

Governance Committee

Tuesday, 23rd May, 2023, 6.00 pm

Shield Room, Civic Centre, West Paddock, Leyland PR25 1DH

Agenda

1 Apologies for absence

2 Declarations of Interest

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.

3 Minutes of the Last Meeting

(Pages 3 - 6)

The minutes of the meeting held on 7 March 2023 to be signed as a correct record.

4 CIPFA Resilience Index 2021/22

(Pages 7 - 20)

Report of the Director of Finance attached.

5 Management Responses to External Audit Planning Queries 2022/23

(Pages 21 - 56)

Report of the Director of Finance attached.

6 Internal Audit Annual Report and Opinion 2022-23

(Pages 57 - 94)

Report of the Head of Audit and Risk attached.

7 Internal Audit Effectiveness Review

(Pages 95 - 146)

Report of the Head of Audit and Risk attached.

8 Annual Governance Statement

Report to follow.

Chris Sinnott
Chief Executive

Electronic agendas sent to All Councillors

The minutes of this meeting will be available on the internet at
www.southribble.gov.uk

Forthcoming Meetings
To be confirmed

Agenda Item 3

Minutes of **Governance Committee**

Meeting date **Tuesday, 7 March 2023**

Members present: Councillors Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Damian Bretherton, Alan Ogilvie, David Shaw, Margaret Smith and Kath Unsworth

Officers present: Louise Mattinson (Director of Finance and Section 151 Officer), Chris Moister (Director of Governance), Asim Khan (Director of Customer and Digital), Dawn Highton (Head of Audit & Risk) and Clare Gornall (Democratic and Member Services Officer)

Other attendees: Matt Derrick, External Auditor, Grant Thornton

Public: 0

39 Apologies for absence

There were none.

40 Declarations of Interest

There were none.

41 Minutes of the Last Meeting

The draft minutes of 10 January 2023 were presented for approval.

The Chair informed the Committee that, pursuant to Minute 38, he had now written to the Chief Executive and that copies of the letter would be circulated to the Committee at this meeting.

Councillor Mrs Smith expressed her concern that the wishes of the Committee had only just been acted upon and that they should have been addressed shortly after the last meeting. She requested that her dissatisfaction with implementing the decision at such a late stage be recorded.

Resolved (unanimously):

The minutes of the meeting of this Committee held on 10 January 2023 be agreed and signed as a correct record.

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42 Audit Progress Report and Sector Update

Matt Derrick, External Auditor, Grant Thornton presented the Audit Progress report and Sector Update for year ending 31 March 2023.

A query was raised as to the reasons for the delay on the value for money report given it had been initially promised in September 2022 and was now expected in May 2023. Mr Derrick stated that the statutory requirement was that the value for money report must be published within three months of the Audit Findings Report and so they would still be compliant in bringing the report to the next meeting. He also indicated that they were currently following up on an internal audit report issued recently as part of their work in this area.

Resolved (unanimously):-

That the Audit Progress Report and Sector Update be noted.

43 Final Audit Findings Report 2021-22

Matt Derrick, External Auditor, Grant Thornton presented the Audit Findings Report 2021-22.

A query was raised in relation to page 29 on the Action Plan – Audit of Financial Statements, i.e. as to the delay in resolving the cash to bank reconciliation recommendation which was still outstanding and whether the recommendations due by 31 March 2023 would be achieved.

Louise Mattinson, Director of Finance indicated that following the discussion at the January Governance Committee on this point, she had circulated to Governance Committee Members the details of the accounts and amounts involved; the issue related to a few accounts with small balances and little or no activity on them. She explained that the Council was now working to streamline the accounts held. She confirmed that the Auditor's recommendations would be complied with.

She also indicated that the Council was in the process of actioning the two recommendations due by 31 March 2023.

In response to a query concerning the valuation of the McKenzie Arms properties, Louise Mattinson informed the Committee that a valuation had been requested as at 31 March 2023. She agreed to provide a confirmation to the Committee after the meeting as to whether it will be treated as an Operational Asset or an Investment Property, for valuation purposes and categorisation within the Statutory Accounts.

Louise Mattinson, Director of Finance then presented an addendum to the item, requesting approval of the adjustments to the Statement of Accounts 2021-22 following the completion of the external audit by Grant Thornton.

Resolved (unanimously):

1. That the Audit Findings report 2021-22 be noted;
2. That the adjustments to the Statement of Accounts 2021-22 detailed at paragraph 10 in the addendum to the report, be approved.

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44 Internal Audit Plan and progress update

Dawn Highton, Head of Audit and Risk presented a report setting out the programme of work to be undertaken by the Internal Audit Service April 2023 – September 2023.

The report also included the final internal audit report for the Waste Management Service. The audit was the first scheduled review for South Ribble Waste Management Service since it was brought in house on 11 June 2022. A “Limited” assurance rating had been awarded for this review.

Dawn Highton confirmed that all of the actions in the Management Action Plan due by January 2023 had been completed.

Members expressed concerns regarding the issues highlighted in the Waste Management Service report and cited in the Management Action Plan, including:

- Significant health and safety risks highlighted in the review
- The need for CCTV for the Waste Collection Fleet
- Lack of clear roles and responsibilities for officers (action 4)
- Insufficient staffing levels, leading to increased overtime and risk of increased sickness levels and unsafe practices (action 5)
- Issues relating to induction and training (action 6)

Asim Khan, Director of Customer and Digital addressed the Committee. He gave the background to the report which was that the review had been voluntarily requested following the service going in house in June 2022. He stressed that some issues had not been revealed until the Council took full control of the service. Previously there had been a high degree of dependency on agency employees to deliver the day to day service, however now the service had been taken in house this had been substantially reduced. He indicated that as a result of taking the service in house, whilst allowing for a range of factors (e.g. inflationary pressures on fuel prices), the net saving was estimated to be approximately £20,000. The exact figure would be confirmed after the meeting.

He informed the Committee that a new Head of Service was due to start on 18 April 2023 following a major restructure and that the priority for the postholder would be to ensure all actions due by December 2023 were completed.

In response to a query was raised as to the number of residential properties not recycling correctly, Asim agreed to provide the information outside the meeting.

With regard to the procurement of CCTV, Asim indicated the recommendation was a challenge, however he was due to conclude commercial discussions by the end of March. He indicated that an update would be provided to the Committee.

One member expressed concern about the breach of the first line of defence (i.e. senior management level - page 30) which had also appeared in previous service reviews. The Director of Governance, Chris Moister assured the Committee that the actions in relation to previous reviews had been implemented. The Director of Customer and Digital stressed that there had been a review of senior level posts and the need for greater resilience at senior level would be addressed.

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In response to a member query Asim Khan indicated that he would confirm to Committee if action 12, in relation to website testing had now been completed.

There were a number of queries in relation to actions 10, 14 and 15 which were due March 2023 / May 2023. Arising from a query relating to reporting of “near misses” (i.e. before and after insourcing the service), Asim undertook to provide additional information after the meeting.

It was agreed that the Committee be provided with progress updates on actions still outstanding, particularly those not due to be completed until by December 2023.

It was agreed that in the Internal Audit Annual Report to Committee, each of the reviews be taken in turn together with progress on each action.

Resolved (unanimously):-

1. That the Internal Audit Plan and associated indicators be approved;
2. that the Committee be provided with progress updates on actions still outstanding, particularly those not due to be completed until by December 2023.
3. That in the Internal Audit Annual Report to Committee, each of the service reviews be taken in turn together with progress on each action.

45 Local Code of Corporate Governance

The Director of Governance presented a report updating members on the outcome of a review of the Local Code of Corporate Governance.

Resolved (unanimously):-

That the Local Code of Corporate Governance at Appendices A and B to the report be approved.

Chair

Date

Report of	Meeting	Date
Director of Finance	Governance Committee	Tuesday 23 May 2023

CIPFA Resilience Index

Is this report confidential?	No
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Is this decision key?	No
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Savings or expenditure amounting to greater than £100,000	No
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Purpose of the Report

- To present to the Governance Committee the latest CIPFA Resilience Index (2021/22) compared to the previous published indices.

Recommendations

- The Governance Committee are asked to note the index and the continued strong position of the Council.

Reasons for recommendations

- The index compares key financial indicators with other Local Authorities and the results are intended to provide assurance to the Governance Committee.

Other options considered and rejected

- Not applicable.

Corporate priorities

- The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

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Background to the report

6. An online index was released by CIPFA (Chartered Institute of Public Finance and Accountancy) in December 2019 to show the levels of financial resilience of each Local Authority across England.
7. The index is intended to help to ensure the sector is held to collective and robust standards of governance and financial management.
8. Indicators used in the index include levels of reserves, external debt and ratios of income and expenditure.
9. These measures are intended to provide a rounded picture of an authority's resilience to financial shocks.
10. Whilst the index is intended to support Local Authorities in conducting their long term resilience assessments it is important to remember that it forms only one part of that judgement. Local context must also be taken into account when forming an overall picture of resilience.
11. The index is based upon statistical returns submitted by Local Authorities and it should be recognised that data quality / consistency will be an issue as different organisations will undoubtedly have different approaches to completing these.
12. The index is valid however in making overall comparisons and comparing trends between years.
13. CIPFA have now released the 2021/22 index; this is analysed in the report and compared against data from previous years.

THE INDICATORS

14. The 8 indicators applicable to District Councils are as follows;

INDICATOR	DEFINITION
Reserves Sustainability Measure	Ratio between the current level of reserves and the average change in reserves in each of the past 3 years. <i>A negative value (which implies reserves have increased) or one greater than 100, have been recoded to 100).</i> <i>(A higher figure indicates stronger resilience)</i>
Level of Reserves	Ratio of current level of reserves to the council's net revenue expenditure. <i>(A higher figure indicates stronger resilience)</i>
Change in Reserves	Average % change in Reserves over the past 3 years

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	<i>(A higher, positive figure indicates stronger resilience)</i>
Interest Payable / Net Revenue Expenditure	Ratio of Interest Payable to Net Revenue Expenditure <i>(A lower figure indicates stronger resilience)</i>
Gross External Debt	Compares gross external debt held by a council
Fees and Charges to Service Expenditure Ratio	Proportion of fees and charges against the council's total service expenditure <i>(Measures dependency on fees and charges and also how effective the council has been in generating income in this way)</i>
Council Tax Requirement/Net Revenue Expenditure	Ratio of council tax as a proportion of net expenditure <i>(Measures dependency on Council Tax and how effective the council has been in moving away from dependency on grants and funding from central government)</i>
Growth Above Baseline	Difference between the baseline funding level and retained business rates income, over the baseline funding level

SOUTH RIBBLE PERFORMANCE

15. The indicators are available for all authorities in the country and can be selected individually or by reference to;
- Upper Tier or Lower Tier and then by,
 - County Councils/ London Boroughs/ Metropolitan Districts/ Non-Metropolitan Districts/ Unitaries OR Nearest Neighbour
16. For the purposes of this comparison, South Ribble have been compared to their "Nearest Neighbours". The CIPFA Nearest Neighbour Model adopts a scientific approach to measure the similarity between authorities taking into account a range of economic, social and physical characteristics.
17. The Nearest Neighbour Grouping has been revised by CIPFA in the 2021/22 index and is now as follows;
- Amber Valley***
- Braintree***
- Broxtowe***
- Charnwood (new for 2021/22)***

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Chorley

Erewash

Gedling

High Peak

Hinckley & Bosworth

Newark & Sherwood

Rossendale

South Derbyshire

South Kesteven (new for 2021/22)

South Ribble

Stroud

Kettering and *Stafford* were in the grouping for 2020/21, however have been removed for 2021/22

18. The indicators are outlined in the attached charts; compared with previous years.

19. It should be noted that on some graphs the scale has changed between years.

CONCLUSION

20. There has not been a significant shift in either the scale of the Council's indicators, or their position in the "rankings" of the comparator Group.

21. The indicators continue to highlight the Council remains in a strong position.

22. The indicators highlight the Council currently has no external borrowing, however potentially this could change with a number of capital schemes planned. This in turn should give the Council greater opportunities for income generation.

Climate change and air quality

23. The work noted in this report does not impact the climate change and sustainability targets of the Council's Green Agenda and all environmental considerations are in place.

Equality and diversity

24. Not applicable.

Risk

25. The analysis provides assurance that the Council is in a strong financial position and resilient to financial risks.

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26. Members should note however that there are significant financial challenges ahead in terms of pay & price inflation, customer demand and potential changes to the funding / business rates mechanism for Local Authorities.

Comments of the Statutory Finance Officer

27. There are no direct financial implications arising from this report.
28. The report presents the financial standing of the council based on the figures included in the 2021/22 statutory returns for South Ribble in comparison to a group of councils who CIPFA deem to be the best comparator group based on similarities across a range of economic, social and physical characteristics.

Comments of the Monitoring Officer

29. There are no legal concerns with the report. No further comments in addition to above.

Background documents

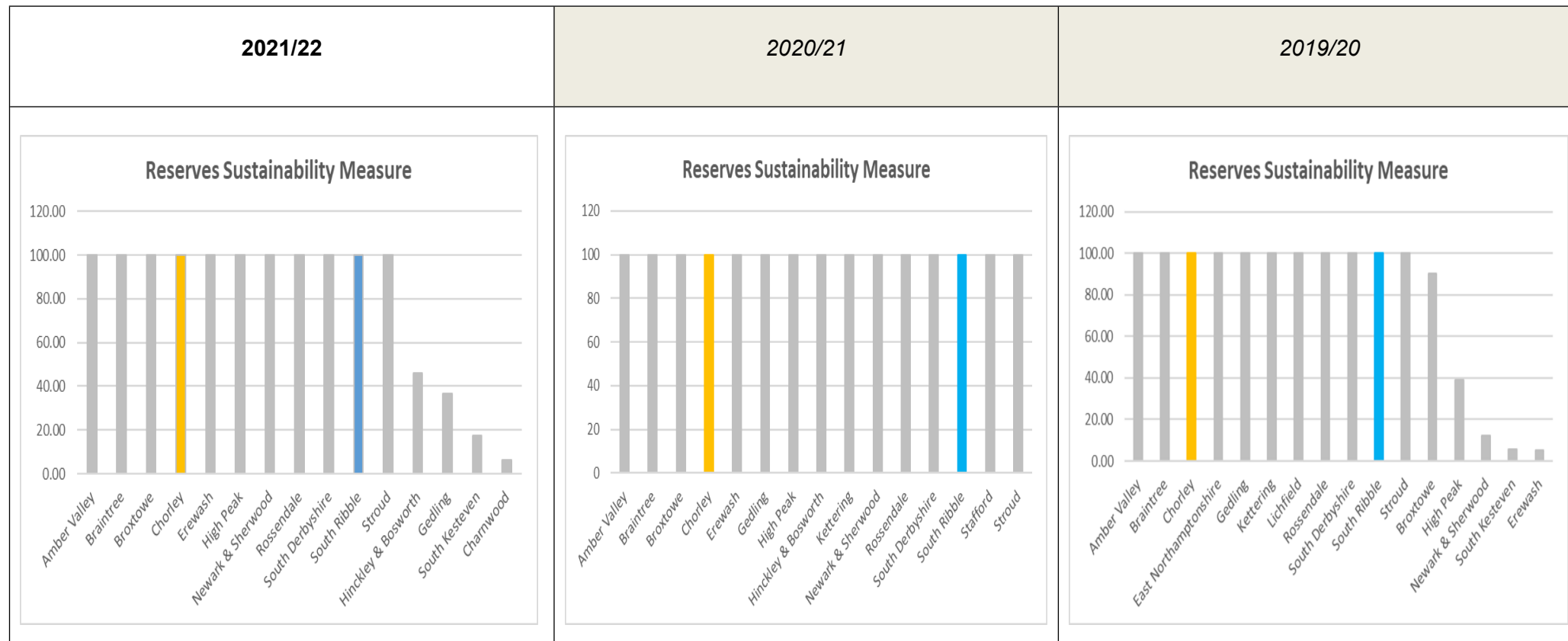
There are no background papers to this report.

