

# AUDIT AND STANDARDS COMMITTEE

Wednesday, 17th July, 2019  
6.30 pm





# AUDIT AND STANDARDS COMMITTEE

## BURNLEY TOWN HALL

Wednesday, 17th July, 2019 at 6.30 pm

Members are reminded that if they have detailed questions on individual reports, they are advised to contact the report authors in advance of the meeting.

Members of the public may ask a question, make a statement, or present a petition relating to any agenda item or any matter falling within the remit of the committee.

Notice in writing of the subject matter must be given to the Head of Legal & Democracy by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website <https://bit.ly/2BW7d2>

### AGENDA

1) ***Apologies***

To receive any apologies for absence.

2) ***Minutes***

5 - 8

To approve as a correct record the minutes of the previous meeting.

3) ***Additional Items of Business***

To determine whether there are any additional items of business which, by reason of special circumstances, the Chair decides should be considered as a matter of urgency.

4) ***Declarations of Interest***

To receive any declarations of interest from Members relating to any item on the agenda, in accordance with the provisions of the Code of Conduct.

5) ***Exclusion of the Public***

To determine during which items, if any, the public are to be excluded from the meeting.

6) ***Public Question Time***

To consider questions, statements or petitions from Members of the Public.

### PUBLIC ITEMS

<b>7) Annual Governance Statement 2018/19</b>	9 - 20
To present the Annual Governance Statement for 2018/19 to the Audit and Standards Committee for approval	
<b>8) Audit Findings Report 2018/19 and Statement of Accounts 2018/19</b>	
To consider a report on an Audit Findings Report 2018/19 and Statement of Accounts 2018/19 (to follow)	
<b>9) Internal Audit Opinion 2018/19</b>	21 - 30
To provide members with the Head of Finance and Property as Chief Audit Executive (CAE) opinion on the Internal Controls of the Council for financial year 2018-2019.	
<b>10) Internal Audit Plan 2019/20</b>	31 - 42
To inform on the audit planning process and seek approval from members on the proposed Internal Audit plan for 2019-20 and the Internal Audit Charter and Strategy 2019	
<b>11) Internal Audit Effectiveness</b>	43 - 46
To inform on the effectiveness of Internal Audit and the application of new key standards documents	
<b>12) Work Programme</b>	47 - 48
To consider the Work Programme for the current year.	

## **MEMBERSHIP OF COMMITTEE**

### **Councillors**

Councillor Paul Campbell (Chair)  
 Councillor Sue Graham (Vice-Chair)  
 Councillor Tom Commis  
 Councillor Shah Hussain  
 Councillor Wajid Khan

Councillor Margaret Lishman  
 Councillor Andrew Newhouse  
 Councillor Mark Payne  
 Councillor Andrew Tatchell

### **Co-opted Members**

Louise Gaskell, East Lancashire Chamber of Commerce  
 Paul Prior, Burnley College  
 Councillor Kathryn Haworth, Habergham Eaves Parish Council  
 Councillor Gill Smith, Cliviger Parish Council

### **External Auditor**

Marianne Dixon, Grant Thornton - External Auditor  
 Mark Heap, Grant Thornton

Published: Tuesday, 9 July 2019

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## AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 6th March, 2019 at 6.30 pm

### PRESENT

### MEMBERS

Councillor Paul Campbell, In the Chair.

Councillors B Brindle, D Ferrier, S Graham, A Kelly, A Royle and A Tatchell

### OFFICERS

Ian Evenett	– Internal Audit Manager
Salma Hussain	– Internal Auditor
Ilyas Ismail	– Internal Auditor
Imelda Grady	– Democracy Officer
	–
	–

### CO-OPTED MEMBERS

Louise Gaskell  
Councillor Gill Smith

### EXTERNAL AUDITORS

	–
Marianne Dixon	– Grant Thornton
Mark Heap	– Grant Thornton

### 31. Apologies

Apologies were received from Paul Prior and Kathryn Haworth..

### 32. Minutes

To Minutes of the meeting held on 16<sup>th</sup> January 2019 were agreed as a correct record and signed by the Chair.

In relation to Minute 21 Councillor Kelly confirmed that she had received a response from the Government Minister and would share this. The Democracy Officer drew Members attention to a review by the Committee on Standards in Public Life which had been sent to the Prime Minister and which recognised that the current sanctions available to local authorities were insufficient and that local authorities should be given the power to suspend councillors without allowances for six months in more serious cases or for serial misconduct.

Councillor Campbell said that in the interim officers were looking at small adjustments to the code of conduct.

### **33. External Audit Report**

Marianne Dixon from the external auditors presented the audit progress report for the year ending 31<sup>st</sup> March 2019.

The report detailed the financial statements audit and the current interim audit and confirmed that there were no issues as at February to bring to the attention of the Committee but that work would continue throughout March.

She also reported progress on the external auditor's opinion on value for money and confirmed that the Council had proper arrangements in place and that the value for money conclusion would be reported in the Audit Findings Report by the deadline of July 2018.

She drew members attention to two reports from the National Audit Office on governance issues which gave an overview of the roles and responsibilities of local auditors and the arrangements to provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that local authorities were financially sustainable.

#### **IT WAS AGREED**

That the report be noted.

### **34. Internal Audit Quarter 3 Progress Report**

The Internal Audit Manager presented the work undertaken by the Internal Audit team for the quarter 3 period 1<sup>st</sup> October to 31<sup>st</sup> December 2018.

He reported that three audit reports had been produced in respect of petty cash, fraud risk assessment and Write-Offs during quarter 2.

The performance statistics were detailed in appendix 2 to the report and showed that a number of audits had been started and completed which would form part of a later quarter statistics.

Other activity included progress with The National Fraud Initiative and the data from several different services had been matched and these were currently being checked.

In respect of petty cash Councillor Graham asked if the council was nearing to going cashless. She acknowledged that the amounts of petty cash were low and therefore the risk was also low but that the paperwork involved in processing claims might not be cost effective. The Internal Audit Manager explained that some services still needed to make minor cash purchases but that the use of a PCard was more commonplace.

Councillor Campbell asked what had prompted an audit of petty cash and the Internal Audit Manager said that a lot of transactions had taken place and concerns raised about the level of control. He said that this had been addressed and clear levels of financial responsibility had been established and implemented.

### **IT WAS AGREED**

That the report be noted.

<b>35. Work Programme</b>
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The work programme was noted

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**Annual Governance Statement 2018/19**

**REPORT TO AUDIT AND STANDARDS COMMITTEE**



<b>DATE</b>	<b>17/07/2019</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Salma Hussain</b>
<b>TEL NO</b>	<b>01282 425011 Ext 3152</b>
<b>EMAIL</b>	<b>salmahussain@burnley.gov.uk</b>

**PURPOSE**

1. To present the Annual Governance Statement to the Audit and Standards Committee for approval.

**RECOMMENDATION**

2. That the Committee approve the Annual Governance Statement 2018/19 (Appendix A).

**REASONS FOR RECOMMENDATION**

3. The Accounts and Audit Regulations 2015 states that the Annual Governance Statement must be approved by a committee. This responsibility is undertaken by the Audit and Standards Committee under their terms of reference, as those charged with governance.

