

For publication

INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2018/2019

Meeting: Standards and Audit Committee

Date: 17th July 2019

Cabinet portfolio: Governance

Report by: Internal Audit Consortium Manager

For publication

1.0 Purpose of report

1.1 The purpose of this report is to:-

- Present a summary of the internal work undertaken during 2018/19 from which the opinion on the internal control environment is derived.
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement.
- Compare work actually undertaken with that which was planned and summarise performance.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS).

- Comment on the results of the internal quality assurance programme.
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter.

2.0 Recommendation

- 2.1 That the Internal Audit Consortium Annual Report for 2018/19 be accepted.

3.0 Report details

SUMMARY OF WORK UNDERTAKEN

- 3.1 Appendix A details the audit reports issued in respect of audits included in the 2018/19 internal audit plan. The appendix shows for each report the overall assurance level provided on the reliability of the internal controls and the assurance level given at the last audit. The report opinions can be summarised as follows:

Assurance Level	2017/18 Number	2018/19 Number	2018/19 %
Substantial	7	11	36
Reasonable	16	14	45
Limited	10	5	16
Inadequate	2	1	3
Total	35	31	100

- 3.2 A definition of the above assurance levels is shown in Appendix A.

3.3 There were no issues relating to fraud arising from the reports detailed in Appendix A.

3.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2018/19		2019/20
	Plan	Actual	Plan
Cost per Audit Day	£287	£256	£285
Percentage of Plan Completed (CBC)	96%	97%	96%
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	2.1	8.0
Customer Satisfaction Score (CBC)	85%	94%	85%
To issue internal audit reports within 10 days of the close out meeting (CBC)	90%	100%	90%
Number/proportion of audits completed within time allocation (CBC)	80%	79%	80%
% 2017/18 Agreed recommendations implemented (CBC) as at end March 19	80%	No longer calculable as audit recommendations in some areas have been built in to wider action plans	
Quarterly reporting to Standards and Audit Committee	100%	100%	100%

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

3.5 The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

- 3.6 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2018/19.
- 3.7 Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.
- 3.8 Overall, 81% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.
- 3.9 There were 5 Limited Assurance reports issued during the year and 1 Inadequate Assurance report (careline, OSD property safety inspections, outdoor facilities, laptops and other removable media, sickness absence management and Rufford Close new build project), where only limited assurance on the reliability of internal controls can be given. Management have agreed the recommendations made and have either implemented them or are actively working towards implementing them.
- 3.10 Previous areas of weakness identified such as Health and Safety, ICT and Procurement are being addressed through longer term improvement plans and programmes.
- 3.11 Performance management procedures are in place to ensure that CMT receive regular reports in relation to outstanding audit recommendations in order that appropriate action can be taken.

3.12 The Standards and Audit Committee also receive a 6 monthly report in relation to outstanding audit recommendations. Where a limited or inadequate assurance audit report is issued, managers are also required to attend the Standards and Audit Committee to discuss progress and to provide assurance that recommendations are being implemented in a timely fashion.

3.13 In addition to the issues highlighted by internal audit Members should also be aware of other high risk areas that are highlighted within the Council's Corporate Risk Register. In particular:-

- Having a sustainable financial plan;
- Managing change effectively to deliver the required transformational changes and savings
- Workforce – ensuring the council has the right skills and capacity
- Investment and development of the ICT infrastructure
- Provision of social housing
- Emergency planning and business continuity arrangements
- The full impact of BREXIT is also unknown and may lead to further risks for the Council.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

3.14 The internal control issues arising from audits completed in the year have been considered during the preparation of the Annual Governance Statement. The issues surrounding budget and non-housing property repairs have been raised as significant governance issues within the annual governance statement. A recurring theme throughout audits was also in relation to workforce

capacity and capability and this too has been highlighted as a significant issue.

- 3.15 Other previous significant issues such as procurement, ICT and health and safety have been discussed with the Corporate Management Team and the Standards and Audit Committee. Action plans for these areas are in place and being monitored so whilst not fully resolved substantial progress has been made. These items are therefore not included within the Annual Governance Statement but are within the Annual Governance Statement action plan.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 3.16 The Internal Audit Plan for 2018/19 was approved by the Standards and Audit Committee on the 4th April 2018. All but one audit has been completed (rechargeable repairs / leaseholders – this audit has been deferred until the new computer system is in place). One further audit (housing repairs) has been completed but is in the process of being discussed with management and issued.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

- 3.17 During 2018/19 a self- assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non- compliance.
- 3.18 In October 2016 the internal audit consortium was subject to an external review to ensure compliance with the Public Sector Internal Audit Standards. The review

concluded that the Consortium was compliant with and in places exceeded the requirements of the PSIAS but a number of recommendations were made to further enhance the service provided by the Consortium. This action plan has now been completed. An improvement spreadsheet has been introduced to identify further areas for improvement.

