	Adequate	Adequate
Budgetary Setting and Control	Control	1	10	10	Substantial	Adequate
Main Accounting System - including account reconciliation's Control and suspense account reconciliation processes	Control	1	6	14	N/A	N/A
Reconciliations - Quarter 2	Control	1	1.5	1	N/A	N/A
Reconciliations - Quarter 3 (WIP 2022/23)	Control	1	1.5	2		
Reconciliations - Quarter 4	Control	1	1.5	0		
Council Tax (WIP 2022/23)	Control	2	15	9		
Council Tax Rebate - Support with energy costs	Control	2	10	8	Adequate	Adequate
NNDR	Control	2	15	16	Substantial	Substantial
Housing Benefits	Control	2	15	19	Substantial	Substantial
Capital Programme/Budget - Monitoring and Reporting (Deferred to 2023/24)	Control	2	10	0		
Treasury/Cash flow management/Major loss incurred regarding investment and/or borrowing. (Deferred to 2023/24)	Control	3	10	0		
Civica Asset management module	Control	3	10	0		
Disposal of land	Control	3	5	6	Adequate	N/A
Use/management, monitoring and reporting of Covid 19 Grant Funding received	Control	1	15	7	N/A	N/A
Follow up of Actions re East Z East Lease (WIP 2021/22)	Control	1	2	5	N/A	N/A
Asset Management System (WIP 2021/22)	Control	2	2	6	Adequate	Limited
Retail Hospitality & Leisure & SBR Grant (WIP 2021/22)	Control	1	2	4	Adequate	Adequate
Off Payroll Engagement (IR35) (WIP 2021/22)	Control	2	2	2	Adequate	Adequate
Legal Counsel - Appointing and paying (WIP 2021/22)	Control	2	0.5	1	Adequate	Adequate
HR Contract Procurement and Management (WIP 2021/22)	Control	3	2	4	Adequate	Adequate
Planning Enforcement - GP51 (WIP 2021/22)	Control	3	2	10	Adequate	Adequate
Governance Arrangements - HR45 (WIP 2021/22)	Control	2	1	4	Substantial	Adequate
COVID 19 Grant Funding - Protect and Vaccinate (WIP 2021/22)	Control	2	1	4	N/A	N/A
Safeguarding the most vulnerable	Control	2	10	0		
Adults Contracts and Commissioning incl Private Care Home Contract Payments (2022/23 WIP)	Control	2	15	2		
Total 2022/23 Control Assignments (57)			442	424		35 (59)
Audit Assignment	CLASSIFICATION	Priority	22/23 Days	Actual Days	Assurance Opinion	
					Control	Compliance
Transitional Arrangements : Children to Adult Care (Deferred to 2023/24)	Risk	2	5	0		
Client case management systems including Access Controls	Risk	2	10	12	Substantial	Substantial
Local Authority Improvement Plan (WIP 2022/23)	Risk	1	10	9		
Inspection Readiness (WIP 2022/23)	Risk	1	10	7		
Universal Drug Grant Certification (additional to plan)	Risk	1	2	2	N/A	N/A
Covid Test & Trace Certification (additional to plan)	Risk	1	0	5	N/A	N/A
Failure to prevent data loss (Information Governance)/ Compliance with GDPR (Deferred to 2023/24)	Risk	2	10	0		
Business Continuity/Disaster Recovery	Risk	2	10	11	Adequate	Limited
Digital Customer Portal. (Deferred to 2023/24)	Risk	2	10	1		
Environment Strategy/ Climate Change Strategy//Carbon Management (Deferred to 2023/24)	Risk	2	10	1		