**SUMMARY OF KEY POINTS**

4. The production of an Annual Governance Statement is a statutory requirement of the Council. In March 2019 the Audit & Standards Committee was informed that the Annual Governance Statement would be produced in accordance with proper practice using guidance from CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives).
5. All Heads of Service and key officers have provided signed Assurance Statements to the Chief Operating Officer and the Chief Executive in accordance with the organisational management structure. These have been supported by a control and risk self-assessment questionnaire. The Chief Operating Officer has considered his statements and also signed an Assurance Statement to the Chief Executive.
6. All Executive Members and Chair of Scrutiny were asked to complete a self-assessment questionnaire and provide a signed Assurance Statement.
7. The strategic partner, Liberata is also required to submit a Certificate of Assurance covering the services they provide on behalf of Burnley Borough Council. This has been received and no issues have been reported.
8. This process allows the identification of the key elements of governance and internal control for incorporation into the Annual Governance Statement and is designed to assist

the identification of significant control and governance issues. Minor weaknesses in governance have been identified and actions to address these issues have been put in place.

9. Management Team have reviewed the Annual Governance Statement. The Statement was then signed by both the Council Leader and the Chief Executive as the final assurance to the public. These signatures will be updated once again when it is presented alongside the externally audited Statement of Accounts 2018/19.

**FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

10. None

**POLICY IMPLICATIONS**

11. None

**DETAILS OF CONSULTATION**

12. None

**BACKGROUND PAPERS**

13. None

**FURTHER INFORMATION**  
**PLEASE CONTACT:** Salma Hussain Ext 3152  
**ALSO:** Ian Evenett Ext 7175



**Burnley**.gov.uk

**Annual  
Governance  
Statement  
2018/19**

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## INTRODUCTION

## 1. SCOPE AND RESPONSIBILITY

- 1.1 Burnley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Burnley Borough Council has also a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Burnley Borough Council is responsible for putting in place proper arrangements for the governance of its affairs; facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Burnley Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA<sup>1</sup>/SOLACE<sup>2</sup> Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at:
- [http://www.burnley.gov.uk/sites/default/files/Changes\\_to\\_the\\_Constitution\\_Code\\_of\\_Corporate\\_Governance.pdf](http://www.burnley.gov.uk/sites/default/files/Changes_to_the_Constitution_Code_of_Corporate_Governance.pdf)
- Or can be obtained from:
- Legal & Democratic Services  
Burnley Borough Council  
Town Hall  
Manchester Road  
Burnley  
BB11 9SA.
- 1.4 This statement explains how Burnley Borough Council has complied with the Code and also meets the requirements of regulation 6(1)[a] of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

## 2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The Governance Framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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<sup>1</sup> Chartered Institute of Public Finance and Accountancy

<sup>2</sup> Society of Local Authority Chief Executives

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Burnley Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The Governance Framework has been in place at Burnley Borough Council for the year ended 31st March 2019 and up to the date of approval of the Annual Statement of Accounts.

### 3. THE GOVERNANCE FRAMEWORK

- 3.1 The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance. Some of these features of the Governance Framework are explained in the following paragraphs.
- 3.2 The **Strategic Plan** sets out the contribution we will make to enabling communities in Burnley to thrive now and in the future. The Strategic Plan is linked to the revenue and capital budget, ensuring that the aspirations in the plan are realistic in the context of the funding constraints placed on the Council. The Strategic Plan is reviewed annually. The review takes account of **feedback** from surveys conducted with the public in Burnley.
- 3.3 Delivery of the Strategic Plan is supported by **Service Plans** and individual's **Performance Development Reviews**. These include competencies, targets and, where appropriate, service standards against which service quality and improvement can be measured. Officers attend staff conferences and participate in job chats amongst other means to keep informed of organisational and service development. This is also another opportunity for staff to voice opinion and advice on issues.
- 3.4 Burnley Borough Council's **Constitution** sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. It establishes the roles and responsibilities for members of the Executive, Regulatory and Standards Committees, together with officer functions. It includes the Scheme of Delegation, codes of conduct and protocols for member / officer relations. The Constitution is regularly reviewed to ensure that it continues to be fit for purpose.
- 3.5 The Constitution also contains **procedure rules** including, Standing Orders and Financial Procedure Rules that define how decisions are taken and where authority rests for decision making. The **statutory roles** of Head of Paid Service, Chief Finance Officer and Monitoring Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by the Head of Paid

Service (the Chief Executive) and the Chief Finance Officer (Head of Finance and Property) is backed by the post-holders' membership of the Management Team.

- 3.6 The **Chief Financial Officer** (CFO) has responsibility for the proper administration of the Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Procedure Rules to ensure they remain fit for purpose and submitting amendments to Full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Rules to the Executive and/or the Council. The Chief Financial Officer reports directly to the Chief Operating Officer.
- 3.7 The role of the CFO has been defined by CIPFA in its document titled, 'The role of the chief financial officer, in Local Government'. The Council's financial management arrangements conform to these governance requirements and this is explained in the constitution.
- 3.8 The Head of Finance and Property fulfils the role of **Head of Internal Audit**. This includes championing best practice and assessing adequacy in governance, management and risk, providing an opinion on these aspects, and leading an effective Internal Audit service.
- 3.9 The **Full Council** and the **Executive** are the decision-making bodies of the Council. **Regulatory Committees** including Development Control and Licensing Committees undertake decisions delegated to it under the Constitution. The Council's **Scrutiny Committee** works to improve service delivery and to review the Executive decisions. The **Audit and Standards Committee** oversees the review of the Council's audit and governance arrangements and the production of this statement.
- 3.10 In recognition of the exposure to fraud, the Council has adopted an **Anti-Fraud Bribery and Corruption Policy** which is part of the Constitution. This is relevant to all members, officers and its partners. Fraud risks are considered as part of strategic and service risk management. Fraud awareness training is made available to further raise awareness of the matter.
- 3.11 To complement the anti-fraud policy, Council has a **complaints procedure** and a **whistle-blowing policy** that is maintained and regularly reviewed, which provide the opportunity for members of the public and staff to raise concerns when they believe that appropriate standards have not been met. The **Audit and Standards Committee** is responsible for overseeing the investigation of complaints against members and promotion and maintenance of high standards of conduct in the authority.
- 3.12 The Council has an embedded **risk management** function. The Risk Management Policy and Strategy are reviewed regularly. The Risk Management Group draws together risk issues from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation.
- 3.13 **General Data Protection Regulation** (GDPR) came into force in May 2018. The key legislative changes included strengthened conditions of consent, breach notification

timeframe, significant penalties if in breach of GDPR, etc. It is recognised that the regulation does present a significant risk to the Council, however controls and measures are in place and further interventions are planned in 2019/20. While significant, the risk is considered acceptable at this time.

- 3.14 **Training** needs of members and officers are identified through appraisal and review processes. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council's needs. All newly elected members undertake an induction programme so that they can make an effective contribution to the work of the authority. Specific committee training is given to members so that they may discharge their responsibilities more effectively along with general member development training such as on finance and conduct. The Council retained the Investors in People (IIP) Gold Standard and continues to undertake reviews to maintain this excellence.
- 3.15 The Council is committed to **partnership** working. The Burnley Action Partnership brings together representatives from across the community and sectors. This provides a community plan on which the strategy of the Council is based. The Strategic Partnerships with Urbaser, Liberata and Burnley Leisure will ensure that vital services will continue to be delivered in these financially challenging times. The **Burnley Bondholders** work to promote Burnley in the region and wider area.
- 3.16 The main areas of the Council's Governance Framework, and key evidence of delivery, are set out next, under the headings of the seven **CIPFA/SOLACE Core Principles of Good Governance**.