Appendices

Appendix A – Comparison of Resilience Indices

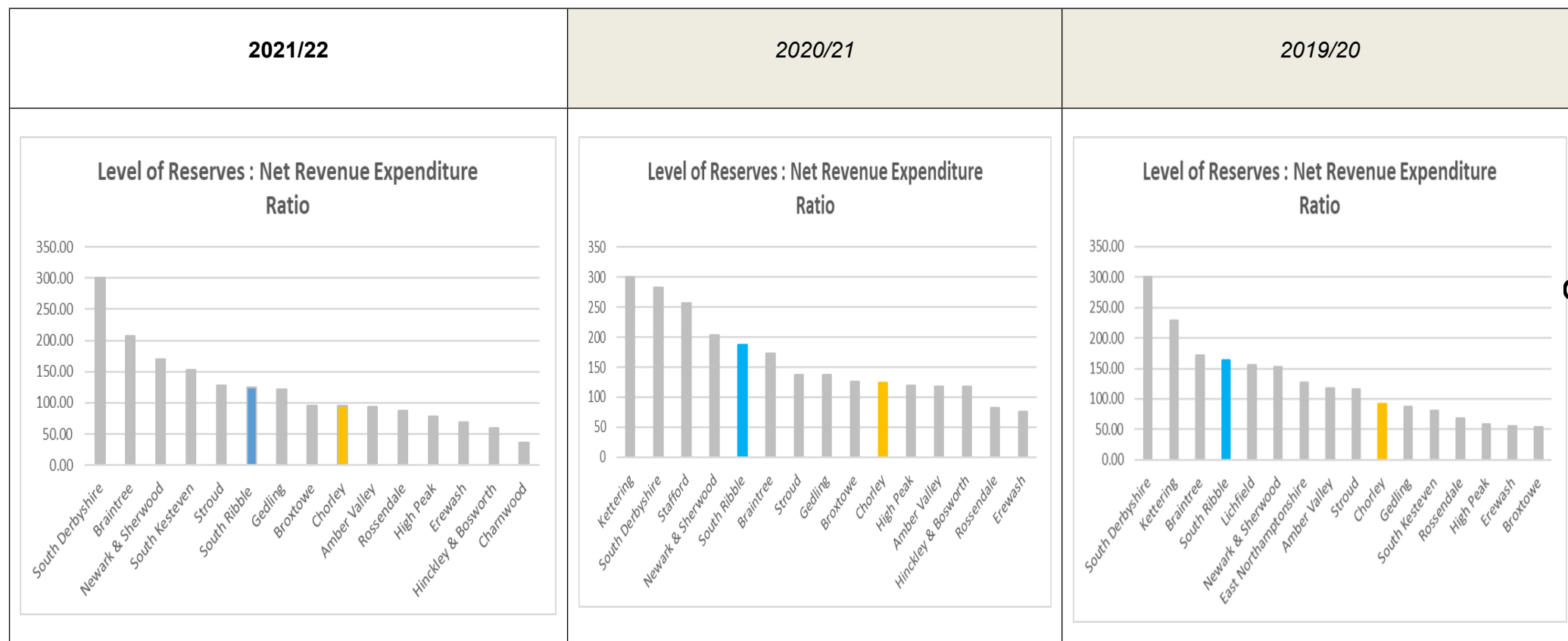
Report Author:	Email:	Telephone:	Date:
Steve Kenyon (Interim Deputy Director of Finance)	steve.kenyon@southribble.gov.uk	01257 515151	26 th April 2023

1. Reserves Sustainability Measure



The charts highlight a continuing strong level of reserves (maximum level on chart), with growth over the last 3 years for the Council.

2. Level of Reserves

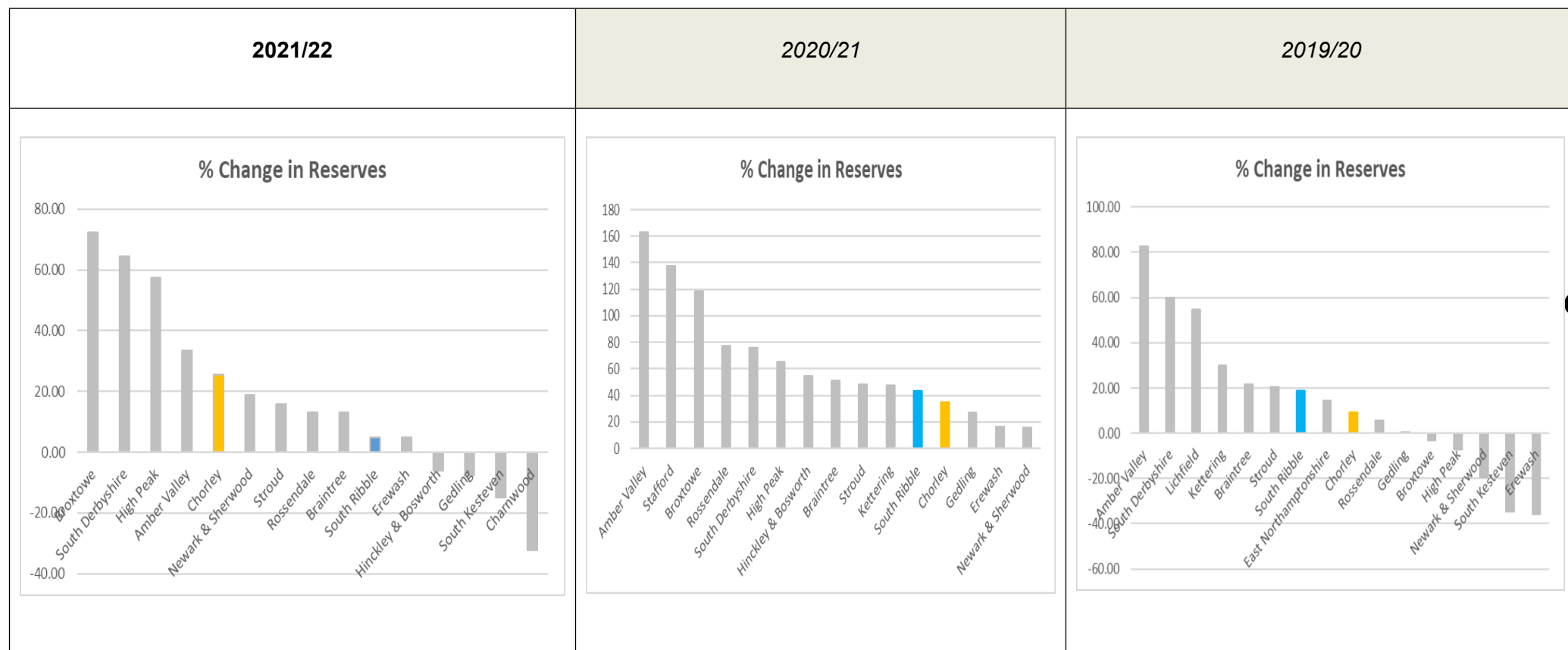


Overall rankings are broadly similar between the two years. The levels within the charts highlight reserves peaked in 2020/21 as a result of Covid Funding carried forward from 2019/20; this has subsequently been spent in line with Grant conditions.

Of the 180 districts, against this indicator South Ribble holds reserves (Earmarked and Unallocated excluding Covid grants and S31 Business Rate grants) equivalent to 125.33% of it's annual Net Revenue, ranking them the 116th highest accordingly.

In comparison to the 12 Districts in Lancashire, South Ribble had the 5th highest level of reserves compared to net revenue.

3. Change in Reserves

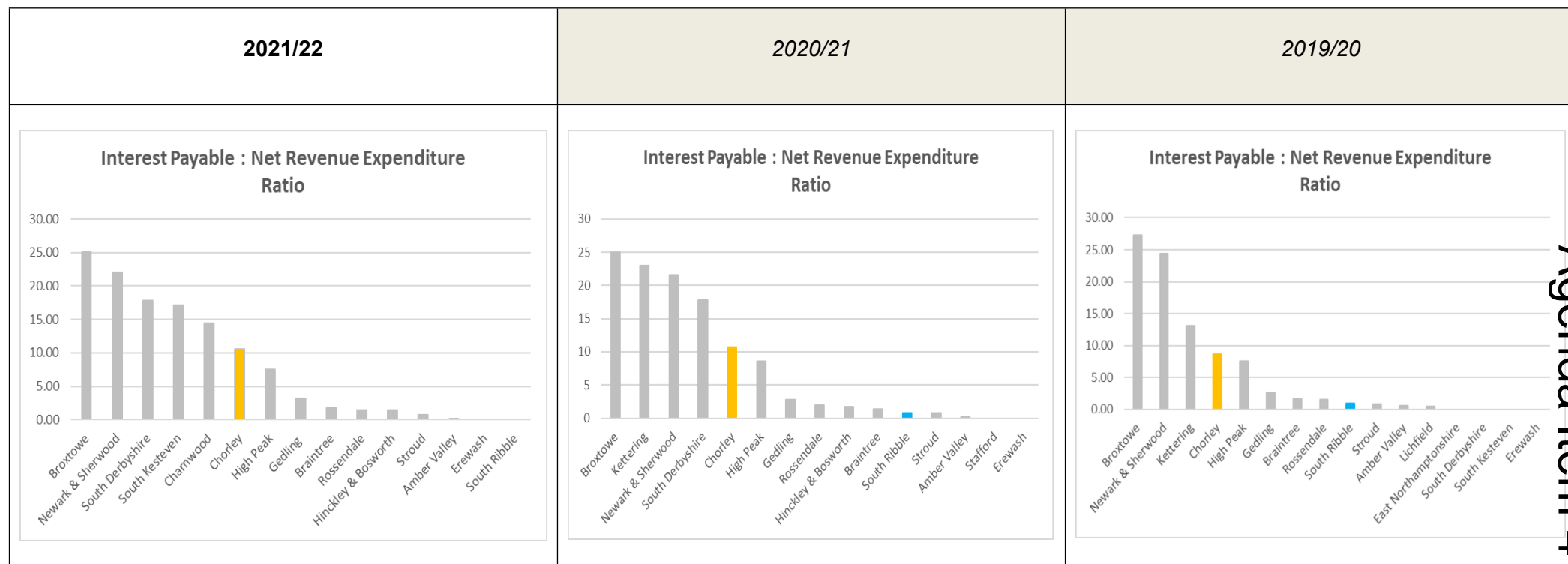


The chart highlights that the Council has consistently grown its level of reserves, however at a reduced rate in 2021/22.

In comparison, other Authorities in the group have seen their reserves decline.

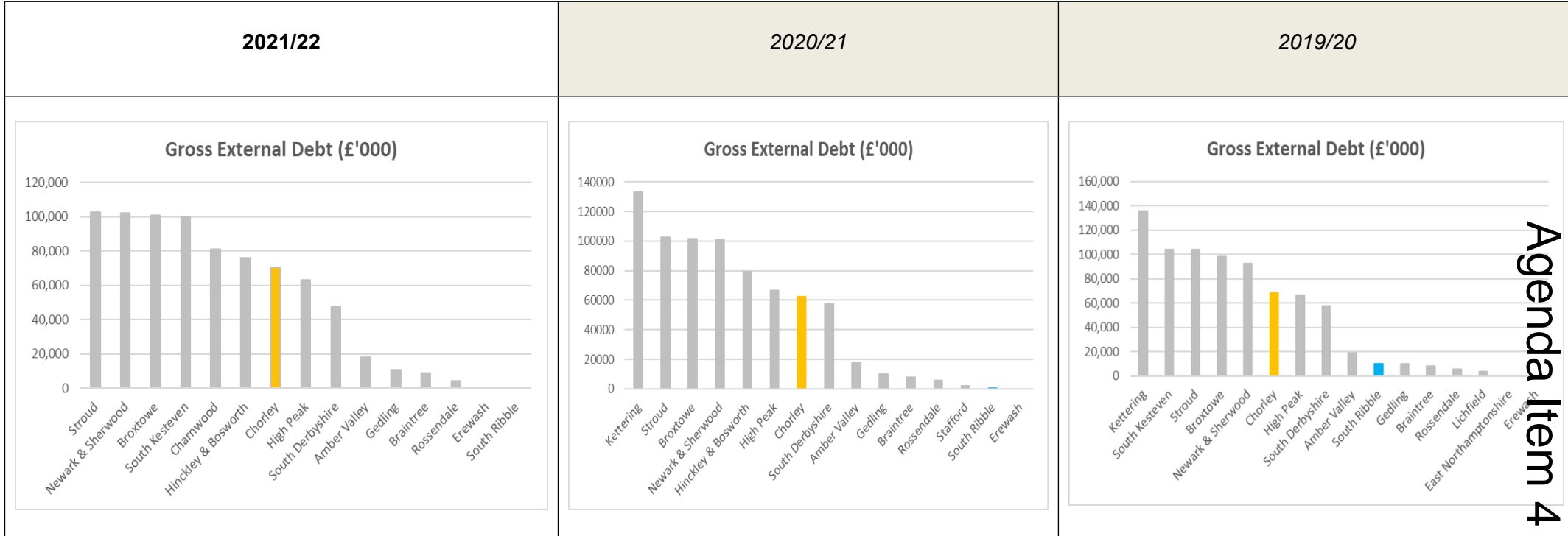
The increase for 2020/21 is due to unspent Covid Funding carried forward which has now been spent in line with Grant Conditions.

4. Interest Payable/Net Revenue Expenditure



The Council is currently free from debt, hence incurring no interest payable and therefore has the lowest ranking in the group.

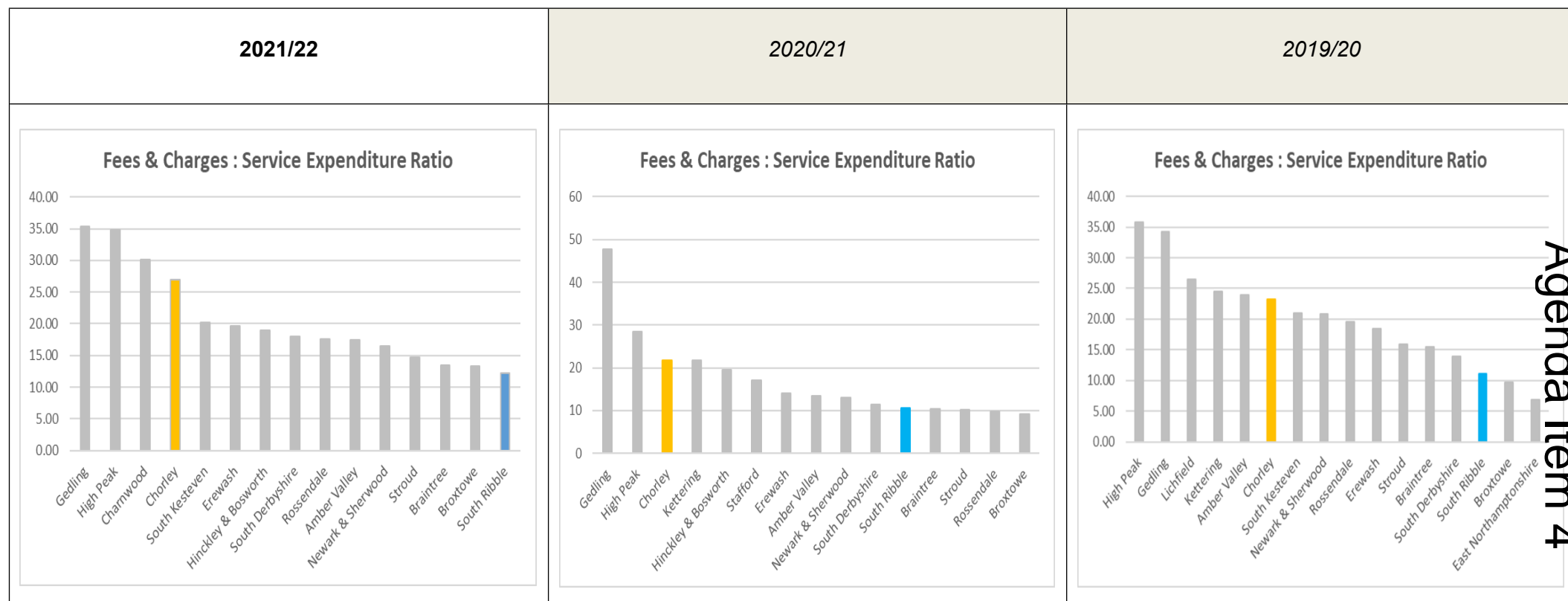
5. Gross External Debt



The Council's is currently free from debt, hence the lowest ranking in the group.