Audit Assignment	CLASSIFICATION	Priority	22/23 Plan Days	Actual Days	Assurance Opinion	
Failure to adequately inspect and maintain highways. Deterioration of the highways network in particular road surfaces. Failure to repair highways defects and street lighting faults on time	Risk	2	10	10	Adequate	Adequate
Poor standard of privately run Homes of Multiple Occupancy (WIP 2022/23)	Risk	2	15	17		
Fleet Management	Risk	3	10	13	Adequate	Adequate
Fuel Discrepancy and Finance Recharges (additional to plan)	Risk	1	3	5	N/A	N/A
Health & Safety - Failure to comply with H&S legislation & Council standards (Deferred to 2023/24)	Risk	2	10	1		
Information Sharing Protocols (Deferred to 2023/24)	Risk	2	10	1		
New CIPFA Financial Mgmt Code and VFM Assessments	Risk	2	10	10	Substantial	Adequate
Budget Setting (WIP 2021/22)	Risk	1	8	11	Substantial	Substantial
Highways Inspection - Walls and Structures (WIP 2021/22)	Risk	2	7	10	Adequate	Adequate
Section 17 Payments - CE04 (WIP 2021/22)	Risk	3	2	13	Adequate	Adequate
Demand for specialist placements	Risk	2	10	0		
Safeguarding/Safeguarding Board (Deferred to 2023/24)	Risk	2	10	0		
Failure to meet the requirements of the Children & Families Act in relation to SEND	Risk	2	10	0		
Total 2022/23 Risk Assignments (22)			192	139	11 (23)	
Audit Assignment	CLASSIFICATION	Priority	22/23 Days	Actual Days	Assurance Opinion	
Children's Disabled Facilities Grant (DFG)	Governance	3	10	12	Control	Compliance
Fostering	Governance	2	10	26	Adequate	Adequate
Internal Public Health Spend/Social Determinants of Health Fund - Governance (Deferred to 2023/24)	Governance	2	10	0		
Town Fund (Darwen £25m plus BwD and others) and Other Grant Funding Projects (Deferred to 2023/24)	Governance	2	10	2		
Sports England Grant - Penine Lancashire (WIP 2021/22)	Governance	1	3	20	Substantial	Substantial
Corporate Governance, Ethical Framework (WIP 2021/22)	Governance	2	5.5	12	Adequate	Limited
Total 2022/23 Governance Assignments (6)			48.5	72	4 (6)	
Audit Assignment	CLASSIFICATION	Priority	22/23 Days	Actual Days	Assurance Opinion	
Failure to mobilise 0-19 Healthy Child Programme Services	Consultancy	A	4	2	Control	Compliance
Value for money audit	Consultancy	A*	20	25	Substantial	Substantial
Total 2022/23 Consultancy Assignments (2)			24	27	1 (2)	
Grand Total			706.5	662		
Audit Assignment	CLASSIFICATION	Priority	22/23 Days	Actual Days	Assurance Opinion	
Other Audit Work					Control	Compliance
Review of Financial Regulations, SFIs, etc	Governance	2	3	5		
Follow up work	Governance	1	10	5		
Audit Committee	Governance	1	10	15		
Liaison with external audit	Other	1	2	2		
Audit Committee Annual Report/Evaluation	Governance	1	4	3		
HoIA Annual Report	Governance	1	4	3		
A & A Client liaison/Queries	Other	2	10	13		
A & A Client liaison/DMT attendance	Other	2	2	1		
A & A Client liaison/Project Groups	Other	2	4	8		
Contingency (allocated to additional to plan reviews)		2	0	0		
Total Other (11)			49	55	0 (11)	
Audit Assignment	CLASSIFICATION	Priority	22/23 Days	Actual Days	Assurance Opinion	
Other Fraud Work					Control	Compliance
National Fraud Initiative (NFI)	Control	1	10	18		
Review of Counter Fraud Strategy	Control	1	3	3		
Counter Fraud Annual Plan/Report	Control	1	3	2		
Proactive Fraud Testing	Governance	2	10	0		
Reactive investigations	Governance	2	15	20		
Review/Monitor Fraud Risk Register	Control	2	4	0		
Fraud awareness and whistle blowing initiatives	Control	2	2	0		
Total Internal Audit & Counter Fraud (7)			47	43	0 (7)	
Audit Assignment	CLASSIFICATION	Priority	22/23 Days	Actual Days	Assurance Opinion	
Other Risk and Governance Work					Control	Compliance
Annual Gov Statement	Governance	1	10	13		
MAF and MAF Challenges	Governance	1	10	20		
Risk Management Support	Risk	1	5	6		
Road Risk Mgmt Group	Risk	1	4	1		
Review/Monitor Corporate Risks	Risk	1	5	2		
Review Monitor Departmental Risks	Risk	1	8	10		
Business Continuity Champions Meetings	Risk	1	2	2		
Risk Annual Plan/Report	Governance	2	4	3		
Total Risk and Governance Work (8)			48	57	0 (8)	
Total Time Spent			850.5	817		

Summary of Internal Audit Opinions 2022/23



Summary of Other/Unplanned Work 2022/23



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	HolA 121s and Finance & Resources 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 & Resources DMT
Appraisal of auditors including objective/target setting against agreed skills & competencies.	Annual	Head of Audit & Assurance/ Principal Internal Auditors	Finance & Resources 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