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#### BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF THE LAW.

- Codes of Conduct exist for both officers and members
- Statutory Officers are in post:
  - the Chief Executive as Head of Paid Service,
  - Chief Operating Officer as the Monitoring Officer
  - the Head of Finance and Property as the Section 151 Officer.
- The Constitution and Scheme of Delegation define the roles and responsibilities of officers and members, and sets out the rules on how the Council conducts its business
- TEAM values are in place.

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#### ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT.

- Council meetings are conducted in public; decisions have been properly recorded and are in the public domain.
- The Council complies with the Local Government Transparency Code. Information is held on the Council's website.
- Public consultations have been carried out:
  - Town Centre & Canalside Master Plan
  - Selective Licensing Consultations
  - Shop Front Planning Policy



- Partnership boards for the strategic partners:
  - Liberata
  - Urbaser

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#### DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS.

- The Strategic Plan is in place and is underpinned by Service Plans.
- Balanced Scorecards are used to monitor the achievement of stated outcomes.
- The Council makes best use of resources by always considering options for the way services are delivered.

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#### DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF INTENDED OUTCOMES.

- Balanced Scorecards exist to monitor progress on intended outcomes.
- Decision makers receive analysis of options to achieve intended outcomes. This includes risk analysis associated with making key decisions.
- The Council is continually reviewing how services are provided.

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#### DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT.

- Member training programmes are in place. Training during 2018/19 included several IT training events.
- Officer training is identified during Performance Development Reviews which is linked to the Service Plan.
- New officers receive corporate and service unit induction. Training is also provided to new members.
- Arrangements are in place to maintain the health and wellbeing of the workforce.
- There are regular meetings between the Chief Executive and the Leader of the Council. Similar meetings take place between Heads of Service and Executive Members.

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#### MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG FINANCIAL MANAGEMENT.

- There is a risk management framework in place that identifies and reports risk and how it is managed.
- The system on Internal Control is reviewed on an on-going basis by Internal Audit.
- The Head of Finance and Property Services is responsible for the financial management of the council and is the Section 151 Officer.
- Robust budget monitoring arrangements for both capital and revenue with budget reporting to management team and members.
- The council has an appropriate anti-fraud and corruption culture.

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#### IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY.

- Information on the decision-making process is readily available to all stakeholders.
- As per the Local Government Transparency Code, information is held on the Council's website.
- Internal Audit will review the internal control framework on an on-going basis, particularly the key financial systems.
- Internal Audit will provide an objective opinion on the internal control framework that was in place for 2018/19.
- External Audit (Grant Thornton) will review the arrangements that the Council has in place to secure value for money. This will also provide an opinion on the accuracy and completeness of the Statement of Accounts.

## THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

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#### 4. REVIEW OF EFFECTIVENESS

- 4.1 Burnley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the Management Team, who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by the findings and reports issued by the external auditors.
- 4.2 Burnley Borough Council's Internal Audit section, via specific responsibility assigned to the Head of Internal Audit, is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. The Head of Internal Audit's report for 2017/18 concluded that the Council's internal controls continue to operate effectively.
- 4.3 The review of compliance with the Governance Framework has involved:
- Heads of Service and key officers (Chief Finance Officer, Monitoring Officer and Health & Safety Officer) providing signed Assurance Statements to Management Team. These have been supported by a control and risk self-assessment questionnaire and were collated by Internal Auditors. Management Team considered these statements and also signed Assurance Statement from the Chief Operating Officer.
  - Liberata providing a signed Assurance Statement to the Chief Operating Officer.
  - Executive Members and Chair of Scrutiny completing a self-assessment questionnaire and providing a signed Assurance Statement to the Leader of the Council and Chief Executive.
  - Internal Audit completing a review of the corporate documents and evidence for the key elements of Governance and Internal Control. The Internal Audit Opinion (draft) is included as part of the consideration, as are external audit reports etc.
  - A draft of the Annual Governance Statement is prepared and provided to Management Team.
  - An Annual Governance Statement is then provided to the Chief Executive and Leader to sign.
- 4.4 Governance arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework. The review process has highlighted no significant issues.

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#### 5. FUTURE CHALLENGES

- 5.1 Burnley Council has recognised current and future financial challenges in its strategic risk register and medium-term financial strategy. The authority will continue to meet

these challenges as it has done in the past; taking steps to manage this by considering modernisation and rationalisation.

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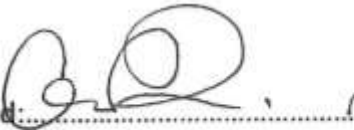
6. ACTION TAKEN TO ADDRESS PREVIOUS ISSUES

6.1 No significant issues had been identified on the previous (2017/18) governance statement.

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7. CERTIFICATION

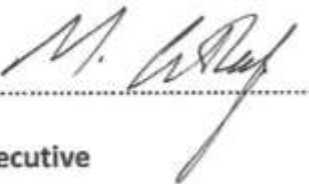
7.1 The Council has governance procedures that contain comprehensive systems, cultures and values by which it is controlled, and through which it engages with the community in a timely, inclusive, open, honest and accountable manner.

Signed: 

Leader of the Council

**Cllr C Briggs**

**Date: 7<sup>th</sup> June 2019**

Signed: 

Chief Executive

**M Cartledge**

**Date: 7<sup>th</sup> June 2019**

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**Internal Audit Opinion 2018 19**

**REPORT TO AUDIT AND STANDARDS COMMITTEE**



<b>DATE</b>	17/07/2019
<b>PORTFOLIO</b>	Resources & Performance Management
<b>REPORT AUTHOR</b>	Asad Mushtaq
<b>TEL NO</b>	01282 425011 Ext 7173
<b>EMAIL</b>	amushtaq@burnley.gov.uk

**PURPOSE**

1. To provide members with the Head of Finance and Property as Chief Audit Executive (CAE) opinion on the Internal Controls of the Council for financial year 2018-2019.

**RECOMMENDATION**

2. That the Committee considers the opinion

**REASONS FOR RECOMMENDATION**

3. To comply with the terms of reference for the Audit and Standards Committee through review of the scope and results of work completed by Internal Audit, and, to support and maintain the independence and objectivity of the Internal Audit function.
4. To meet the requirements set out in the Public Service Internal Audit Standards and CIPFA's Local Government Application Note. The Annual Audit Opinion supports and complements the Annual Governance Statement which is required under the Accounts and Audit Regulations 2015.

**SUMMARY OF KEY POINTS**

**5. Limitation of Opinion**

This opinion on the Internal Controls of the council is based on the work undertaken by Internal Audit both during 2018/19 and that relates to that year. It provides reasonable but not complete assurance concerning the Council's internal control system. This also takes account of actions that have been agreed with Managers to address weaknesses identified.