This is potentially a missed opportunity to undertake improvements in the Borough and generate additional income streams, however a number of capital schemes are planned in the Borough which may require borrowing to be undertaken.

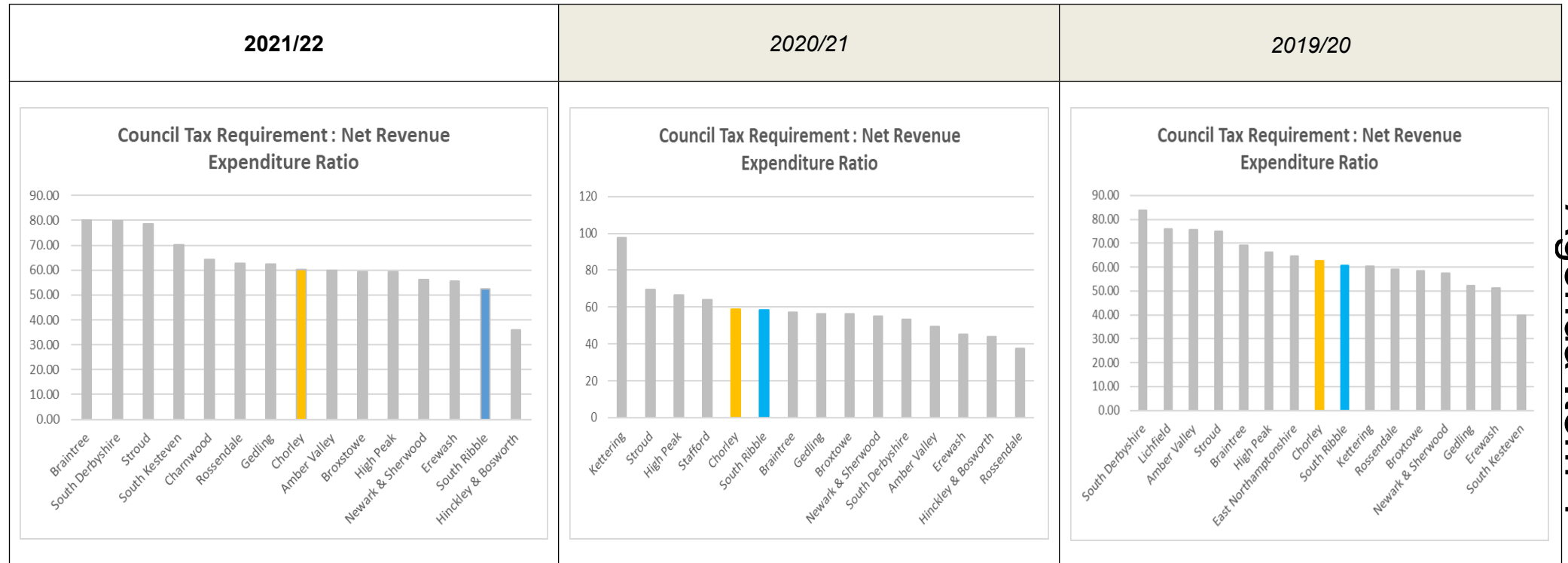
6. Fees and Charges to Service Expenditure Ratio



The Council is currently at the bottom of the group, suggesting the level and range of charges is low.

There is the potential for income generation to increase once planned capital schemes are completed.

7. Council Tax Requirement/Net Revenue Expenditure

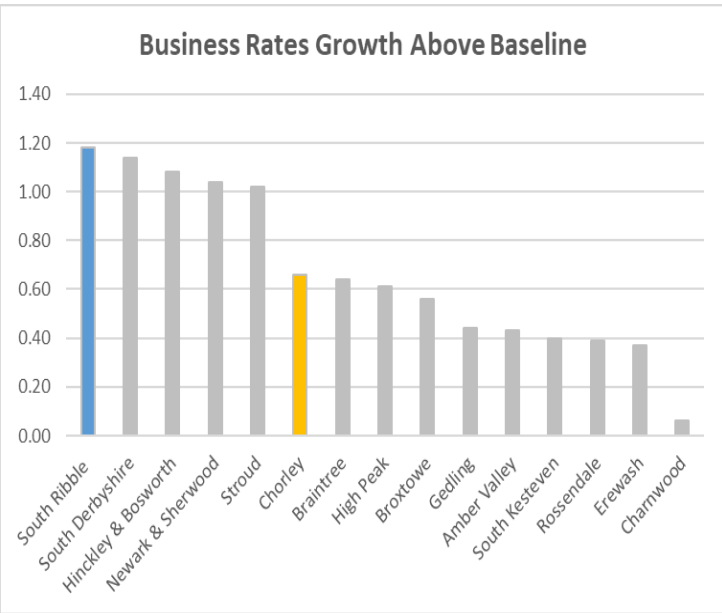


The graph above shows the level of Net Revenue Expenditure funded by Council Tax; the lower the percentage, the higher the dependency on government funding.

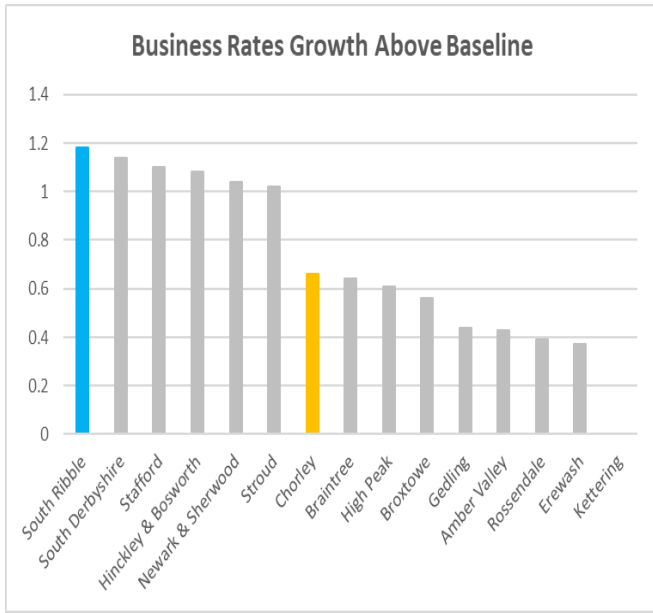
The Council is at the lower end of the chart given Council Tax freezes in recent years.

8. Growth Above Baseline

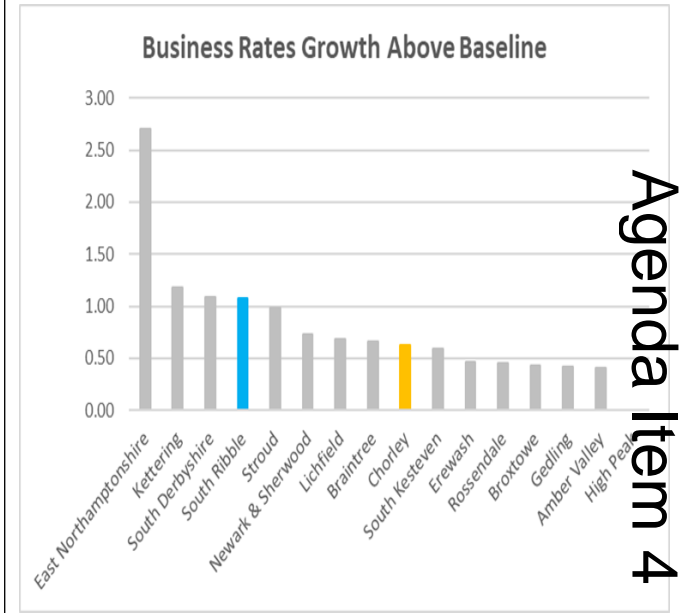
2021/22



2020/21



2019/20



Once again the Council has achieved the highest level of Business Rates Growth.

Rather than being due to a single large development, this appears to be due to a range of smaller sites, including retail and a number of warehouse premises.

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Report of	Meeting	Date
Director of Finance	Governance Committee	Tuesday 23 May 2023

Management Response to External Audit Planning Enquiries

Is this report confidential?	No
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Is this decision key?	No
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Savings or expenditure amounting to greater than £100,000	No
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Purpose of the Report

- To present to the Governance Committee, as those charged with governance of the Council, the management responses provided to the planning enquiries made by the External Auditors, Grant Thornton, as part of the 2022/23 statutory accounts.

Recommendations

- The Governance Committee, is asked to review and approve the management responses to the auditors enquires, as attached.

Reasons for recommendations

- In line with Auditing Standards, and to support the Audit Planning process, the External Auditors need to establish the risk of fraud or error.
- The Auditors' questions, answers provided by Management, and details of estimates / methodology used are outlined at Appendix A.
- Once again, this report is being brought to Governance Committee early this year to ensure a prompt start, and timely conclusion to the Audit.

Other options considered and rejected

- Not applicable.

Corporate priorities

- The report relates to the following corporate priorities:

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An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

8. In line with Auditing Standards, and to support the Audit planning process, the External Auditors need to establish the risk of fraud or error.

Climate change and air quality

9. The work noted in this report does not impact the climate change and sustainability targets of the Council's Green Agenda.

Equality and diversity

10. Not applicable.

Risk

11. The risks identified to the External Auditors, in response to the planning enquiries are detailed in the Appendices to the report.

Comments of the Statutory Finance Officer

12. As part of their responsibilities in conducting the audit of the statutory accounts, the External Auditors are required to seek responses, and request information, on all aspects of the Council's activities as they feel are necessary. The information requested as part of their planning enquiries, is in line with this.

Comments of the Monitoring Officer

13. No further comments in addition to above.

Background documents

There are no background papers to this report.

Appendices

Appendix A – External Auditor Planning Enquiries & Management Response & Estimates used in the production of the 2022/23 Accounts.

Report Author:	Email:	Telephone:	Date:
Steve Kenyon (Interim Deputy Director of Finance)	steve.kenyon@southribble.gov.uk	01257 515151	19 th April 2023
Jeanie Waddington (Principal Financial Accountant)	jean.waddington@southribble.gov.uk	01257 515151	


Agenda Item 5

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Appendix A**South Ribble Borough Council – 2022/23 Audit****Informing the Audit Risk Assessment****GENERAL ENQUIRIES OF MANAGEMENT**

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>The Council received funding of £2,281,808 in 2021/22 under the Coronavirus Additional Relief Fund (CARF). All reliefs relating to this scheme were applied in 2022/23 and totalled £2,150,244.</p> <p>The Council received grants of £297,920 and £44,800 in 2022/23 as interim payments (80%) in respect of Energy Bills Support Scheme and Alternative Fuel Payment Scheme. No payments were made under these schemes in 2022/23, and payments will be made in 2023/24.</p> <p>The Council received £6,481,800 in 2021/22 to issue a non-repayable rebate of £150 to households in Council tax Bands A to D. Payments were issued in 2022/23 and amounted to £6,457,650.</p> <p>In addition, the Council received funding of £170,850 in 2022/23 to devise a discretionary element to supplement the above scheme; payments totalling £164,240 were issued during 2022/23.</p> <p>The Council brought its Household Waste Collection contract back in house with effect from 11th June 2022. Whilst this was a significant operational change, we do not envisage any material impact on the financial statements for 2022/23.</p> <p>The Council has received an allocation of £3.4m under the UK Shared Prosperity Fund (UKSPF); this is revenue and capital funding to support Town Centre and infrastructure improvements, regeneration and skills over the period 2022/23 to 2024/25.</p> <p>The allocations for 2022/23 are £83k (Capital) and £326k (Revenue)</p>

<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>We have considered the accounting policies. There have not been any events or transactions that have caused us to change or adapt our accounting policies, however MRP calculations are now performed on an annuity basis (commencing 2022/23).</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>No</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>Nothing in addition to those mentioned at Question 1.</p>
<p>5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?</p>	<p>Prevailing economic conditions may see temporary reductions in some fixed asset valuations.</p>
<p>6. Are you aware of any guarantee contracts? If so, please provide further details</p>	<p>None</p>
<p>7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details</p>	<p>No</p>

8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>In terms of accessing external legal support the details are as follows:</p> <ol style="list-style-type: none"> 1. DAC Beachcroft – Solicitors – instructed on a litigation issue 2. Weightmans – Solicitors – instructed on a number of property matters 3. Kings Chambers – barristers – instructed on a number of planning matters. 4. Forbes Solicitors – miscellaneous employment advice
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>See attached:</p>  <p>GT Summary - SRBC External Consultant:</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	None identified

FRAUD RISK ASSESSMENT

<p>1. Has Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes, and there is no indication that the financial statements have been materially misstated due to fraud</p> <p>Internal Audit undertake their own proactive fraud detection work and participate fully in the National Fraud Initiative.</p> <p>Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance Committee and to Senior Management Team, including fraud risks and governance issues.</p> <p>Internal Audit Section will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud and Corruption Policy require the Head of Audit to be notified immediately of all discovered or suspected cases of fraud, corruption or other financial irregularity.</p> <p>Fraud in relation to revenues and benefits is dealt with separately by specific investigation officers.</p> <p>The s151 Officer has the overall responsibility for assessing the risk of material misstatement in the financial statements and is supported by services who provide the appropriate evidence for this assessment.</p> <p>A review of all corporate risks forms part of the quarterly report to the Leadership Team, of which the CFO is a member, identifying risk levels, risk owners and mitigating actions. This is reported to Shared Senior Management Team of which the CFO is a member.</p> <p>All reports submitted to committees require financial comments from the CFO or qualified representative. In addition, a risk section has been added to reports so that authors outline the major risks associated with decisions.</p> <p>Financial implications of future risks are discussed amongst officers at Senior Management Team as well interaction with members at leader's brief and committee meetings</p>
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2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>There is always a risk of error and fraud in relation to Benefits and supplier payments however we are confident this is mitigated through quality assurance processes, segregation of duties and internal checks within the systems / teams involved.</p> <p>An additional level of assurance is provided through the work of Internal Audit.</p>
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole, or within specific departments since 1 April 2022? If so, please provide details	No
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>Through the work carried out by internal audit</p> <p>Reporting of Corporate Risks to Governance Committee</p> <p>Specific fraud would be communicated to the Governance Committee when deemed material</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>Fraud risk associated with Covid Business Grants was no longer an issue in 2022/23 as reliefs (e.g. CARF) were applied directly to Business Rates accounts (as opposed to payments being made).</p> <p>No</p> <p>No</p>

<p>6. What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit, in accordance with the Public Sector Internal Audit Standards considers the risk of fraud in every review.</p> <p>Fraud risks are included on the Council's dedicated risk management system GRACE and categorised as a fraud risk to allow for specific fraud risk monitoring.</p>
<p>7. How do you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>During 22/23, a comprehensive internal audit plan has been delivered for the Council focusing on the overall control environment to consider if it is effective. Where controls are deemed to be ineffective or need strengthening, a robust action plan is developed with the risk owner with agreed timescales for implementation of mitigating actions.</p> <p>Counter Fraud policies are in place and available on both the intranet and the website. These include:</p> <ul style="list-style-type: none"> • Anti Fraud, Bribery and Corruption Strategy • Whistleblowing policy • Anti money laundering policy. • The Fraud Response plan <p>No specific areas for the over ride of controls have been identified during 22/23.</p>

<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>There is adequate separation of duties in place to prevent the potential for misreporting</p>
<p>9. How does the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Code of Conduct including ethical standards and behaviours which officers are required to comply with. The code is referenced in employee appointment letters and a link is provided in the letter to a number of relevant documents including the Code of Conduct, adherence to which is a condition of their employment</p> <p>The Information Security Policy is also there which states what is acceptable and unacceptable in terms of information and using the Council's IT systems.</p> <p>Council values that provide an ethical framework are used at recruitment and during staff reviews.</p> <p>Awareness is raised of probity policies via Core Brief and items on the Intranet.</p> <p>Mandatory fraud awareness training has been rolled out to all officers.</p> <p>No significant issues have been reported</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>The recruitment process includes robust measures to ensure all relevant documents are obtained and reviewed prior to an offer of employment being made.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Major related party's risks are monitored and reported separately</p>

<p>12. What arrangements are in place to report fraud issues and risks to the Governance Committee?</p> <p>How does the Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Governance Committee approve the Internal Audit Plan and receive interim reports throughout the year. Reports contain a summary of work undertaken and would include fraud risk and issues and breaches of internal control if identified.</p> <p>There have been no instances of fraud reported to the Governance Committee during 22/23</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

IMPACT OF LAW & REGULATIONS

<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>It is a requirement for the Monitoring Officer to receive and comment on all council and executive decisions.</p>
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<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council 's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Internal controls, segregation of duties, and the work of Internal Audit / risk management processes outlined previously</p> <p>None</p>
<p>2. How is the Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Monitoring Officer (or deputy) attends all Governance Committee meetings</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>None</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None</p>
<p>5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Litigation or claims may be picked up by legal services or services. Where necessary these will be reported to the Leader of the Council through the monitoring officer. Any budget implications of such litigations will be reported to Executive Cabinet, either through a separate report or through the quarterly budget monitoring report.</p> <p>The Council has set aside reserves to fund possible future costs of planning appeals.</p>

6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details

None

RELATED PARTIES

1. Have there been any changes in the related parties including those disclosed in the Council's 2020/21 financial statements?