- 3.19 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Director of Finance and Resources but has a direct and unrestricted access to the Corporate Leadership Team and the Standards and Audit Committee.
- 3.20 Quality control procedures have been established within the internal audit consortium as follows:
- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.
 - Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
 - Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal Audit Consortium for the

year in achieving the objectives set out in the Internal Audit Charter.

- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit Manual has been updated to reflect the requirements of the standards and issued to all staff. A further review of the audit manual is scheduled for the summer of 2020.

3.21 The above quality control procedures have ensured conformance with the PSIAS.

3.22 Based on the customer satisfaction survey forms returned, the average score was 94% for customer satisfaction during 2018/19 (2017/18 result 95%).

3.23 The results of the Client Officer survey for Chesterfield were a score of 97% (a score of 34/35 over 7 questions).

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

3.24 The Audit Charter was last reported to and approved by the Audit and Standards Committee in July 2018. The Charter is scheduled to be reviewed again in the summer of 2020.

3.25 Based on the information provided in this report on the completion of the 2018/19 internal audit plan, it is considered that the requirements of the Charter were met during the year.

3.26 There are no human resources implications.

- 3.27 There are no financial implications
- 3.28 There are no legal or data protection implications.
- 3.29 Risk Management - This report ensures that Members are aware of the work undertaken by internal audit during 2018/19 and their opinion on the adequacy and effectiveness of the systems in place at Chesterfield Borough Council.
- 3.30 Equalities Impact Assessment (EIA) - Not Applicable.

4 Alternative Options and Reasons for Rejection

- 4.1 Not Applicable.

5.0 Recommendation

- 5.1 That the Internal Audit Consortium Annual Report for 2018/19 be accepted.

6.0 Reasons for recommendation

- 6.1 To present to Members the annual report for the Internal Audit Consortium in respect of Chesterfield Borough Council for 2018/19.
- 6.2 To ensure compliance with the Public Sector Internal Audit Standards.
- 6.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

Decision information

Key decision number	
Wards affected	
Links to Council Plan priorities	Internal audit work aids in the Council's priority to provide value for money.

Document information

Report author	Contact number/email
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Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Internal Audit Reports Issued 2018/19

Form to return to Democratic Services with report
(will be removed before publication)

Officers/members consulted on the report	
Communications	<input type="checkbox"/>
Human Resources	<input type="checkbox"/>
Finance	<input type="checkbox"/>
Legal	<input type="checkbox"/>
Information Assurance	<input type="checkbox"/>
Consultation and Engagement	<input type="checkbox"/>
Equality, diversity and human rights	<input type="checkbox"/>
Cabinet member portfolio holder (and consultee cabinet member if applicable)	<input type="checkbox"/>
Comments from Cabinet Member (if applicable)	
Went to Corporate Management Team on the 11th June 2019	

Appendix A

Chesterfield Borough Council – Internal Audit Reports Issued 2018/19

Ref	Report Title	Overall Opinion/ Assurance	
		2018/19	Previous Audit
1	Social Media	Reasonable	N/A
2	Market Hall Cafe	Reasonable	N/A
3	OSD Property Safety Inspections	Limited	Satisfactory
4	Careline	Limited	Marginal
5	Crematorium	Substantial	Reasonable
6	Council Tax	Reasonable	Reasonable
7	Healthy Living Centre Income	Substantial	Satisfactory
8	Non Domestic Rates	Substantial	Reasonable
9	Queens Park Sports Centre	Reasonable	Marginal
10	QPSC Café Income	Reasonable	N/A
11	Treasury Management	Substantial	Substantial
12	Bank Reconciliation	Substantial	Satisfactory
13	Insurance	Reasonable	Satisfactory
14	Housing Benefit / CTax Support	Substantial	Substantial
15	Outdoor Facilities Income	Limited	Satisfactory
16	Markets Income	Reasonable	Satisfactory
17	Private Sector Housing Grants	Reasonable	Satisfactory
18	Cash and Banking	Substantial	Substantial
19	Housing Rents Accounting System	Substantial	Reasonable
20	Accounts Payable	Reasonable	Reasonable
21	Laptops and Removable Media	Limited	N/A
22	Payroll	Reasonable	Reasonable
23	Payroll Client Officer	Reasonable	N/A
24	Sickness Absence Management	Limited	N/A
25	Agresso FMS	Substantial	Substantial
26	Sheffield City Region Projects	Substantial	Substantial
27	Commercial Works	Reasonable	N/A
28	Accounts Receivable	Substantial	Substantial
29	Housing Capital Programme	Reasonable	Good
30	Rufford Close new build project*	Inadequate	N/A
31	Core Fleet	Reasonable	N/A

*This report will form part of the Council's wider investigation reporting into Rufford Close. These investigations are currently ongoing and developing and cannot be reported on at this time. When the Rufford Close investigations report is concluded in the coming months it will be reported back to the Audit and Standards Committee.

Internal Audit Assurance Level Definitions

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.