**6. Overall Opinion**

The controls of the Council continue to operate effectively. These include compliance with policy, separation of duties, authorisation, monitoring and internal checks. Where

during audits control weaknesses have been identified, these have been addressed as part of an agreed Action Plan. Compliance with Action Plans is monitored and where these have not been implemented, further assurances have been provided by management that these issues will be addressed.

In providing this opinion I have had regard for the Accounts and Audit Regulations 2015 and Public Service Internal Audit Standards and CIPFA's Local Government Application Note. The results of the review of internal audits effectiveness and its quality assurance and improvement programme conclude that this work was delivered in compliance with the Public Service Internal Audit Standards and CIPFA's Local Government Application Note.

## **7. Work Completed**

Internal Audit has provided to the Audit and Standards Committee summaries of the work completed during 2018/19 and these should be considered in relation to this section. Appendix 1 contains summaries of the work, opinions and key actions agreed. Additional detail on progress against the Audit Plan is provided in Appendix 2.

The Internal Audit has also provided audits and support under a service level agreement for Burnley Leisure.

## **8. Performance**

The Internal Audit Plan for 2018/19 provided for the delivery of 231 audit days whereas the number of actual audit days delivered was 212 This represents 92% audit coverage. The audit reports target for the year was 22 and the actual delivered was 21.

Internal Audit have reported the performance of the Service in comparison with its targets to the Audit and Standards Committee and Management during the year, the year end 2018/19 actual performance to targets of implementation of high priority agreed actions is at 100%.

During the year a quality assurance and improvement programme has been maintained. This involves an internal review of the audit work, and management questionnaires. The results of the internal review of work are provided to auditors as are the actions undertaken during the audit process to correct issues. The results of the management questionnaire are discussed with auditors and any actions required are agreed.

## **9. Investigations**

In total 10 days were spent on investigations during 2018/19. This was in support of a missing petty cash issue.

## **10. Other work**

I am in the combined role of Chief Audit Executive (CAE) and Section 151 officer. I have arrangements which will ensure that the roles do not impact on the continued independence of the Internal Audit service. During the financial year I am not aware of any actual or perceived conflict of interest in these roles.

The Internal Audit Manager is the Council's Data Protection Officer and has been involved with the Council's arrangements for improving and maintaining Data Protection

for the authority.

Work on corporate business continuity continued during the year and risk management has been supported.

Support has provided during the year to other services in Finance and arrangements are in place to ensure that this does not impact on the independence of the internal audit service.

This was the first year of a revised service structure and two valued members of internal audit left the section. Both members were replaced with experienced and qualified colleagues who have been able to quickly continue the delivery of assurance to the Council.

The service has migrated its working papers fully on to Office 365.

#### **11. Compliance with the Public Service Internal Audit Standard and Local Government Application Note (PSIAS and LGAN)**

During 2018 19 the internal audit service conducted a quality assurance and improvement programme as required by the standards. This included an internal review of the service against the revised LGAN (Jan 2019) and the PSIAS (March 2017). The review found that the service conforms with the standards. There are 311 requirements of which the service was compliant with 280 of them and the remaining 31 were not currently applicable.

#### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

12. None

#### **POLICY IMPLICATIONS**

13. The Annual Internal Audit Opinion is considered as part of the Annual Governance Statement, which is part of the Local Code of Corporate Governance

#### **DETAILS OF CONSULTATION**

14. None

#### **BACKGROUND PAPERS**

15. None

#### **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Asad Mushtaq Ext 7173**

**ALSO:**

**Ian Evenett Ext 7175**

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### Summary of Audit Reports Issued 2018/19

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
Write-Offs 2017/18	Finance and Property	To review the write-offs for 2017/18 and to present an analysis for authorisation of write-offs.	No issues to report.	None	None	1
Statement of Accounts Check	Finance and Property	To review the Statement of Accounts for errors and accuracy	No issues to report.	None	None	1
Elections (May)	Governance, Law and Regulation	To audit the staffing payments for the elections in May 2018.	No issues to report.	None	None	1
Annual Governance Statement	Corporate	To provide assurance on the Council's governance system.	No significant issues identified.	None	None	NA (Satisfactory)
Payroll	Finance & Property People & Development	To review the controls in operation for the payment of salaries to Burnley Council employees.	Payroll controls continue to function effectively	No Actions Required	N/A	1
Shaw Accounts	Corporate	To inform the Independent Examiners Report to the requirements of the Charities Commission	No issues to report	No Actions Required	N/A	1
Mayors Charity	Corporate	To inform the Independent Examiners Report to the requirements of the Charities Commission	No issues to report	No Actions Required	N/A	1
Acorn Fund	Corporate	To inform the Independent Examiners Report to the requirements of the Charities Commission	No issues to report	No Actions Required	N/A	1
Stocks Massey Bequest	Corporate	To inform the Independent Examiners Report to the requirements of the Charities Commission	No issues to report	No Actions Required	N/A	1

### Summary of Audit Reports Issued 2018/19

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
Petty Cash	Finance & Property	To review the petty cash at the Contact Centre and ensure that it is being used as per the Council's Financial Procedure Rules.	The controls in managing and administering the petty cash account are effective. Improvements have been identified to demonstrate and strengthen compliance with the Council's Financial Procedure Rule	<p>Petty Cash procedure notes will be produced and be made available to relevant staff.</p> <p>To assist in identifying the authorising officer, the name will be printed on the Petty Cash voucher.</p> <p>To ensure separation of duties during cash reconciliation process, another officer will count the monies and reconcile to the spreadsheet.</p>	Implementation has been confirmed by follow-up	2
Fraud Risk Assessment	Corporate	To inform Members of the current fraud trends that affect the public sector.	No significant issues identified.	None	None	N/A (Satisfactory)
Write-Offs 2018/19 Q1	Finance & Property	To review the write-offs of debts from Debtors and Revenues System	No significant issues identified	None	None	N/A (Satisfactory)
Write-Offs 2018/19 Q2	Finance & Property	To review the write-offs of debts from Debtors and Revenues System	No significant issues identified	None	None	N/A (Satisfactory)
Creditors	Finance & Property	To review the controls in the payment of creditors	There is an effective system of internal control for the payment of creditors. No areas of high priority recommendation have been identified.	<p>To streamline the process, only the volume and value should be reconciled by the Payments Co-ordinator prior to initiating the payment run.</p> <p>Finance management should review Civica access permissions and system contingency arrangements</p> <p>Procedures on updating supplier bank account details should be updated</p> <p>Independent Review of changes to Bank details Report</p>	April 2019	2