If so please summarise:

- the nature of the relationship between these related parties and the Council
- whether the Council has entered into or plans to enter into any transactions with these related parties
- the type and purpose of these transactions

The Shared Service operating model with Chorley Borough Council continued to be rolled out through 2022/23, overseen by a joint Committee with representation from both Councils.

2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?

Finance obtain lists of all related parties / declarations of interest from;

- Directors
- Staff
- Elected Members

	Any potential conflicts are addressed.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Council has sufficient separation of duties and appropriate authorisation limits to ensure purchase orders and invoices are paid as required. Monthly budget monitoring ensures that the Council will identify any variances to agreed payments with related parties.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Payments cannot be paid outside normal procedure rules including separation of duties regarding payments being raised and invoices paid. There is no out of hours service.

GOING CONCERN

1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the Council will no longer continue?	<ul style="list-style-type: none"> • Development & continuing refresh of Corporate Strategy • Individual service and employee plans linked to Corporate Strategy • Regular reviews of service and corporate level risk registers • In year budget monitoring • Medium Term financial planning (Revenue) • Capital Strategy
2. Are management aware of any factors which may mean for the Council that either statutory services will no longer be provided or that	No – not aware of any factors

funding for statutory services will be discontinued? If so, what are they?	
3. With regard to the statutory services currently provided by the Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Council to cease to exist?	Yes – direct provision for the foreseeable future
4. Are management satisfied that the financial reporting framework permits the Council to prepare its financial statements on a going concern basis?	Yes – satisfied
Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes - satisfied

ACCOUNTING ESTIMATES

1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Pension Valuations</p> <p>PPE Valuations</p> <p>Minimum Revenue Provision</p> <p>Material Creditor and Debtor transactions including shared services charges between Councils</p>
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	<p>Provision for Business Rates appeals.</p> <p>Preparation of Group Accounts</p>
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	<p>This is dealt with within the finance section</p> <p>Senior Finance staff keep up-to-date with changes in accounting practises including purchasing the Code of Practice, attending relevant CIPFA training sessions and reviewing previous accounts to prepare for any changes.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Use of the CIPFA code of practice for local govt accounts. Review of source data provided to external experts (PP&E, pensions) and comparison of assumptions and results between financial years.</p>
4. How do management review the outcomes of previous accounting estimates?	<p>Comparison of estimates to eventual actual transactions, use this to form future judgements. Use these to review and challenge current outcomes of estimates.</p>
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	<p>No changes made to the processes, however underlying assumptions are continually reviewed and changed as necessary.</p>
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	<p>Review of skills held internally, and outsource identified gaps, using knowledge of reputable and appropriate experts.</p>

7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Review the underlying assumptions, and where there is material change, analyse to understand it and/or challenge the results.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Answered above
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement. If any changes to accounting policy / estimation methods gave rise to a significant movement from previous years, then we would reference this in the covering report / when presenting the draft accounts
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No

11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.</p> <p>If any changes to accounting policy / estimation methods gave rise to a significant movement from previous years, then we would reference this in the covering report / when presenting the draft accounts</p>

APPENDIX A - ACCOUNTING ESTIMATES

Land and buildings Valuations

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	<p>Valuations done by RICS surveyors.</p> <p>No.</p>
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	n/a

<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>As per agreed valuations schedule. No.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>RICS surveyors – work goes out to tender every 3 years. Due for tender exercise next year.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Review of valuations done by surveyors – challenged as necessary.</p>
<p>7. In management’s opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>n/a</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Range of outcomes is limited given the area of estimation.</p>

Depreciation

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	As per financial policy/accounting convention. No.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	From valuers, or consistent schedule. No.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	Asset Register. No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	n/a

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Refer to valuations/info returned by the surveyors.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Review by finance team along with consideration of info from valuers

Deferred Income

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	No deferred income identified No changes

<p>3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>N/a n/a</p>
<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>Data is direct from ledger if applicable no</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>In house accounting team knowledge</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Leases all flow through finance – other transactions would be monitored on the ledger</p>
<p>7. In management’s opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>None</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Limited estimation so uncertainty not great.</p>

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Scale is not such that changes can have a material impact.
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Bad-debt provision

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	Method agreed as part of accounting policy and process No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	Based upon prior experience and accountancy standards. No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	Data is from ledger / debtors system No

5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Aged debt monitored and reported quarterly
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes – debtors regularly monitored
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Specific areas are examined by individual finance officer where there is greater risk e.g. rental income
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Provision required is considered each year based upon past evidence and economic conditions as well as specific service knowledge.

Provision (NNDR)

Question	Management response
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1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	For pre-2017 List appeals, a calculation is carried out based on levels of outstanding appeals, the grounds of the appeals and past experience of success rates and levels of reductions in RV. For the 2017 List, provision is based on an estimated percentage, derived with reference to comparator councils, adjusted for changes made at the 'Check' and 'Challenge' stages. No change.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	Estimates are derived by reference to the available relevant data, comparators, etc and in accordance with professional standards and guidance.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	From reports produced by the Revenues & Benefits Department. No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Advice from LG Futures. Procured through usual Council procurement procedure.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	In house procedures/controls

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Estimate has been produced in-house. LG Futures have been retained to review and advise on its appropriateness.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	A degree of estimation uncertainty is inherent even with the pre-2017 List, because although it is based on objective data and an established methodology, there is always the possibility of variation from previous percentage success rates and RV reduction. The uncertainty is higher in respect of the 2017 List, where there is very little objective evidence on which to assess the likely ultimate level of successful appeals. The percentage applied is judged to be within the range of likely outcomes, but towards the higher end of that range. Consideration has been given to applying a lower percentage, but this would expose the Council to the risk of future loss without the provision to cover it, with the possibility that this could be for a significant amount.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	

Accruals

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No

<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?</p>	<p>Based upon actual invoices or purchasing system or where this isn't available best relevant estimates.</p> <p>No</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Dependent on accrual type – most driven by invoices and system. Estimates on bills where information not available based on service and finance knowledge.</p> <p>No</p>
<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>From ledger and any relevant data / information</p> <p>No</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Journals are authorised and listings with supporting evidence kept</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes – as based upon system and controls around financial system maintained.</p>

8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Relatively small uncertainty as most based upon invoices / evidence of trends
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Again as based off invoice / trends most is actual cost based.

Fair Value loans – NOT APPLICABLE

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	

<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	

Minimum Revenue Provision (MRP)

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	Based upon accounting principles Yes – as agreed at budget setting 22/23 – move to annuity basis in most instances
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	Asset life based upon valuations. Costs are from ledger No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?	Information from ledger / valuers No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Asset life from valuers where applicable
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Capital monitoring reported during year including financing

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes – reviewed in year and reported in quarterly reports plus feeds in to treasury management and capital strategies
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Costs are based on actuals – assets lives from valuers. Relatively little uncertainty
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Asset lives can change but generally assumptions relatively fixed.

Pension Liability

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	Accounting estimates in respect of member data and payments into/out the scheme are made based on year to date actuals and management knowledge of future changes. Accounting estimates in terms of the actuarial process are made by Mercer. There were no changes to the accounting estimates made by the council.

<p>3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?</p>	<p>Advice is taken from the Actuary who provide their advice in two documents entitled “Pensions Accounting – Assumptions & Other Considerations” and “Pensions Accounting Employer Support”. We then choose to accept this advice or offer alternative assumptions. We have chosen to accept the Actuarial advice for the 2022-23 financial year. Any changes to the assumptions and the rationale are set out in the above documents.</p>
<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	<p>Source data is held by the Lancashire Pension Fund. There were no changes</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>An Actuary (Mercer) is used. They are procured through the Lancashire Pension Fund although we have the option not to use them.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Payments made into and out of the scheme for employer and employee contributions are monitored on a monthly basis as part of the budget monitoring process. A month 10 data check is carried out on the figures provided by the Lancashire Pension Fund which is then supplied to the Actuary.</p>
<p>7. In management’s opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes – the month 10 data check should ensure consistency and any estimations made by the Actuary are supplied in advance which we have the option to check and challenge.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No.</p>

9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Reliance on the specialist knowledge and independent nature of the Actuary.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Sensitivity to the major assumptions, and the financial impact they could potentially have are reported in the Statement of Accounts within note 37 – Defined Pension Scheme.

Credit loss – NOT APPLICABLE

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2022/23, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2022/23, and if so what was the reason for the change?	

<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2022/23, and if so what was the reason for the change?</p>	
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?

Agenda Item 6



Report of	Meeting	Date
Head of Audit and Risk	Governance Committee	Tuesday, 23 May 2023

Internal Audit Annual Report and Opinion 2022-23

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. The purpose of this report is to summarise the work undertaken by the Internal Audit Service during 2022/2023 and to give an opinion as required by the Public Sector Internal Audit Standards (PSIAS) on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
2. The report also includes the results of the Quality Assurance and Improvement Programme.

Recommendations

3. The Committee is asked to note the report for the year ended 31.3.2022.

Reasons for recommendations

4. The completion of an Annual Audit Report and Opinion is a requirement of the Public Sector Internal Audit Standards. What reasons justify the decision?

Other options considered and rejected

4. None.

Corporate priorities

5. The report relates to the following corporate priorities: (Please bold one)

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Agenda Item 6

Background to the report

6. The Head of Audit and Risk is responsible for the delivery of an Annual Internal Audit Report and Opinion that can be used by the council to inform its Annual Governance Statement.
7. The attached report complies with the requirements of the PSIAS. It includes details of the coverage of work undertaken, a summary of the work that has been carried out that supports the opinion. It sets out any qualifications to the opinion, together with reasons for those qualifications, discloses any impairments or restrictions in scope
8. It also states whether the work has been undertaken in conformance with PSIAS, the results of any Quality Assurance Improvement Programme (QAIP), summary of actual performance against targets/measures and any issues that are considered relevant to the preparation of the AGS.

Climate change and air quality

9. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

10. There are no equality implications or considerations contained within this report.

Risk

11. The primary role of the Audit and Risk Service is to provide assurance or otherwise that the council is effectively managing its risk and to provide support to all Directorates in relation to risk and control.

Comments of the Statutory Finance Officer

12. No comment.

Comments of the Monitoring Officer

13. No comment.

Background documents

There are no background papers to this report.

Appendices

Appendix A – Internal Audit Annual Report and Opinion
Appendix B - Summary of Internal Audit Work 2022-23
Appendix C – Internal Audit Performance Indicators 2022-23
Appendix D – Internal Audit Review of Water Management (to follow)
Appendix E – Internal Audit Review of GDPR – Data Retention

Agenda Item 6

Report Author:	Email:	Telephone:	Date:
Dawn Highton (Head of Audit & Risk)	dawn.highton@southribble.gov.uk		

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Internal Audit Annual Report and Opinion 2022/2023

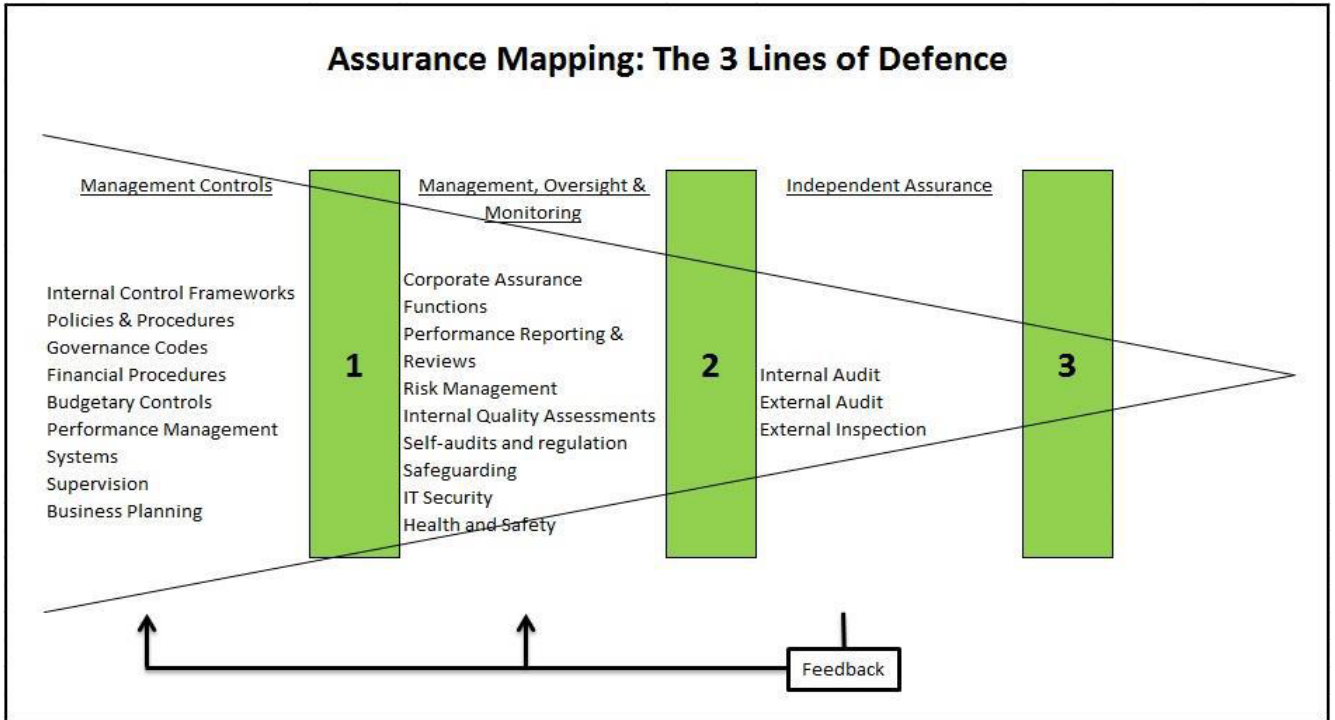
South Ribble Borough Council
Date 23rd May 2023
Dawn Highton – Head of Audit and Risk



WORKING TOGETHER

Introduction	
1	<p>The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.</p> <p>The role of the Head of Audit, in accordance with the PSIAS, is to provide an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes.</p> <p>The CIPFA Statement on the role of the Head of Internal Audit in Local Government noted that the Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.</p> <p>The opinion is based upon the work performed and other sources of assurance, achieved through a risk-based plan of work, previously agreed with the Shared Senior Management Team and approved by the Governance Committee.</p>
2	<p>The Head of Audit and Risk performs the Head of Audit role for South Ribble Council and Shared Services.</p>

The Role of Internal Audit and Management	
3	<p>The statutory basis for Internal Audit in local government is the Accounts and Audit (England) Regulations 2015. Internal Audit work is also governed by the PSIAS whose definition of internal audit is:</p> <p><i>“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”</i></p>
4	<p>The Council has adopted a three line of defence model in which the responsibility for implementing a strong system of governance and internal control within the Council lies primarily with the Shared Senior Management Team.</p> <p>Directors and Heads of Service provide the first line of defence as they need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change. Compliance / support functions provide the second line of defence, with the third line being provided by Internal Audit and other inspection agencies.</p> <p>Internal Audit do not repeat the work of the second line, rather it is considered during reviews to assess the level of reliability which can be placed upon it.</p>



Basis of the opinion	
6	<p>The Head of Audit and Risk is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its Annual Governance Statement.</p> <p>In assessing the level of assurance to be given, the opinion has been given based on:</p> <ul style="list-style-type: none"> • Reviews undertaken and reports included within the Internal Audit Annual Plan; • Advice / consultancy work undertaken by the Internal Audit team; • The implementation of agreed management actions by Directorates; • Internal Audit assessment of Risk Management • Internal Audit assessment of Corporate Governance • Other sources of assurance where appropriate; • The quality and performance of the Internal Audit service and the extent to which it complies with the Public Sector Internal Audit Standards and ISO 9001 Quality Management System;
7	<p>In giving the opinion it should be noted that an assurance opinion cannot be absolute as it is based on only those elements of governance and controls reviewed or taken into account as a result of any of the above activity.</p>

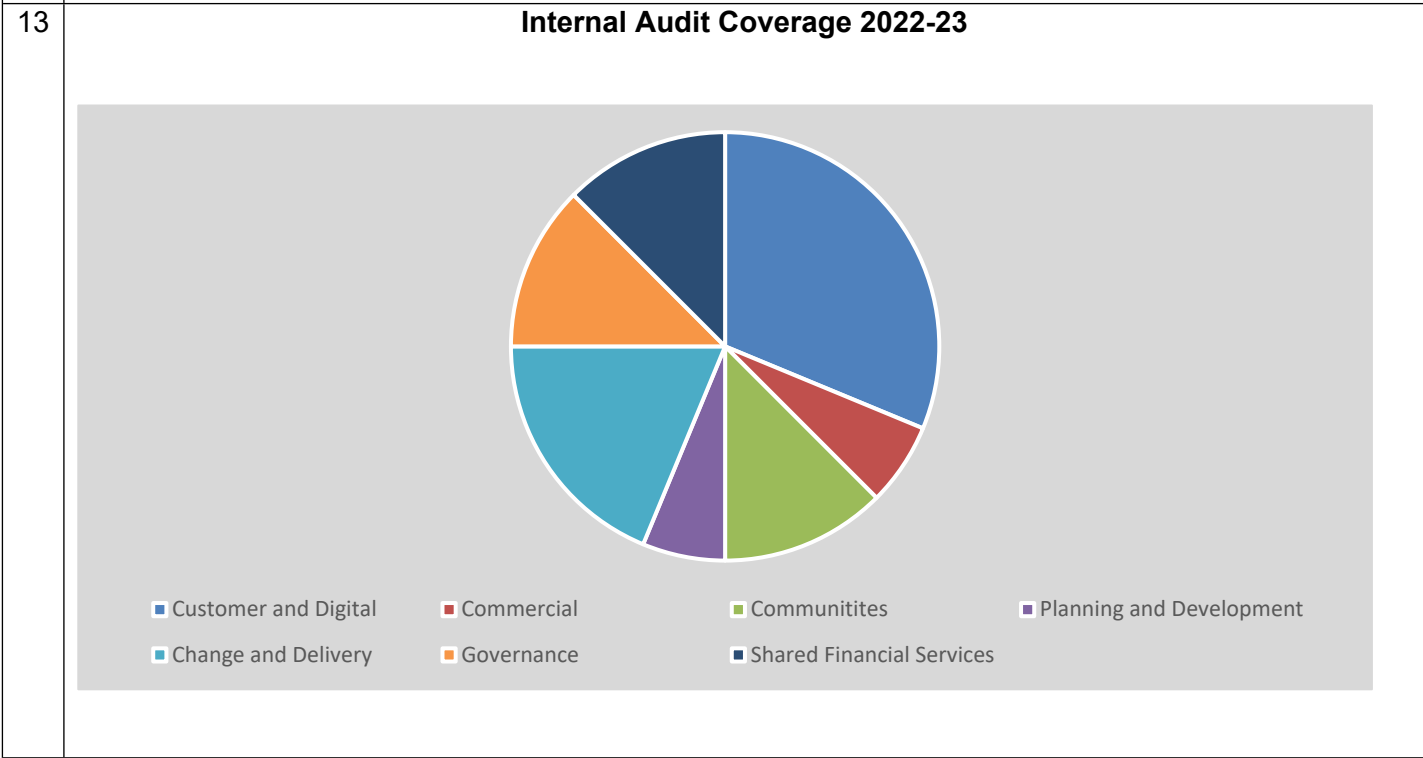
Scope and Objectives of Internal Audit	
8	<p>The scope and objectives of Internal Audit are set out in the Internal Audit Charter which was last approved by the Governance Committee in March 2022.</p>
9	<p>The Internal Audit Charter also sets out any impairments or restriction in scope for Internal Audit as:</p> <p><i>“The Head of Audit and Risk is also operationally responsible for Insurance, Business Continuity, Emergency Planning and Health and Safety functions and for the administration and development of, and reporting on, the Risk Management Strategy. It is considered prudent that any internal audit engagement covering the above operational areas and the risk management framework, especially for</i></p>

	<i>the formation of the annual opinion on the effectiveness of the control environment, would be overseen by the Council's Monitoring Officer".</i>
10	A review of the risk management arrangements was undertaken during 2021-22, however due to the operational responsibility detailed above, this was carried out by an independent third party.
11	I can confirm that the Internal Audit Service is independent as no reviews have been undertaken during 22/23 which impact upon the independence of either the Internal Audit Service or the Head of Audit and Risk.

Audit Coverage for 2022/23

12 Over the past few years, it has become apparent that the audit plan needs to be dynamic and responsive to change. In previous years, an annual plan has been developed and approved, however, it has been recognized that alternative arrangements to make the plan more flexible and responsive to relevant issues as they arise, and to take account of changes to the Council's operations, transformation programme and risks would add more value to the organisation. It was, therefore agreed with both the Senior Management Team and the Governance Committee that for 2022/23, the Audit Plan would be developed bi-annually for 6-month periods.

In order to provide an opinion, coverage of the whole authority should be obtained. The two combined Plans contained a total of planned 16 audit reviews as detailed below. In addition, a further unplanned review was undertaken.



Work completed to support the opinion

14 The opinion is based primarily on the work carried out by the Council's Internal Audit service during 2022/23, as well as a number of other assurance providers. As the Head of Audit and Risk, I am satisfied that sufficient assurance work has been carried out to provide an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes.

15	<p><u>Planned Audit Work</u></p> <p>Each review undertaken by Internal Audit is awarded an assurance opinion derived from the findings and based upon the following definitions:</p> <table border="1" data-bbox="177 338 1501 714"> <tr> <td data-bbox="177 338 464 443">Full</td> <td data-bbox="464 338 1501 443">the Authority can place complete reliance on the controls. No control weaknesses exist.</td> </tr> <tr> <td data-bbox="177 443 464 548">Substantial</td> <td data-bbox="464 443 1501 548">the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.</td> </tr> <tr> <td data-bbox="177 548 464 654">Adequate</td> <td data-bbox="464 548 1501 654">the Authority can place only partial reliance on the controls. Some control issues need to be resolved.</td> </tr> <tr> <td data-bbox="177 654 464 714">Limited</td> <td data-bbox="464 654 1501 714">the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist</td> </tr> </table> <p>Planned reviews completed during 2022-2023 and the assurance rating awarded is included in the table below:</p> <table border="1" data-bbox="177 869 1501 1514"> <tr> <td data-bbox="177 869 464 931">Full</td> <td data-bbox="464 869 1501 931"> <ul style="list-style-type: none"> • No reviews have been awarded full assurance during 2022-2023 </td> </tr> <tr> <td data-bbox="177 931 464 1068">Substantial</td> <td data-bbox="464 931 1501 1068"> <ul style="list-style-type: none"> • Safeguarding • Code of Conduct • VAT </td> </tr> <tr> <td data-bbox="177 1068 464 1310">Adequate</td> <td data-bbox="464 1068 1501 1310"> <ul style="list-style-type: none"> • Workshop Record Management • Community Hubs / Boost Fund • Absence Management • Key Strategic Partnerships and Contracts • Payroll • External Funding </td> </tr> <tr> <td data-bbox="177 1310 464 1514">Limited</td> <td data-bbox="464 1310 1501 1514"> <ul style="list-style-type: none"> • Utilities Management • Waste Services • Water Management • GDPR – Data Retention </td> </tr> </table>	Full	the Authority can place complete reliance on the controls. No control weaknesses exist.	Substantial	the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.	Adequate	the Authority can place only partial reliance on the controls. Some control issues need to be resolved.	Limited	the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist	Full	<ul style="list-style-type: none"> • No reviews have been awarded full assurance during 2022-2023 	Substantial	<ul style="list-style-type: none"> • Safeguarding • Code of Conduct • VAT 	Adequate	<ul style="list-style-type: none"> • Workshop Record Management • Community Hubs / Boost Fund • Absence Management • Key Strategic Partnerships and Contracts • Payroll • External Funding 	Limited	<ul style="list-style-type: none"> • Utilities Management • Waste Services • Water Management • GDPR – Data Retention
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Limited	<ul style="list-style-type: none"> • Utilities Management • Waste Services • Water Management • GDPR – Data Retention 																
16	<p>As the table highlights, during 2022/23, Internal Audit identified several areas of control weakness and work is on-going to strengthen the Council's control environment in relation to the weaknesses identified. These included (but not limited to):</p>																
17	<p>Utilities Management (Commercial Directorate)</p> <p>This review identified that there is a lack of overarching management of utilities, including:</p> <ul style="list-style-type: none"> ▪ Failure to assign responsibility for the administration and management of utilities; ▪ Inadequate arrangements in place to validate supplier invoices; ▪ Lack of policies and procedures to provide guidance and direction for officers. ▪ Non-compliance with regulations to ensure that the Council's responsibilities as a landlord are met regarding gas and electrical safety checks. ▪ Property records are inadequate and does not allow for the effective management of utilities; 																

	<ul style="list-style-type: none"> ▪ Failure to undertake a procurement exercise of water supplies since the deregulation of commercial water supplies. ▪ A lack of routine information sharing with Exchequer Services. <p>In addition, the Council has recently invested in a solar power system, however following receipt of guidance recently issued by the Councils insurers it has been identified that insufficient maintenance arrangements are in place, and that officers have not been adequately trained to manage the system.</p>
18	<p>Waste Services (Customer and Digital Directorate)</p> <p>Early in 2022, the Council made the decision to in-source the waste service and is now undertaking the collection of residential household waste using an in-house team.</p> <p>Our work identified that:</p> <ul style="list-style-type: none"> • the momentum for delivering the Mobilisation Plan had waned; • a range of Health and Safety risks were not adequately mitigated; • roles and responsibilities were not clearly defined; • CCTV to safeguard assets and help to protect the public and staff needed to be prioritized. <p>Acknowledgement was given during the review to the legacy issues that the Council has inherited from the previous waste contract and to the fact that the Service is realigning and taking steps to entrench itself into Council culture and corporate requirements.</p>
19	<p>Water Management (Customer and Digital Directorate)</p> <p>Our work established that there is evidence of awareness of the risks posed by the activities that are undertaken around areas of water. Some risk management measures are in place to reduce the risk to the public and employees/contractors working on-site, for instance Neighbourhood Officer site inspections and lifeline checks are carried out. Neighbourhood Officers are experienced and there is good evidence of team working to identify and address site issues/hazards. In addition, work is in currently in progress to identify and document all areas of water, reviewing sufficiency of current on-site safety signage/equipment (renewing and improving as required).</p> <p>However, the following significant management issues related to the management of water sites were identified:</p> <ul style="list-style-type: none"> • There is a lack of water management/safety policy; • A comprehensive list of water sites is not in place; • Site risk assessments that inform the nature and frequency of inspection for each site are not in place for all areas of water. • There is a lack of guidance/operating procedures for the Neighbourhood Officers undertaking site inspections. • Supervisory monitoring is not carried out to confirm that the inspection regime is working as intended. <p>A full copy of this report is attached at Appendix D.</p>
20	<p>GDPR – Data Retention (Corporate)</p> <p>This review confirmed the need for the Council to:</p> <ul style="list-style-type: none"> ▪ Implement a rigorous process for review of policies to ensure they remain accurate and reflective of operational activity; ▪ Align ROPAs, data retention schedules and Privacy notices to ensure a consistent approach is adopted and clear and accurate information is provided to the public;

	<ul style="list-style-type: none"> ▪ Ensure the ROPA is up to date and regularly reviewed; ▪ Each Directorate to ensure data held meets the agreed data retention schedules. <p>A full copy of this report is attached at Appendix E.</p>
21	<p>Commercial Directorate Procurement (Unplanned review)</p> <p>In addition to the planned reviews, Internal Audit also issued a report highlighting that there had been clear breaches of the governance framework resulting in a significant reputational risk and failure to adequately protect the Councils confidential data within the Commercial Directorate. Whilst many of the failings were due to activity within Chorley Council, South Ribble Council were also adversely affected albeit not to the same degree.</p> <p>Since this review was finalised, a multi-disciplinary Commercial Directorate Development Group has been established. The focus of the group is on developing and embedding a strong governance framework and a positive, supportive culture focused on high quality service delivery.</p>
22	<p>The remaining reviews all received either an adequate or substantial assurance rating. Senior Management have accepted all the findings of the reviews and management actions have been agreed to further improve the overall control environment.</p>
23	<p>In addition to the work carried out above, Internal Audit have also issued the following reports / provided assurance which do not include a formal assurance rating:</p> <ul style="list-style-type: none"> • Annual Governance Statement review to identify themes for inclusion in the AGS action plan; • COVID grant assurance returns for the Department for Business Energy and Industrial Strategy (BEIS); • National Fraud Initiative review of matches and co-ordination of the 2022 exercise.
24	<p>The Internal Audit Team and the Head of Service Audit and Risk have also participated in a number of corporate groups and initiatives throughout the year in order to provide support and advice on a variety of risk and control issues. These include:</p> <ul style="list-style-type: none"> • Membership of the Senior Leadership Team; • Member of the officer Corporate Governance Group; • Customer Services Transformation project; • Commercial Directorate major projects (as and when required); • Commercial Directorate Development Group. <p>Internal Audit also disseminate fraud alerts to relevant officers and manage accessibility to the National Anti-Fraud Network (NAFN).</p> <p>Full details of all the work undertaken is included at Appendix B – Summary of Internal Audit Work 2022-2023.</p>
25	<p>Due to the loss of key personnel within Planning and Development, it has been necessary to defer the review of Community Infrastructure Levy. This will be considered for inclusion in future Audit Plans once new officers are in post. The Internal Audit Plan also contained two reviews which are not yet finalised. The Vulnerability Management review will only commence in June 2023 and the ICT Support review is currently in progress. Both of these reviews were delayed as a result of the ICT Auditors non availability.</p>
26	<p>The table below provides a breakdown of assurance opinions issued by Internal Audit over the past 2 years for planned reviews. Due to COVID and the redeployment of auditors, we only have the past two years in which meaningful comparable data can be used. Moving forward, we will be in a position</p>

to measure over a longer period of time. It should also be noted that additional resource was allocated to Internal Audit in 21/22.