### Summary of Audit Reports Issued 2018/19

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
General Ledger	Finance & Property	To review the systems and controls of the General Ledger	The General Ledger infrastructure has systems and controls that work effectively to record financial transactions, enable budget monitoring and report end of year final accounts. Regarding journals, there are areas that could be further improved.	Introduce journal processes which provide appropriate authorisation and accountability Increased information in Recode Journals.	April 2019	2
Data Protection	Policy & Engagement	To assess the Council's compliance with the Data Protection Act 2018.	The policies and procedures in place for ensuring that data protection requirements are met are effective in the main although improvements have been identified.	Increase Data Protection Policy visibility Ensure all staff have completed appropriate training Issue of regular information on the importance of Data Protection Review and update document retention schedules Ensure that ex-employees access is promptly removed.	March to June 2019	2
Performance Indicators - Regulation	Streetscene	To review the accuracy of performance indicators as reported by the Regulation service and to review the controls in place for issuing taxi licences.	There is a sound system in place for the recording and reporting of performance indicators to the Council. Some errors were identified in relation to the figures reported but these were due to administrative oversights and were not fundamental errors in calculation. Taxi licence procedures are robust.	Care should be taken to ensure that performance is calculated with the correct filters applied and relevant supporting documentation is attached where this has been identified. The procedural documentation should be updated where necessary	March 2019	2
Benefits Quality Sample Testing	Finance & Property	To verify the accuracy of benefit assessment quality control.	The quality control checks completed by Liberata are accurate for the period and the control has corrected 94 incorrect calculations.	None		N/A (Satisfactory)

**Summary of Audit Reports Issued 2018/19**

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
Performance Indicators – Information Services	Policy & Engagement	To review the performance indicators for Information Services	Although there were errors in reporting and insufficient information provided to support the indicators these did not have a material impact on the reported indicators.	None		N/A (Satisfactory)

**Audit Score Defined**

Score	Opinion	Definition of Opinion
1	Comprehensive Assurance	There is a sound system of controls designed to meet objectives and controls are consistently applied in all the areas reviewed.
2	Reasonable Assurance	There is a good system of controls. However, there are minor weaknesses in the design or consistency of application that may put the achievement of some objectives at risk in the areas reviewed.
3	Limited Assurance	Key controls exist to help achieve system objectives and manage principle risks. However, weaknesses in design or inconsistent application of controls are such that put the achievement of system objectives at risk in the areas reviewed.
4	No Assurance	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error.
N/A	Not Applicable	The audit review undertaken did not have as its primary objective an assessment of system, its controls and their effectiveness.


Audit	Started	Report Issued	Audit Score
<b>Corporate</b>			
Annual Governance Statement	✓	✓	NA (Satisfactory)
National Fraud Initiative	✓		NA (Satisfactory)
<b>Charities</b>			
J W Shaw	✓	✓	1
Mayor's Charity	✓	✓	1
Burnley Acorn Fund	✓	✓	1
Stocks Massey	✓	✓	1
Debts Write-Off	✓	✓	NA (Satisfactory)
Fraud Risk Review	✓	✓	NA (Satisfactory)
<b>Strategic Partner Performance Indicators</b>			
Revenues and Benefits	✓	✓	1
Information Services	✓	✓	NA (Satisfactory)
Regulation	✓	✓	2
Property	✓		
<b>Finance</b>			
Benefits Calculation Check	✓	✓	NA (Satisfactory)
Bank Reconciliation			
Final Accounts	✓	✓	NA (Satisfactory)
Payroll	✓	✓	1
Budget Monitoring	✓		
General Ledger	✓	✓	2
Creditors	✓	✓	2
Cash Imprest	✓	✓	2

Audit	Started	Report Issued	Audit Score
<b>Information Governance</b>			
Data Protection	✓	✓	2
<b>Legal and Democratic Services</b>			
<b>Elections</b>			
Council	✓	✓	1
<b>External Clients</b>			
Burnley Leisure – Service Level Agreement	✓	✓	

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## Internal Audit Plan 2019 20

### Report to Audit and Standards Committee

 <p><b>Burnley</b> .gov.uk</p>	<b>DATE</b>	17/07/2019
	<b>PORTFOLIO</b>	Resources and Performance Management
	<b>REPORT AUTHOR</b>	Ilyas Ismail
	<b>TEL NO</b>	01282 425011 Ext 3151
	<b>EMAIL</b>	iismail@burnley.gov.uk

#### PURPOSE

1. To inform on the audit planning process and seek approval from members on the proposed Internal Audit plan for 2019-20 and the Internal Audit Charter and Strategy 2019.

#### RECOMMENDATION

2. Members consider the report and provides comment on any changes for approval of the proposed Internal Audit Plan and Internal Audit Charter and Strategy.

#### REASONS FOR RECOMMENDATION

3. Audit and Standards Committee are 'the Board' in respect of the Public Sector Internal Audit Standards (PSIAS). As part of this role, they should consider approval of a risk-based internal audit plan.
4. To ensure that the service is delivered effectively in accordance with proper practices.
5. To ensure delivery of an audit opinion for 2019-20.

#### SUMMARY OF KEY POINTS

##### Internal Audit Plan 2019/20 (Appendix 1)

6. Audit is required to have a risk-based audit plan for a period of no longer than one year. We have consulted management to establish the auditable activities for 2019/20. Members of the audit team met with each head of service to discuss key areas of risk and potential audits within their area of activity.
7. The audit universe, which contains all elements identified for audit, was subsequently updated with the new risk scores following these discussions. The risk scoring matrix contains a number of factors such as size, volume and value of transactions, levels of

control and time since the last audit.

8. The proposed Internal Audit Plan 2019/20 is based on the result of this risk assessment exercise, whilst also maintaining audit coverage across all services of the Council. This does not mean that audit has been operating without a plan until now. The audits that have been delivered so far are those that were carried over from the 2018/19 plan, and the bulk of audits that required to be performed annually.

**Internal Audit Charter and Strategy 2019 (Appendix 2)**

9. There have been minor updates to the Charter and Strategy following the release of Chartered Institute of Public Finance and Accountancy's (CIPFA) PSIAS Local Government Application Note 2019.
10. The Internal Audit Charter is required under the PSIAS and CIPFA's Local Government Application Note. These two documents represent 'proper practice' for Internal Audit in local government to comply with the Accounts and Audit Regulations 2015.

<b>FINANCIAL IMPLICATIONS AND BUDGET PROVISION</b>
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11. None

<b>POLICY IMPLICATIONS</b>
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12. None

<p><b>FURTHER INFORMATION:</b></p> <p><b>PLEASE CONTACT:</b></p> <p><b>ALSO:</b></p>	<p><b>Ian Evenett (Internal Audit Manager) Ext 7175</b></p> <p><b>Ilyas Ismail (Auditor) Ext 3151</b></p>
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## Appendix 1

Service	Audit Activity	Audit Days	Total
Corporate	Annual Governance Statement	25	
	NFI	10	
	Charities	5	
	Debts Write-Off	8	
	Fraud Risk Review	5	
	Partnerships	10	
	Strategic Partner Pl's	30	
	Safeguarding	10	
			<b>103</b>
Finance & Property	Benefits Calculation Check	15	
	Final Accounts	5	
	Payments of Benefits	10	
	Treasury Management	10	
	Income Management	15	
	Council Tax	20	
	Payroll	5	
	Overpayment of Benefits	10	
	Debt Recovery	10	
			<b>100</b>
Information Governance	Desktop Software	10	
	Achieve - CRM	10	
	Information Governance	15	
			<b>35</b>
Housing & Development Control	Selective Landlord Licensing	10	
			<b>10</b>
Legal & Democratic Services	Elections	4	
			<b>4</b>
Green Spaces & Amenities	Vehicles and Plant	8	
	Crematorium	10	
			<b>18</b>
Economy & Growth	Vision Park Project	10	
			<b>10</b>
Streetscene	Urbaser - Waste Contract	14	
	Taxi Licencing	3	
			<b>17</b>
External Clients	Burnley Leisure – SLA	11	
			<b>11</b>
Other	Frauds and Investigations	20	
	Emergent Risks	12	
	Follow-Up	11	
	Advice and Guidance	9	
			<b>52</b>
	<b>Total Available Days</b>		<b>360</b>