27 The table demonstrates a broadly consistent picture across the two years with similar number of assurance levels awarded at each level as:

Internal Audit Assurance Levels

Assurance Level	2021/22	%age	2022/23	%age
Full	0	0%	0	0%
Substantial	4	25%	3	23%
Adequate	8	50%	6	46%
Limited	4	25%	5	30%
Totals	16		13	

Follow up of Internal Audit Agreed Management Action

28 A rigorous monitoring system is in place to ensure all agreed management actions are implemented by adding the actions to the Council's risk management system GRACE. This allows action owners to update the system with progress made in a timely fashion and for monthly reports to be issued to Directors. Outstanding audit actions are now a standing item on all Directorate monthly meetings.

The table below sets out the number of agreed internal audit actions and their current status:

	Actions due by 31.3.23	Actions implemented	%age
SRBC	141	90	64%
Shared Services	57	46	80%

Whilst the target implementation rate of 90% has not been met, the outstanding actions have been reviewed and it has been established that the reasons are largely related to Commercial Directorate.

There were a number of key appointments within the organisation in recent months and Internal Audit are working closely with each new Head of Service to ensure that audit actions are reallocated to the appropriate responsible officer, the context of the audit report and actions arising are clearly understood and achievable realistic timescales for delivery are agreed.

Risk Management

29 Risk Management is the process by which risks are identified and evaluated so that appropriate mitigation can be applied to reduce the likelihood and impact of risks materialising. In the event a risk materialises, this could inhibit the Council to achieve its objectives and fulfil its strategic priorities.

30 As reported in 2022, the Council has taken steps to embed risk management processes, and the current arrangements include:

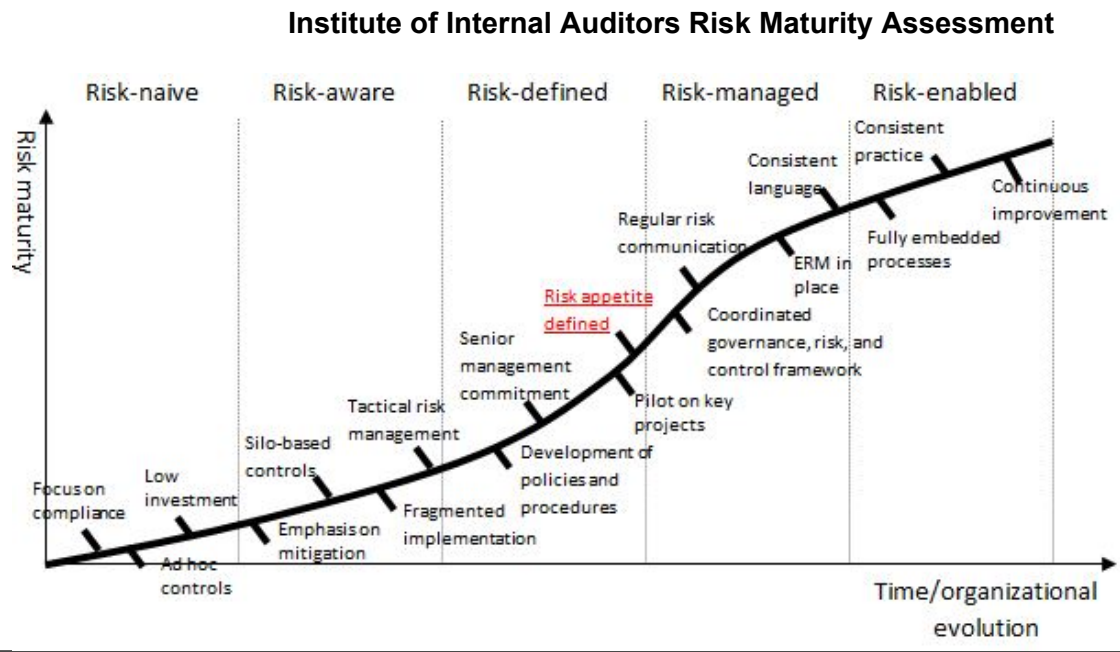
- Risk Management Strategy approved in 2021;
- Use of a dedicated risk management system;
- Individual officer training delivered as and when required;
- Risk Management training to all members of Senior Leadership Team;
- Dedicated risk management training for members;
- Mandatory risk management training for all members of staff through the corporate Learning Hub;

- Review of the Corporate Risk Register by the Senior Management Team and Governance Committee;
- Development of risk registers to capture risks and mitigations for a range of activities, including corporate strategy projects, business planning, partnerships and operational risks;
- Consideration of risk in all committee / Council reports;
- Risk management as a standing item on Directorate monthly meetings;
- Development of reports for the Officer Corporate Governance Group and Directors.

31 The Internal Audit opinion on the effectiveness of the Council’s Risk Management arrangements is based on the Chartered Institute of Internal Auditors’ Risk Maturity Model.

This review has concluded that the approach to risk management at a strategic level was effective, however there is still further work required within operational activity with some Services’ understanding of risk identification and management requires improvement. The Audit and Risk Service will continue to offer staff and services more risk management training in the future.

32 The table below shows that the Council’s risk management maturity is largely risk defined. In order to become risk managed, the Council needs to ensure work is undertaken to define its risk appetite, monitoring and reporting arrangements and embed risk management within all operational service areas.



Corporate Governance

33 The opinion of Internal Audit on the effectiveness of the Council’s corporate governance arrangements is based on CIPFA’s Delivering Good Governance in Local Government Framework 2016.

In order to support the compilation of the Annual Governance Statement Action Plan, a full review of the six principles contained within the guidance was undertaken. Actions arising from this review were presented and agreed with the Corporate Governance Group and are detailed in the Annual Governance Statement report.

34	Internal Audit Corporate Governance Assessment	
	CIPFA Principle	Internal Audit Assessment
	A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Adequate – whilst the Council is largely compliant with the requirements set out, the AGS contains an action to update the Council's Constitution.
	B. Ensuring openness and comprehensive stakeholder engagement.	Substantial – no key issues identified
	C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	Substantial – no key issues identified
	D. Determining the interventions necessary to optimise the achievement of the intended outcomes	Substantial – no key issues identified
	E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	Adequate – it has been recognized that there are some development needs for the Senior Leadership Team.
	F. Managing risks and performance through robust internal control and strong public financial management	Adequate – whilst there are some robust processes in place, evidence confirms that there are a number of processes where improvements are required.
	G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Substantial – no key issues identified

	Other Sources of Assurance	
35	Internal Audit has continued to consider other forms of assurance received by the Council. When preparing the audit plan and when undertaking individual reviews, we assess other sources of information available to us and assess them for the level of reliance which can be placed on them. Details of other sources of assurance are provided below:	
37	Health and Safety Health and Safety recently became a shared service and now has a stable team in place to support and advise the Council. Initially the team has prioritized ensuring training on first aid, fire wardens and manual handling is delivered to all relevant employees. In addition, the focus has been on the development of a shared Health and Safety framework to provide support and guidance for managers across both authorities. More recently, resource has been specifically targeted towards higher risk areas to ensure arrangements are robust and compliant with best practice.	
36	Insurance The Insurance Service have recently implemented a new automated claims management system. This is now allowing the Service to identify claim trends and report on the differing type of claims and costs	

	and improve our overall management of risk in relation to insurance claims. Reports are currently being developed for reporting to the Corporate Governance Group on a six monthly basis.
37	<p>Other assurance providers</p> <p>In formulating the overall opinion, other sources of assurance can be taken into account based on their findings and conclusions.</p> <p>Examples of other assurance provides can include (not an exhaustive list):</p> <ul style="list-style-type: none"> ▪ Work undertaken by External Audit including Housing Benefit Subsidy Claim; ▪ The work of specifically commissioned consultants; ▪ Section 11 Safeguarding review. <p>These assurances are also considered when developing the Internal Audit Plan.</p>
38	<p>South Ribble Leisure Limited ~Annual opinion</p> <p>The Internal Audit Service has also completed a range of reviews for Council’s wholly owned company - South Ribble Leisure Limited. The assurance ratings and reviews have been formally reported to the Board of Directors. In addition, in consultation with the Board of Directors, Internal Audit have completed the checklist contained within the Local Partnership - Local Authority Company Review Guidance. South Ribble Leisure also have full access to the dedicated risk management system and are in the process of developing a full suite of risk registers.</p> <p>Whilst the formation of the wholly owned company is still relatively recent, evidence has confirmed that there is still work to do to fully embrace the Council’s governance framework so that it becomes fully embedded.</p> <p>Based on the above, it is the view of the Head of Audit and Risk that the overall adequacy and effectiveness of the arrangements within South Ribble Leisure is adequate.</p>

Annual Opinion	
39	Based on the work undertaken and evidence available to Internal Audit including other sources of assurance, it is considered that the overall adequacy and effectiveness of the Council’s governance, risk management and control processes are adequate for the financial year ended 31 st March 2023 except for the significant control weaknesses identified at paragraphs 17 to 21.

Public Sector Internal Audit Standards (PSIAS)	
40	In accordance with the PSIAS, the Chief Internal Auditor (Service Lead Audit and Risk) has established a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal and external assessments. This is included as a separate item on this agenda.
41	<p>The internal assessments include the following:</p> <ul style="list-style-type: none"> • An annual self-assessment of the effectiveness of the Internal Audit Service audit service using the PSIAS and Local Government Application Note. From this assessment an action plan highlighting areas for improvements will be developed. • Day-to-day monitoring of compliance with the procedures and audit methodology that conform to the PSIAS, which will be regularly reviewed. All documentation used throughout the whole

	Internal Audit process is required to comply with the standards and this is recorded on final reports.
42	An external assessment must be undertaken once every 5 years. This was last undertaken in April 2018 and reported to the Governance Committee in May 2018. The assessment provides an external validation of the self-assessment with next assessment planned for June 2023.
43	<p>The internal annual self-assessment has now been conducted and the results are included as a separate report on the agenda. This review confirmed that the Service largely conforms to the professional standards. Only one area for improvement has been identified. This was identified during the 2022 review however reasons beyond our control prevented this from being successfully progressed.</p> <p>Members will recall that the Internal Audit Service also successfully achieved the ISO9001 Quality Management System this year. This clearly demonstrates the commitment to improvement and ensuring that a high quality service is provided to both Councils.</p>

Internal Audit Performance	
44	The table at Appendix C summarises the key performance data for the Internal Audit Service during 2022-2023 and demonstrates that the majority of performance indicators have either been achieved or exceeded. There is only the one indicator, % of agreed actions implemented by management, which is below target with the explanation provided above.

Looking forward	
45	It is accepted that the past 12 months have been turbulent for the Commercial Directorate and a range of issues contained within the body of this report have been identified. It must also be acknowledged that the Internal Audit Service have identified good practice throughout the organisation.
46	The Council now has a new Chief Executive and a number of new Heads of Service which should bring further stability to the organisation.
47	Internal Audit would like to take this opportunity to formally thank all staff throughout the Council with whom the Service has had contact with. In what has been a difficult year, the Senior Management Team have responded positively to our findings and supported the Internal Audit Service.

Summary of Internal Audit Work 2022/23

Appendix A

Internal Audit Plan 2022-23	Assurance Rating	Commentary
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CORPORATE		
Annual Governance Statement	Not applicable	<p>The review comprised of detailed testing and analysis of the Local Code of Corporate Governance and Service Assurance Statements completed by Directors.</p> <p>Common themes of improvements are included within the Annual Governance Statement Action Plan 2022</p>
Anti-Fraud & Corruption	Not applicable	<p>A full review of the Council's probity policies was undertaken. All policies are available to officers on Connect and the Council website.</p> <p>Throughout the year, fraud alerts received from various sources are circulated so that officers / the public are made aware of new threats and risks.</p>
National Fraud Initiative (NFI)	Not applicable	<p>Data for the main NFI 2022/23 was submitted for trade creditors, housing waiting list, Council Tax Reduction Scheme, taxi drivers and payroll. Results have been received and the investigatory work has commenced.</p> <p>Internal Audit are currently working with data holders to meet the Cabinet Office data requirements for the forthcoming Council Tax SPD 2023 exercise.</p>
COVID Grant Assurance	Not applicable	<p>Internal Audit participated in the BEIS post payment assurance verification process; providing the required evidence to support the payments made are compliant with the grant eligibility criteria.</p> <p>Following on from evidence provided to support COVID-19 Business Grants schemes – (Cohort 1), confirmation has been received from the Department for Business, Energy and Industrial Strategy (BEIS), that SRBC followed an appropriate and robust process in completing the assurance checks when awarding and paying a grant.</p> <p>In addition, assurance was provided in relation to the Containing Outbreak Management Fund and Test and Trace Support Payment grant determination sign off.</p>

Summary of Internal Audit Work 2022/23

Internal Audit Plan 2022-23	Assurance Rating	Commentary
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CUSTOMER AND DIGITAL		
Customer Services		
Revenue and Benefits Project Support	Not applicable	Following the implementation of a Shared Service within Revenues and Benefits, Internal Audit play an active role in the project team reviewing and aligning processes to ensure they are both robust and resilient
ICT		
Vulnerabilities Management	To be Confirmed	This review is due to commence June 2023.
ICT Support	To be Confirmed	This review is currently in progress and will be reported to the Committee in the first progress report of 23/24.
Project Support	Not applicable	Proactive support was provided to assist with Digital Strategy project
Neighbourhoods		
Workshop Record Management	Adequate	<p>There was clear evidence of oversight and management of the following key areas:</p> <ul style="list-style-type: none"> • Maintenance records • Goods and services are procured in compliance with the manufacturers requirements to preserve warranties; • Best value is being achieved where applicable. <p>However, our work has identified that there is a lack of active management of the contract with FCC. There are two areas whereby the control environment could be strengthened;</p> <ul style="list-style-type: none"> • Ensuring the Consumer Price Index is applied on an annual basis; • Performance monitoring between the Council and FCC. Whilst monthly monitoring meetings were held on a regular basis prior to COVID, the arrangements have not been re-established since.

Summary of Internal Audit Work 2022/23

Internal Audit Plan 2022-23	Assurance Rating	Commentary
Waste Services	Limited	<p>Early in 2022, the Council made the decision to in-source the waste service and is now undertaking the collection of residential household waste using an in-house team.</p> <p>Our work identified that:</p> <ul style="list-style-type: none"> • the momentum for delivering the Mobilisation Plan had waned; • a range of Health and Safety risks were not adequately mitigated; • roles and responsibilities were not clearly defined; • CCTV to safeguard assets and help to protect the public and staff needed to be prioritized. <p>Acknowledgement was given during the review to the legacy issues that the Council had inherited from the previous waste contract and to the fact that the Service is realigning and taking steps to entrench itself into Council culture and corporate requirements.</p>
Water management	Limited	<p>Our work established that there is evidence of awareness of the risks posed by the activities that are undertaken around areas of water. Some risk management measures are in place to reduce the risk to the public and employees/contractors working on-site, for instance Neighbourhood Officer site inspections and lifeline checks are carried out. Neighbourhood Officers are experienced and there is good evidence of team working to identify and address site issues/hazards. In addition, work is currently in progress to identify and document all areas of water, reviewing sufficiency of current on-site safety signage/equipment (renewing and improving as required).</p> <p>However, the following significant management issues related to the management of water sites were identified:</p> <ul style="list-style-type: none"> • There is a lack of water management/safety policy; • A comprehensive list of water sites is not in place; • Site risk assessments that inform the nature and frequency of inspection for each site are not in place for all areas of water. • There is a lack of guidance/operating procedures for the Neighbourhood Officers undertaking site inspections. • Supervisory monitoring is not carried out to confirm that the inspection regime is working as intended.

Summary of Internal Audit Work 2022/23

Appendix A

Internal Audit Plan 2022-23	Assurance Rating	Commentary
PROPERTY AND DEVELOPMENT		
Community Infrastructure Levy	Not applicable	This review has been deferred. The Team are considering options to automate process by the introduction of a new dedicated system and therefore it has been agreed that this review will be undertaken following implementation.
COMMERCIAL		
Utilities Management	Limited	<p>This review identified that there is a lack of overarching management of utilities, including:</p> <ul style="list-style-type: none"> ▪ Failure to assign responsibility for the administration and management of utilities; ▪ Inadequate arrangements in place to validate supplier invoices; ▪ Lack of policies and procedures to provide guidance and direction for officers. ▪ Non-compliance with regulations to ensure that the Council’s responsibilities as a landlord are met regarding gas and electrical safety checks. ▪ Property records are inadequate and does not allow for the effective management of utilities; ▪ Failure to undertake a procurement exercise of water supplies since the deregulation of commercial water supplies. ▪ A lack of routine information sharing with Exchequer Services. <p>In addition, the Council has recently invested in a solar power system, however following receipt of guidance recently issued by the Councils insurers it has been identified that insufficient maintenance arrangements are in place, and that officers have not been adequately trained to manage the system.</p>
Project Support	Not applicable	<p>Project support was provided to further develop the project risk register and review risk management practices within the project.</p> <p>A meeting was held with the Strategic Development Officer and the Strategic Lead for Future Investments to identify areas for further consideration and improvement to the project risk register. A risk workshop was attended with project team members to ensure that risks across all areas of expertise were captured for evaluation and monitoring.</p>
Commercial Services Directorate Procurement Review	Limited	Internal Audit issued a report highlighting that there had been clear breaches of the governance framework resulting in a significant reputational risk and failure to adequately protect the Councils confidential data. Whilst many of the failings were due to activity within Chorley Council, South Ribble Council were also adversely affected albeit not to the same degree.

Summary of Internal Audit Work 2022/23

Internal Audit Plan 2022-23	Assurance Rating	Commentary
		<p>Since this review was finalised, a multi-disciplinary Commercial Directorate Development Group has been established. The focus of the group is on developing and embedding a strong governance framework and a positive, supportive culture focused on high quality service delivery.</p>
COMMUNITIES		
Safeguarding	Substantial	<p>Our work has established that the Council has a good level of arrangements and that established controls are effective.</p>
Community Hubs / Boost Fund	Not applicable	<p>Internal Audit provided advice / guidance relating to setting up a new process for administering the successful Community Hub Boost Fund applications.</p> <p>Additionally, the Risk Team participated in the working group to assess the successful applications to consider risks and build in appropriate control the scheme funds.</p>
Community Hubs / Boost Fund	Adequate	<p>Our review confirmed that the Boost Fund and Boost Fund Plus have been administered well by the Community Development Team with good communication maintained with the Community Hubs and grant applicants throughout the application process. Applications are completed to a high standard and supporting documentation has been sought (where required) and maintained in a central file for each applicant. Evidence of periodic reporting to Cabinet/Council is available for each round of the Boost Fund, with overall approval for the Boost Fund Plus awards sought in June 2022.</p> <p>Management actions were agreed to further strengthen the arrangements if further grants are distributed by the Council in future.</p>
CHANGE AND DELIVERY		
Absence Management	Adequate	<p>Our work has established that a comprehensive Policy has been adopted and that there is a reasonable level of awareness and application.</p> <p>Current arrangements could be strengthened in record keeping and ensuring there is full compliance in all service areas.</p>

Summary of Internal Audit Work 2022/23

Internal Audit Plan 2022-23	Assurance Rating	Commentary
Key Strategic Contract and Partnerships	Adequate	<p>Both Councils have developed a comprehensive Key Contracts and Partnerships Framework (Framework) to help ensure that key partnerships have good systems of governance, well developed risk management practices and robust monitoring arrangements. The Frameworks are accessible to officers via the intranets to provide guidance and direction on the additional principles and requirements of a key contract/partnership. Robust reporting arrangements are also in place with key responsible officers provide progress updates to the Transformation and Change Team for biannual reporting to SMT and annually to Cabinet.</p> <p>There are improvements to be made to further strengthen the current arrangements and these include:</p> <ul style="list-style-type: none"> • Review of the Framework to ensure it continues to meet the needs of the organisation; • Monitoring and reporting of specific governance aspects of key partnerships to be introduced to further embed the requirements of the Framework.
Payroll	Adequate	<p>During 2022, a significant amount of work was undertaken to move to a new payroll provider. Our review confirmed that this project was successfully delivered with the majority of employees moving seamlessly to the new provider.</p> <p>Our work did identify some further improvements to be made to ensure the arrangements are fully embedded and roles and responsibilities are clear.</p>
Business Grants	Not applicable	Internal Audit provided advice/guidance relating to setting up a new process for administering the South Ribble Business Energy Efficiency (BEE) Scheme.
GOVERNANCE		
Code of Conduct	Substantial	No key control issues were identified for this review.
General Data Protection Regulations – data retention	Limited	<p>This review confirmed the need for the Council to:</p> <ul style="list-style-type: none"> ▪ Implement a rigorous process for review of policies to ensure they remain accurate and reflective of operational activity; ▪ Align ROPAs, data retention schedules and Privacy notices to ensure a consistent approach is adopted and clear and accurate information is provided to the public; ▪ Ensure the ROPA is up to date and regularly reviewed;

Summary of Internal Audit Work 2022/23

Appendix A

Internal Audit Plan 2022-23	Assurance Rating	Commentary
		<ul style="list-style-type: none"> ▪ Each Directorate to ensure data held meets the agreed data retention schedules. <p>The Senior Management Team have accepted the findings of the review and agreed to implement all agreed actions by September 2023.</p>
SHARED FINANCIAL SERVICES		
Review of VAT	Substantial	Our work has established that the Council has a good level of arrangements and that established controls are operating effectively.
External Funding	Adequate	<p>Testing identified confirmed that funding conditions are predominantly adhered to; the application process had been clearly designated to a responsible officer and there is alignment with the appropriate organisation's Corporate Strategy/statutory obligation.</p> <p>However it was identified that the Council would benefit from the introduction of an External Funding Strategy to augment the requirements set out in the Councils' Financial Procedure Rules would support managers, formalise procedures, set the standard for record keeping, and assist in providing assurance to the Director of Finance that robust monitoring arrangements are in place for all grant awards received.</p>

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INTERNAL AUDIT PERFORMANCE INDICATORS 2022-23

	Indicator	Audit Plan	Target 2022/23	Actual to Date	Comments
1	% of planned time used	SRBC	90%	105%	Target exceeded
2	% audit plan completed	SRBC	90%	81%	Below target – see body of the report.
3	% satisfaction rating (assignment level)	SRBC	90%	96%	Target exceeded
4	% of agreed actions implemented by management	SRBC	90%	64%	See body of the report
		SS	90%	81%	

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Chorley Council & South Ribble Borough Council

FINAL
Internal Audit Report

GDPR- Data Retention 2022/2023

Audit Assurance: Limited
Auditor: Struan Jackson
Date Issued: 15th May 2023



Cert No: 20128



WORKING TOGETHER

Reason for the Audit & Scope	
1	<p>UK organisations that process personal information need to comply with the Data Protection Act 2018/UK General Data Protection Regulations (UK GDPR) and are required to create a data retention policy to help manage the way personal information is handled and stored.</p> <p>A Data Retention Policy outlines why and how data is stored, outlines how long data will be kept and how this will be disposed of, it is also fundamental to the organisations overall data management and regulatory compliance. All corporate records including emails and attachments must be managed in accordance with the Council's Data Retention Policy.</p>
2	The review is included in the 2022/23 Audit Plan approved by the respective Governance Committee on 27 th September 2022 & 23 rd November 2022.

Audit Objectives	
3	The overall objective of the audit was to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are being sufficiently managed.
4	The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.

Audit Assurance	
5	The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.
6	Our evaluation of the reliance we can place on the three lines of defence is shown in Appendix A.
7	<p>Both Councils have developed a suite of data management policies and operational guidance designed to ensure compliance with the requirements of GDPR, including the following documentation that aid and provide direction to officers in relation to data retention practices:</p> <ul style="list-style-type: none"> • Record of Processing Activities (SRBC)/ Information Asset Registers (CBC); • Records Management Policy (SRBC)/Data Usage and Data Retention and Erasure Policy (CBC) • Data Retention Schedules; • Privacy notices. <p>Testing identified that although both Councils have established suitably comprehensive policies and guidance there is a lack of ongoing review and monitoring to ensure that the policies and associated documentation continues to reflect the data management processes operating within the organisation. Specific weakness identified for both Councils in relation to data policies/procedures were:</p> <ul style="list-style-type: none"> • Data management policies and associated guidance lack regular review and contain inaccuracies and out of date references relating to organisational structure and officer roles and responsibilities; • A number of inconsistencies were identified with the data retention periods outlined within the ROPA/Information Asset Registers, Data Retention Schedules, Privacy Notices published on Council webpages, and the actual practices identified to be operational within the Service. These practices need to be aligned to ensure a consistent approach is adopted and clear and accurate information is provided to the public. • The ROPA has not been routinely updated in line with changes in structure and responsibilities across the organisation and some data records need an updating where the responsibility for the data has changed from one Information Asset Owner (IAO) to another. Maintaining effective records of the organisation's data processing activities is an important obligation under The Data

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

Protection Act 2018/UK GDPR and further work is required to the Council's ROPA to ensure that it accurately reflects each organisation's current data processing environment.

- Poor accessibility to the ROPA/Information Asset Registers with a general lack of awareness amongst key officers to the location of each document.

Practices put in place to maintain focus and awareness of UK GDPR legislation appear to have waned with little evidence of cross-Council Data Management Groups operating; and routine reminders to Information Asset Owners (IAO) regarding their Record of Processing Activities (ROPA) responsibilities reducing in frequency. Completion rates for mandatory GDPR training developed to maintain staff awareness currently fall short of the 85% completion target for mandatory modules outlined within the SLT Corporate Health Dashboard (47% SRBC and 71% CBC).

Suitable guidance is available for the disposal and deletion of data at both Councils however, the majority of service areas sampled across both Council's showed poor adherence to the policy with multiple instances of storing data for a period of time exceeding that outlined in the service's ROPA/Information Asset Register/Retention Schedule/Privacy Notice; and exhibiting little awareness of the data archiving/deletion capability of the customer management system software that they were utilising. Additionally, the respective data management policies outline a specific requirement to maintain a register of destruction of records for data disposals/deletions, particularly for large scale data disposals, however, there were no examples of this being maintained for the services sampled.

Due to the number of essential improvements required to strengthen the current operational arrangements which are detailed in the action plan at Appendix B a **Limited** assurance rating has been awarded for this review. The Senior Information Risk Officer (SIRO) and the Data Protection Officer (DPO) were notified of the control weaknesses reported above during the course of our review and have committed to implement additional controls to improve management oversight and governance arrangements for compliance with GDPR these are outlined within the Management Action Plan at Appendix B.

Control Rating Key

- Full** – the Authority can place complete reliance on the controls. No control weaknesses exist.
- Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
- Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.
- Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

Risk and Controls	SRBC Control Evaluation	CBC Control Evaluation
Risk 1 – Lack of organisational data retention policy		
GDPR Data Management Group operational.	Action 1	Action 1
Records management policies and procedures are in place.	Action 2	Action 2
Policies/guidance is accessible for officers.	Action 3	Action 3
Officer affirmation of compliance with the Information Security Framework and associated data policies.	Action 11	Working as Intended
Officer mandatory GDPR training to support policies.	Action 4	Action 4
Risk 2 – Privacy notices are not in place or do not reflect operational arrangements		
Corporate and service specific privacy notices are in place.	Working as intended	Action 12
Privacy notices comply with the Information Commissionaire Office (ICO) requirements.	Working as intended	Working as intended
Privacy notices data retention information reflects operational requirements.	Action 5	Action 5
Risk 3 – The ROPA (Record of Processing Activity) / Information Asset Register does not accurately reflect the type of records processed.		
The ROPA / IAR's accurately records the data collected and processed by the council.	Action 6	Action 6

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

The ROPA / IAR's are reviewed and updated in compliance with GDPR requirements.	Action 6	Action 6
Council officers have access to the ROPA/Information Asset Register.	Action 7	Action 7
Regular reminders are issued to Information Asset Owners.	Action 8	Action 8
Risk 4 – Record retention schedules are not in place for each service and do not reflect practices outlined in privacy notice		
Data retention schedules are in place and regularly reviewed.	Action 2	Action 2
Data retention schedules reflect operational requirements.	Action 2	Action 2
The data retention schedules are aligned with the ROPA/ IAR's/Privacy Notices.	Action 5	Action 5
Risk 5 - Records are retained for longer than required		
Data is retained in line with operational requirements/data retention schedules.	Action 9	Action 9
Records management policies and procedures are in place.	Action 2	Action 2
Risk 6 – Procedures are in place to delete and dispose of records securely in compliance with the Data Retention Policy or service retention schedules.		
Disposal guidance is in place and available to officers.	Working as intended	Working as intended
Data disposal guidance is reviewed and updated.	Action 3	Action 3
Data is disposed of in accordance with Data management policies and other associated data related guidance material	Action 9	Action 9

*Additional risks and controls identified by Internal Audit to be added to GRACE

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

AUDIT ASSURANCE

Three Lines of Defence

Audit Area	1 st Line	2 nd Line	3 rd Line	Internal Audit opinion
GDPR- Data Retention	Service Managers	Data Protection Officer	Internal Audit	Currently reliance cannot be placed on the first line of defence as the services exhibited poor adherence to the organisations data management processes and associated guidance.