## Appendix 2

# INTERNAL AUDIT CHARTER AND STRATEGY

## INTERNAL AUDIT CHARTER

**This Charter sets out the purpose, authority and responsibility of the Council’s Internal Audit function, in accordance with the mandatory UK Public Sector Internal Audit Standards (PSIAS).**

**The Charter will be reviewed periodically and presented to Management Team and the Audit & Standards Committee for approval.**

## PURPOSE

The Standards (PSIAS) define internal auditing as:

*“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.”*

CIPFA further define Internal Audit within their PSIAS Local Government Application Note as:

*“an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.”*

In a local authority, internal audit provides independent and objective assurance to the organisation, its Members as the Audit and Standards Committee, the Management Team and to the Chief Financial Officer (Head of Finance & Property) to help him discharge his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council’s financial affairs.

In addition, the Accounts and Audit Regulations 2015, Regulation 6 (1), requires that:

*“A relevant body 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 and guidance”.*

Internal Audit proper practices is defined as compliance with the Public Sector Internal Audit Standards and the CIPFA local government application note.

## ROLES IN THE CODE

The primary roles within the Standards are defined as below in respect of the Council.

Board	- Audit and Standards Committee
Senior Management	- Management Team
Chief Audit Executive	- Head of Finance & Property

As there is potential for conflict and thus independence in respect of the operational role in the Head of Finance & Property and the Section 151 Officer, when this is place the Internal Audit Manager will be Chief Audit Executive, reporting directly to Management Team and/or the Audit and Standards Committee as required. All members of the Internal Audit team have unrestricted access to Management Team and the Audit and Standards Committee.

The Head of Finance & Property is directly managed by the Chief Operating Officer. The Head of Finance & Property and the Chief Operating Officer are both members of Management Team. The Internal Audit Manager directly manages the Internal Auditors and reports to the Head of Finance & Property.

## ASSURANCE FRAMEWORK

Within an organisation, controls can be modelled to a framework which identifies 3 lines of defence. The first line of defence is the day to day operational controls, the second is the management controls (budget & performance monitoring, trend analysis) and the third is independent inspection, both internal & external.

Internal audit forms part of the third line of defence and provides assurance on the effectiveness of governance arrangements, risk management and internal controls, and this includes an assessment of the effectiveness of the first two lines of defence. Internal audit can place reliance on assurances provided by third parties, although depending on the source, this may require some independent validation.

In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's risk management, control and governance processes.

The Institute of Internal Auditors (IIA) defines assurance as:

*“an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation. Examples may include financial, performance, compliance, system security, and due diligence engagements”.*

## MISSION AND CORE PRINCIPLES

The International Professional Practices Framework (IPPF) overarching “Mission” for Internal Audit services is:

**To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.**

The “Core Principles” that underpin delivery of the mission require internal audit functions to:

- Demonstrate integrity.
- Demonstrate competence and due professional care.
- Be objective and free from undue influence (independent).
- Align with the strategies, objectives, and risks of the organisation.
- Be appropriately positioned and adequately resourced.
- Demonstrate quality and continuous improvement.
- Communicate effectively.
- Provide risk-based assurance.
- Be insightful, proactive, and future-focused.
- Promotes organisational improvement.

This aligns with the Council's values;

- T Together
- E Enterprising
- A Ambitious
- M Meeting Customer Needs

And applied within the Council's Strategic Priorities of the 4 P's

- People
- Prosperity
- Place
- Performance

To deliver the Council's Strategic Objectives.

## PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Relevant Internal Audit Standard Setters (RIASS) have adopted a common set of Public Sector Internal Audit Standards (PSIAS) since April 2013 and was last updated in March 2017. CIPFA updated its Local Government Application Note (LGAN) in February 2019.

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### THE PURPOSE OF THE PSIAS

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and,
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Internal Audit has adopted all aspects of the PSIAS, including the mission, definition, code of ethics and both attribute and performance standards.

CIPFA and the IIA have provided a 'Local Government Application Note' for these Standards and Internal Audit also complies with the further requirements and requirements of this.

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### THE CODE OF ETHICS

Our auditors comply with the ethical codes issued by the relevant professional bodies (e.g. IIA, CIPFA) and the Council's own Code of Conduct. Internal Audit also have due regard to the Seven Principles of Public Life, as defined by the Committee on Standards in Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership).<sup>1</sup>

The main principles, as set out in the PSIAS, which we will observe are:

- Integrity
- Objectivity
- Confidentiality
- Competency

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<sup>1</sup> <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

Internal auditors are also required to sign up to the requirements of due professional care.

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## THE STANDARDS

The Standards have been developed to create consistency in the practice of internal audit across the public sector and establish the basis for quality assurance across the sector.

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### ATTRIBUTE STANDARDS

- Purpose authority and responsibility
- Independence and objectivity
- Proficiency and due professional care
- Quality assurance and improvement programme.

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### PERFORMANCE STANDARDS

- Managing the internal audit activity
- Nature of work
- Engagement planning
- Performing the engagement
- Communicating results
- Monitoring progress
- Communicating the acceptance of risks

## ASSURANCE AND CONSULTING SERVICES

All internal audit assurance and consulting services fall within the scope of the 'Definition of Internal Auditing'. The provision of assurance services is the primary role for internal audit. This role requires the internal audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This opinion is required to be considered as part of the Council's Annual Governance Statement.

Consulting services are generally advisory in nature and are performed at the specific request of the organisation, with the aim of improving governance, risk management and control and may contribute to the overall opinion. Such consulting services may include advice and guidance, counter fraud services, investigation, risk management support, governance reviews, information governance, training and more general consulting services where this does not compromise the independence of the service. This means that the auditor cannot undertake management responsibilities in these areas in which they are required to provide assurance.

Consulting services may also provide assurance and contribute to the annual internal audit opinion.

The scope of the internal audit service covers the whole organisation and all its services. Assurance and consulting services are provided to any area of the organisation both financial and operational. However, there are limited resources and as such the provision of services will be dependent on the overall value to the organisation and risks covered.

The responsibility for maintaining effective controls to counter fraud is the responsibility of the Council's management. It is important that Internal Audit is made aware of any suspected or detected fraud, corruption or

impropriety which is required as part of the Financial Procedure Rules. Internal Audit will provide assurance about counter fraud arrangements in the organisation and may investigate in conjunction with management where this is appropriate and is authorised by the Head of Finance & Property.

Internal Audit Services are provided under a Service Level Agreement for Burnley Leisure. In this case the service will be delivered with available assurance about the shared systems where possible, but the reports are confidential to each organisation. For Burnley Leisure, the trust's Chief Executive is identified as the client officer and the trust's Audit Committee as the board.

## RESOURCES AND SKILLS

The current level of resources is considered sufficient to deliver the audit plan. Additional requests for work will be controlled to ensure they are kept within available contingency allowance, and do not compromise assurance work.

Auditors are encouraged to develop their skills and knowledge through undertaking various training programmes. The Council recognises both CIPFA and the Chartered Institute of Internal Auditors (CIAA) qualification for internal auditing. Two team members currently have CIPFA qualifications.

Training needs are assessed on an ongoing basis and are formally reviewed during annual staff Personal Development Review meetings. The aim is to ensure auditors are operating at a level which fulfils client requirements and meets professional standards.

If the necessary skills/resources for an assignment is not available with the Internal Audit team, the Head of Finance will request further budget resources to provide flexibility to source these internally or externally, as required.

## ACCESS TO THE ORGANISATION

The internal audit service has a statutory right of access in the Accounts and Audit Regulations 2015 Section 5

*(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit-*

*(a) make available such documents and records; and*

*(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.*

*(3) In this regulation "documents and records" includes information recorded in an electronic form.*

In addition, this access is part of the Council's Financial Procedure Rules.

## INDEPENDENCE

Internal audit is organisationally part of the Finance & Property Service, but it is independent to ensure that this does not impact on the provision of internal audit services to the whole organisation.

Internal audit is not functionally responsible for the management of any service, apart from itself. This is the responsibility of the organisation's management. Where such a conflict is identified it will require the removal of the individual auditor from auditing such a service for at least 12 months.

Each internal auditor can access members of the Management Team or the Audit and Standards Committee where they consider that there is a real or apparent conflict of interest that has not been appropriately addressed.

## RESPONSIBILITIES

Each member of internal audit is responsible for complying with the code of ethics and maintaining due professional care and operating a service in compliance with the Standards.

The Internal Audit Manager is responsible for managing the day to day service and ensuring that the service meets the requirements of the Council and Standards. They implement appropriate audit processes which are approved by the Head of Finance & Property.

The Head of Finance & Property is responsible for delivery of an effective independent internal audit service to the Council in accordance with proper practice (in compliance with the Standards and LGAN).

Management Team is responsible for ensuring that the organisation facilitates an effective internal audit service.

The Chief Finance Officer (Head of Finance & Property), Monitoring Officer (Chief Operating Officer) and Head of Paid Service (Chief Executive Officer) are all part of Management Team and as such share the responsibility for the delivery of an effective internal audit service. They are responsible for ensuring that members of internal audit have unrestricted access to report whenever required.

The Audit and Standards Committee are responsible for key issues in the compliance of the Standards and oversight of the Internal Audit service and ensuring that organisation management facilitate an effective internal audit service.

## PLANNING

Internal Audit will provide an annual plan of audits for the Council based on risks. The planning process will involve the consideration of the Council's risk management, governance and control arrangements. It will consider the Council's strategic objectives and corporate priorities.

## INTERNAL AUDIT STRATEGY

**The Internal Audit Strategy is a relatively high-level statement of the approach to delivery of the service within the organisation and in compliance with the standards.**

**Internal Audit will provide independent and objective assurance to the organisation, its Members, senior management and to the Head of Finance & Property to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.**

**It is the Council's intention to provide a best practice, cost efficient internal audit service which adds value to the organisation's it serves.**

## INTERNAL AUDIT REMIT

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives. Under the direction of a suitably qualified and experienced Head of Internal Audit, Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.
- Assist the Audit and Standards Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance and consultancy service and;
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls to not compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

## SERVICE DELIVERY

The Internal Audit service will be delivered by council's Internal Audit Service.

The statutory Chief Audit Executive or Head of Internal Audit roles for the Council will be undertaken by the Head of Finance or the Internal Audit Manager where independence requires this. Both officers will support each other in the delivery of these roles.

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## KEY PERFORMANCE TARGETS

Key Performance Targets are established and monitored on a quarterly basis by Management Team. Update reports will be provided to the Audit and Standards Committee in a form, frequency and content as agreed with the Chair of the Audit and Standards Committee. Delivery of the Annual Internal Audit Opinion will be as required by PSIAS and meeting the organisational expectations. Internal Audit risks are part of the Finance & Property Service risk register.



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## AUDIT PLANNING

Internal Audit has responsibility for preparing a balanced internal audit plan, ensuring audit maintains its independence and sufficient coverage to support the annual opinion. Each year, an audit plan will be presented to Management Team and to the Audit and Standards Committee, which will be based on the following:

- Requirements of the Council's Management team.
- Requirements as agreed with the Audit and Standards Committee.
- Review of available Corporate and Service Risk Registers and an audit activity risk analysis
- Outputs from other assurance providers
- Outputs from previous audit or fraud assignments
- Requirements as agreed with External Audit

Internal Audit will ensure management views and suggestions are considered when producing the audit plan.

The Internal Audit Plans are based on the following:

- **Council and Service Priorities and values:** The strategic objectives, service strategies and operational objectives are the starting point for planning and ensure that the internal audit is aligned with these.
- **Risk Based Systems Audit:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through a risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they are operating correctly. The selection of work in this category is driven by risk analysis, services' own risks priorities and will include work in areas where the Council services are delivered in partnership with other organisations.
- **Key Financial Systems:** Audits of the Council's key financial systems
- **Probity Audit (Services and other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice is confirmed.
- **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.
- **Contract Audit:** Audits of the procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Special Projects/Value for Money:** Specific areas of Council business which may be subject to change through the development and implementation of new systems, or delivery models, where poor value for money or failing service standards have been identified or where there are new or significant risks will be targeted for review as part of the audit planning process. Value for money work is generally incorporated within the main functional areas of audit activity.
- **Corporate Governance support:** Risk management support is provided to facilitate the review and implementation of risk management strategies and to take the lead in compiling the Annual Governance Statement.
- **Provision of advice and support:** Internal Audit is involved in providing advice and support on an ad hoc basis. This may involve the provision of general advice on risks and controls, or more detailed work with specific business areas where there are significant changes to systems and processes or decisions which require independent due diligence.
- **Fraud, Corruption and Financial Irregularities:** Internal Audit will investigate fraud and irregularity arising during the year and may work alongside officers on cases particularly where there are significant control issues requiring audit and fraud input.
- **Follow up work:** Follow up work on outstanding audit recommendations will be undertaken as required.

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## POLICIES AND PROCEDURES

All internal audit work will be undertaken in accordance with Council regulations and professional standards. There is an Internal Audit Process which sets out the audit system, for staff to adhere to, including quality control procedures.

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## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME


Internal Audit continuously reviews the quality and effectiveness of all aspects of the Internal Audit service. This includes:

- Establishing procedures that comply with the Public Sector Internal Audit Standards
- Maintaining a professional audit team with sufficient knowledge, skills and experience to carry out the Audit Plan. This includes undertaking appraisals and ensuring that training needs are identified and addressed
- Undertaking, reviewing and acting on client satisfaction surveys and feedback
- Reviewing audit methodology and benchmarking against best practice.

In line with the Public Sector Internal Audit Standards, Internal Audit has a quality and improvement programme in place. The results of the quality and assurance programme and progress against any improvement plans will be reported in the Annual Internal Audit Opinion report to the Audit and Standards Committee.

**Internal Audit Effectiveness Report**

**Report to Audit & Standards Committee**

 <p><b>Burnley</b> .gov.uk</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;"><b>DATE</b></td> <td style="padding: 2px;">17/07/2019</td> </tr> <tr> <td style="padding: 2px;"><b>PORTFOLIO</b></td> <td style="padding: 2px;">Resources and Performance Management</td> </tr> <tr> <td style="padding: 2px;"><b>REPORT AUTHOR</b></td> <td style="padding: 2px;">Ian Evenett</td> </tr> <tr> <td style="padding: 2px;"><b>TEL NO</b></td> <td style="padding: 2px;">01282 425011 Ext 7175</td> </tr> <tr> <td style="padding: 2px;"><b>EMAIL</b></td> <td style="padding: 2px;">ievenett@burnley.gov.uk</td> </tr> </table>	<b>DATE</b>	17/07/2019	<b>PORTFOLIO</b>	Resources and Performance Management	<b>REPORT AUTHOR</b>	Ian Evenett	<b>TEL NO</b>	01282 425011 Ext 7175	<b>EMAIL</b>	ievenett@burnley.gov.uk
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**PURPOSE**

1. To inform on the effectiveness of Internal Audit and the application of new key standards documents.

**RECOMMENDATION**

2. Members consider the report and provide comment the evaluation of Internal Audit effectiveness.

**REASONS FOR RECOMMENDATION**

3. Audit and Standards Committee are ‘the Board’ in respect of the Public Sector Internal Audit Standards (PSIAS). As part of this role, they should consider the effectiveness of internal audit.
4. To ensure that the service is delivered effectively in accordance with proper practices.

**SUMMARY OF KEY POINTS**

**Local Government Application Note 2019 (LGAN)**

5. CIPFA have updated their LGAN last published in 2013. This is CIPFA’s guide to the Public Sector Internal Audit Standards for Local Government including specific interpretations. This reflects the changes in the PSIAS since 2013.
6. This is a significant document as it is critical in the measurement of compliance of the service with the PSIAS and hence with proper practice. Part of this requires the consideration of effectiveness regularly and externally at least once every five years, as we completed in 2017/18.
7. There is a compliance checklist that provides the evidence of compliance checks for

2019. There are no significant issues to report.

8. There is an intention by the Lancashire Chief Auditor Group to provide a Peer Review service for the required external check on compliance which is required once every five years. This is likely to be free of cost in return for participation in other authorities' reviews.

### **CIPFA - A Statement on Role of the Head of Internal Audit 2019**

9. Another updated document is the Role of the Head of Internal Audit, this was last published in 2010.
10. This is a change slightly to recognise the PSIAS which were not in place when the original document was published. The revised principles are presented in Appendix 1.
11. There are no changes identified as a result of the changed statement.
12. CIPFA have also published a companion document 'Leading internal audit in the public sector' which provides examples of the principles in practice.

### **Quality Assurance and Improvement Plan**

13. The service continues to run satisfaction surveys on after delivery of audits. These have reported high levels of satisfaction with the audits.
14. Audits have been followed up to confirm that reported findings have been addressed.
15. The service is based on Office 365 and uses fully electronic working papers. There has been an improvement in way audits have been recorded, with revised working papers and new processes to ensure that service objectives are recorded and that the auditor has covered the key elements of process.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

16. None

## **POLICY IMPLICATIONS**

17. None

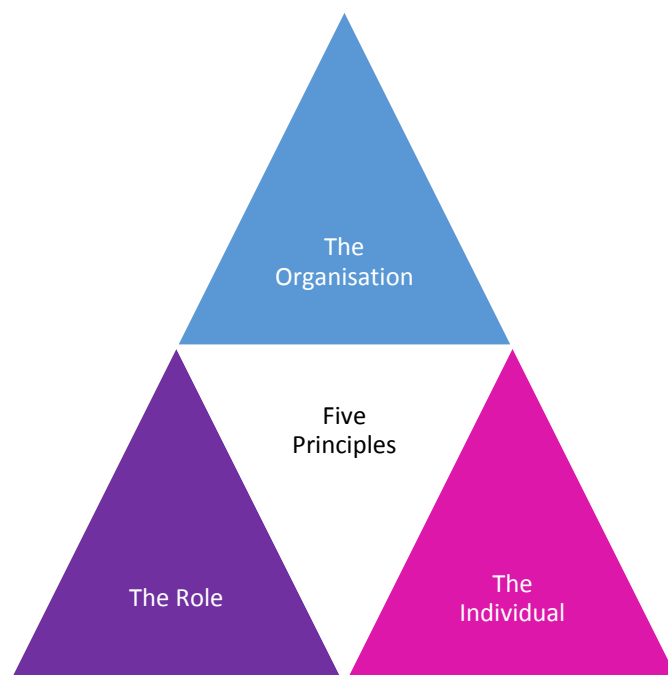
## **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Ian Evenett (Internal Audit Manager) Ext  
7175**

**ALSO:**

**Salma Hussain (Auditor) Ext 3152**



### **The Principles**

**The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:**

1. objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
2. championing best practice in governance and commenting on responses to emerging risks and proposed developments

**To perform this role the head of internal audit must:**

3. be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee
4. lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively
5. be professionally qualified and suitably experienced

From CIPFA A statement on the role of the head of internal audit 2019

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## AUDIT & STANDARDS COMMITTEE

### Work Programme 2019/20

<u>DATE OF MEETING</u>	<u>AREAS TO BE CONSIDERED</u>
17 <sup>th</sup> July 2019	<ul style="list-style-type: none"> <li>• <i>Annual Governance Statement 2018/19</i></li> <li>• <i>Audit Findings Report 2018/19/Statement of Accounts 2018/19</i></li> <li>• <i>Internal Audit Opinion 2018/19</i></li> <li>• <i>Internal Audit Plan 2019/20</i></li> <li>• <i>Internal Audit Effectiveness</i></li> <li>• <i>Code of Conduct Review</i></li> <li>• <i>Work Programme 2019/20</i></li> </ul>
18 <sup>th</sup> September 2019	<ul style="list-style-type: none"> <li>• <i>Standards Complaints Update</i></li> <li>• <i>Internal Audit Progress Report Q1</i></li> <li>• <i>External Auditor Appointment Arrangements Update</i></li> <li>• <i>Annual Audit Letter</i></li> <li>• <i>Regulation of Investigatory Powers Act – OSC Inspection and Annual Return</i></li> <li>• <i>Work Programme 2019/20</i></li> </ul>
15 <sup>th</sup> January 2020	<ul style="list-style-type: none"> <li>• <i>External Audit Progress Report</i></li> <li>• <i>Certification Report</i></li> <li>• <i>Draft Audit Plan 2019/20</i></li> <li>• <i>Final Accounts 2019/20 arrangements</i></li> <li>• <i>Annual Governance Statement 2019/20 Arrangements</i></li> <li>• <i>Internal Audit Progress Report Q2</i></li> <li>• <i>Fraud Risk Assessment 2019/20</i></li> <li>• <i>Strategic Risk Register 2019/20</i></li> <li>• <i>Standards Complaints Update</i></li> <li>• <i>Work Programme 2019/20</i></li> </ul>
4 <sup>th</sup> March 2020	<ul style="list-style-type: none"> <li>• <i>Internal Audit Progress Report Q3</i></li> <li>• <i>External Audit Plan 2019/20</i></li> </ul>

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