Risk and Control Evaluation

Risks Examined	Full	Substantial	Adequate	Limited
Risk 1 – Lack of Organisational data retention policy				✓
Risk 2 – Privacy notices are not in place or do not reflect operational arrangements			✓	
Risk 3 – The ROPA (Record of Processing Activity) does not accurately reflect the type of records processed.				✓
Risk 4 – Record retention schedules are not in place for each service and do not reflect practices outlined in privacy notice				✓
Risk 5 - Records are retained for longer than required				✓
Risk 6 – Procedures are not in place to delete and dispose of records securely in compliance with the Data Retention Policy or service retention schedules.				✓
OVERALL AUDIT OPINION				✓

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

MANAGEMENT ACTION PLAN			
NO.	FINDING	AGREED ACTION	OFFICER & DATE
South Ribble & Chorley Findings			
1	<p>Our review established that GDPR/Data Groups effected to support both Council's ongoing requirements of UK GDPR/Data Protection Act 2018 are no longer meeting and cannot be considered as operating.</p> <p>During the course of our review this weakness was acknowledged by the SIRO and DPO and commitment was provided to establish both a Data Owners Group and a Shared Information Security Council encompassing both organisations.</p>	<p>Agreed – The Information Security Council is to be re-established to take the strategic ownership and monitoring of performance. It will meet on a quarterly basis and will consider:</p> <p>the Register of Processing Activity; receive reports from Data Owners Group changes to policies retention periods new data use receive reports of ICO reporting.</p>	<p>Director of Governance</p> <p>June 23</p>
2	<p>Testing identified that both Councils have comprehensive policies in place that provide guidance to officers on the management, use, retention and deletion of data, however, testing identified a lack of regular review resulting in inaccuracies/errors with organisational structure/roles and responsibilities, and incomplete data retention schedules that do not reflect the current needs each service and the organisation as a whole.</p>	<p>A new suite of policies has been drafted and will be presented to SMT for review / approval.</p> <p>New policies include:</p> <p>Data Breach policy; Data Protection policy; Data Retention and Erasure policy; Data Usage policy; Information classification policy; Subject access request policy.</p> <p>Once agreed with SMT, policies will be shared and awareness raised.</p>	<p>Director of Customer and Digital</p> <p>June 23</p>

3	<p>Data management policies and other associated data related guidance material can be found on both Council's intranets however, these were not easy to locate, do not align, and contain links to empty folders/missing information. Furthermore, testing identified that many key officers were uncertain where to locate this documentation.</p> <p>To ensure that accurate, relevant and up to date information is available to officers to support the data management policies, processes and legal requirements the guidance on both Council's intranets should be assessed and updated as soon as possible; and given suitable prominence on the Council's intranet.</p>	<p>Agreed – awareness will be raised via SLT / core briefs and a dedicated page on the intranets will be established.</p>	<p>Director Customer and Digital</p> <p>June 23</p>
4	<p>Testing established that the completion rates for the GDPR mandatory module within Learning Hub falls short of the 85% completion target for mandatory modules outlined within the SLT Corporate Health Dashboard (47% SRBC and 71% CBC). Further work is required to ensure that all Council staff complete the mandatory training.</p> <p>During the course of our review this weakness was acknowledged by the SIRO and DPO and commitment was provided to review data management training requirements.</p>	<p>Agreed by SMT.</p> <p>Each member of SMT to ensure that mandatory training is completed by all Council staff.</p>	<p>Senior Management Team</p> <p>September 2023</p>
5	<p>Privacy notices are available to the public on both Councils websites and our review confirmed that the format of privacy notices sampled complied with the Information Commissioner Office (ICO) requirements.</p> <p>However, further comparison of the sampled privacy notices against corporate data retention schedules found that the information provided was not aligned for a number of services reviewed.</p>	<p>Agreed by SMT</p> <p>Each member of SMT will ensure that privacy notices are reviewed and updated to reflect the current data retention schedules.</p>	<p>Senior Management Team</p> <p>September 2023</p>

	<p>There is a need for services to ensure that the information on the data retention schedules is accurate and that this information matches that provided to customers within the published privacy notice to ensure that the Council is being clear and transparent with how it is handling personal and sensitive data.</p>		
6	<p>Testing identified that both Councils have a Record of Processing Activities (ROPA/Information Asset Register) that provides an overview of the organisations data processing activities however, a review of these documents identified that they are not fully completed and are not being revisited and updated on a regular basis in line with corporate guidance.</p> <p>Both Council's need to ensure that the ROPA is suitably comprehensive covering all services areas/functions; and that they have effective processes in place to keep the ROPA record up to date. A poorly maintained ROPA may put the Council at risk of not meeting its obligations under the DPA 2018/UK GDPR.</p>	<p>Agreed by SMT.</p> <p>Each member of SMT will ensure that the ROPA / Information Asset Registers are updated and accurately reflect current operational activity.</p> <p>The Information Security Council will ensure that going forwards ROPAs / Information Asset Registers are maintained.</p>	<p>Senior Management Team</p> <p>September 2023</p>
7	<p>Our review identified issues at both Councils with the prominence and accessibility of the ROPA/Information Asset Register/s. During the course of our review the document was either not readily available on the intranet (SRBC), or it was located on a page that was hard to locate/poorly labelled (CBC).</p> <p>It was acknowledged during the course of our review that access to the ROPA was reinstated for SRBC, however further consideration should be given to the prominence/location of this document at both Council's so that the ROPA can be easily accessed and readily available to officers (IAOs) tasked with adding, removing and amending the information contained within.</p>	<p>Agreed – awareness will be raised via SLT / core briefs and a dedicated page on the intranets will be established</p>	<p>Director Customer and Digital</p> <p>June 23</p>

8	Evidence was available to show that an email reminder has been issued by the Data Protection Officer within the last 12 months to maintain IAO awareness of the ROPA/Information Asset Register and their associated data management responsibilities however, the frequency of reminders has decreased since this was last reviewed by Internal Audit in March 2022.	Agreed – this will form part of the monitoring undertaken by the Information Security Council and reminders / updates will be requested on a quarterly basis.	Director of Governance June 23
9	<p>It is a requirement of both Council's data management policies that "personal data shall be kept in a form which permits identification of data subjects for no longer than is necessary for the purpose for which the personal data are processed".</p> <p>The review highlighted a number of service areas across both Council's failing to follow the data retention/deletion requirements of the data management policies holding data in excess of business need and/or for a period of time exceeding that outlined in the ROPA/Information Asset Register/Retention Schedule/Privacy Notice.</p> <p>Furthermore, services sampled also exhibited little awareness of the data archiving/deletion capability of the customer management system software that they were utilising to process personal data.</p>	<p>Agreed by SMT</p> <p>Each member of SMT will ensure that their Directorates review data held (both paper based and electronically) to ensure compliance with their data retention schedules.</p>	Senior Management Team September 2023
10	A specific requirement of the respective data management policies for each Council is to maintain a register of destruction of records for data disposals/deletions. Where our testing did identify examples of good data management and expired data had been deleted in accordance with the agreed arrangements, a register of disposal had not been maintained.	<p>Agreed by SMT</p> <p>Each member of SMT will ensure that a register of destruction of records for data disposals is completed and maintained going forwards.</p>	Senior Management Team September 2023

South Ribble Only Findings		
11	<p>Prior to logging into the Council's joint network each day officers are required to affirm that they understand and agree to the requirements of the Information Security Framework and its associated data policies including the Corporate Data Usage Policy (CDUP). Testing identified that the CDUP is not available to South Ribble officers on Connect or via the Learning Hub and appears to be a CBC only policy, not applicable to South Ribble officers.</p>	<p>Shared policies being developed and awareness to be raised.</p> <p>Complete</p>
Chorley Only Findings		
12	<p>Testing identified that Legal Services did not have a privacy notice in place and available to view on the Council's website.</p> <p>To comply with the requirements of GDPR, privacy notices are required where personal data is processed.</p>	<p>Agreed – Privacy notice will be placed on the website</p> <p>Director of Governance</p> <p>June 23</p>
	<p>Outside the agreed scope for this review, testing identified that there is the opportunity to align processes and policies given the expansion of shared services between Chorley Council and South Ribble Council and the similarity of the Council's data processing requirements. This option should be explored further when considering actions for the above findings.</p> <p>During the course of our review this weakness was acknowledged by the SIRO and DPO and commitment was provided to align and re-publish data management policies across both Councils.</p>	<p>See action 2</p>

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

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Agenda Item 7



Report of	Meeting	Date
Head of Audit and Risk	Governance Committee	Tuesday, 23 May 2023

Internal Audit Effectiveness Review

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. This report relates to the results of the self-assessment carried out by Internal Audit against the requirement of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) as a means of assessing the effectiveness of Internal Audit.

Recommendations

2. That the Committee notes the results of the self -assessment recently undertaken as part of the Governance Committee's consideration of the system of internal control.

Reasons for recommendations

3. Evidence that the Council has an effective Internal Audit Service.

Other options considered and rejected

4. None.

Corporate priorities

5. The report relates to the following corporate priorities: (Please bold one)

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Agenda Item 7

Background to the report

6. The Accounts and Audit (England) Regulations 2015 requires that the relevant body, at least once in a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind the review is to ensure that the opinion in the annual report by the Head of Audit / Chief Audit Executive (CAE) can be relied upon as a key source of evidence in the Annual Governance Statement.
7. The Public Sector Internal Audit Standards came into effect on the 1st April 2013 and are applicable to the whole of the public sector. A Local Government Application Note was produced by CIPFA in collaboration with the Chartered Institute of Internal Auditors as a sector specific requirement within the PSIAS framework. The LGAN was re-issued in 2019 with minor amendments.
8. One of the Attribute Standards within the PSIAS refers to a Quality Assurance and Improvement Programme (QAIP) which must comprise both internal and external assessments. This has been recently been reviewed and is included at **Appendix A**.
9. The QAIP states that internal assessments are both on-going and periodic, whilst an external assessment must be undertaken at least once every five years. External assessment can be in the form of a full external assessment or a self-assessment with independent external validation. The majority of Lancashire districts made the decision to continue with the annual self-assessment to be independently verified by a peer review. The last external assessment was conducted in April 2018 and reported to the Governance Committee with the next review scheduled for completion in June 2023.

Annual Assessment

10. In order to meet the requirements of the Accounts and Audit Regulations, a self-assessment has been carried out by the Service Lead Audit and Risk using the checklist contained within the revised LGAN. The LGAN states that if the periodic assessment is in the form of a self-assessment, the checklist contained within the guidance should be used for assessing conformance as it covers both the PSIAS and the LGAN.
11. The self-assessment is attached at **Appendix B** to this report. This demonstrates that the Service conforms with the Standards. There are 135 aspects of conformance, of which full conformance has been achieved for 129. There are 5 areas which are not applicable to the Internal Audit Service with only one area of partial conformance.
12. The Action plan at **Appendix C** shows the identified actions from the 2023 self-assessment. There is only the one action being carried forward to 2023 for the one area of partial conformance.

Climate change and air quality

13. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Agenda Item 7

Equality and diversity

14. The material presented and discussed in this report has no direct implications on equality and diversity.

Risk

15. Failure to undertake the annual self-assessment against the PSAIS and LGAN will leave the Council unable to demonstrate that the Internal Audit Service conforms with the expected Standards.

Comments of the Statutory Finance Officer

16. No comment.

Comments of the Monitoring Officer

17. No comment.

Background documents

Public Sector Internal Audit Standards

Local Government Application Note

Appendices

Appendix A – Quality Assurance and Improvement Programme

Appendix B - Self Assessment

Appendix C – Action Plan

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**QUALITY ASSURANCE &
IMPROVMENT PROGRAMME**

April 2023



WORKING TOGETHER

INTRODUCTION

The PSIAS require the Chief Audit Executive to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit activity to be assessed against the PSIAS (ie Definition of Internal Auditing, the Code of Ethics and the Standards themselves) for conformance.

The Accounts and Audit Regulations 2015 require a relevant authority to conduct a review each financial year of the effectiveness of the system of internal control. Since Internal Audit is a significant component of internal control, it is appropriate for an annual review to be conducted of the effectiveness of internal audit.

The PSIAS require that the QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical whilst external assessments must be undertaken at least once every five years.

Internal Assessments:

Ongoing Assessment

This requires the CAE to establish policies and procedures to guide staff in the conduct of their duties to ensure they conform to the PSIAS. This is achieved in the following ways:

- The Quality System includes procedures which are maintained by the Chief Audit Executive to provide staff with detailed information regarding the various elements of the audit process. This is contained on the Shared Drive.
- The Quality system and associated documents not only explains about the audit process but also the way in which the Shared Internal Audit Service conducts itself, how work is recorded using an electronic record management system for evidencing and recording audit work and maintaining audit files
- These policies and procedures are updated on an ongoing basis through the issue of update messages to the staff with the content being updated within the Quality system.
- The Quality system contains references to the audit planning process and how the annual audit plan is produced and approved by Governance Committee. Once approved, the CAE then allocates the plan amongst the auditors. This is usually based on a combination of factors; namely familiarity with the audit activity, the auditor has some existing knowledge of the service. However, the CAE has to be aware of other factors here:
 - over familiarity with the service which may lead to complacency
 - the need to provide audit staff with variety in their work
 - the need to ensure the audit work is commensurate with the skills and experience and competence of the auditor concerned
- The CAE ensures that the audit review has been undertaken in accordance with the Quality system and that all necessary aspects of the audit have been

carried out and the findings and conclusions within the report are supported by appropriate evidence.

- A review process in which the CAE / Senior Auditor considers the audit working papers and report and raises any queries with the auditor carrying out the review.
- Satisfaction Surveys (Assignment level) are issued with the Final Audit report and are issued to the lead contact. These seek feedback about various aspects of the audit, the auditor's approach and the usefulness of the audit.
- A set of Performance Indicators designed to give an indication of the success in the delivery of the service. The following indicators are maintained:

Performance Indicator	Target
% of planned time used	90%
% audit plan completed	90%
% satisfaction rating (assignment level)	90%
% of agreed actions implemented by management	90%

Service Development.

The Shared Internal Audit Service develops through various means including:

- Institute of Internal Auditors – information is regularly received by email of relevant courses put forward by the IIA.
- North West and North Wales Regional Audit Group events – seminars and weekend events designed to keep auditors up to date and identify potential improvements
- Other courses – short courses offered by a range of training providers.

In addition, on an annual basis, a Business Plan is compiled and approved. This contains individual projects to improve the Internal Audit Service and progress against these is monitored through the year.

Internal Performance Reviews.

The Shared Internal Audit Service complies with the corporate management performance framework. This comprises of the automated performance review process, three times per annum and regular meetings (121s) with their immediate line manager.

Periodic Assessment

The periodic assessment is in the form of a PSIAS self-assessment which is completed annually by the CAE. This is challenged internally by the Corporate Governance Group. Following this, the self-assessment is reported to Governance Committee in May who are asked to note the results as part of the Committee's consideration of the system of internal control (Ref: Accounts and Audit Regulations 2015). The conclusion regarding conformance with the Standards then forms part of the authority's Annual Governance Statement.

Any significant areas of non-compliance with the PSIAS that are identified through the self-assessment will be reported in the Annual Report and used to inform the Annual Governance Statement.

External Assessments

The requirement for an external assessment to be carried out at least once every five years can be satisfied by either arranging for a full external assessment, carried out by a person(s) from outside the organisation, or a self-assessment with external validation.

Approach

In March 2014, the Governance Committee confirmed that the approach to be taken for the external assessment would be a **self-assessment with external validation** using a Peer Review approach amongst the Lancashire districts.

The Lancashire districts have appointed a Subgroup to determine the exact approach to be adopted and they have developed a Memorandum of Understanding setting out the approach together with a draft format of a report. A timetable has been developed for those authorities who have agreed to participate, leading up to March 2023 by when all reviews must be completed in order to meet the five year requirement.

Scope of the Assessment

The external validation will consist of a broad scope of coverage primarily designed to assess the extent of conformance with the Standards. This will be determined through an examination of a range of documentation including the Internal Audit Charter, the Audit Plan, its policies, procedures and practices.

The assessment will also comprise completion of a questionnaire and short interviews with key officers within the council, designed to assess the quality of relationship that internal audit has with its customers. In other words, the review will look beyond the simple checklist approach seek to identify the extent to which internal audit adds value to the organisation.

The outcome of the review will be a written report containing an action plan in response to any significant comments and recommendations that may be identified.

Any significant areas of non-compliance with the PSIAS that are identified through the self-assessment will be reported in the Annual Report and used to inform the Annual Governance Statement.

Questions to consider			Evidence / comments
1 Mission of Internal Audit			
Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?			✓ Arrangements set out within Internal Audit Charter. Annual Audit Plan and Opinion.
<i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2 Definition of Internal Auditing			
Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?			✓ Arrangements set out within Internal Audit Charter. Financial Procedure Rules.
CONFORMS	PARTIAL	NOT CONFORMING	
Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?			✓ The Internal Audit Manual and associated procedures
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
3 Core Principles			
The Core Principles, taken as a whole, articulate internal audit effectiveness, and provide a basis for considering whether the review of conformance with the attribute standards and performance standards reflects full conformance, partial conformance or non-conformance with the PSIAS and the Local Government Application Note. In making this assessment, the assessor should have regard to positive evidence of conformance or non-conformance and the lack of evidence of non-conformance where positive evidence is difficult to obtain.			
Where there are instances of partial conformance or non-conformance in particular areas, you may need to make a judgment having regard to materiality and other factors in order to form a view on whether the internal audit activity CONFORMS with a particular Core Principle. Any such judgments should be highlighted and explained.			
Demonstrates integrity.			
Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating integrity?			✓ All members of IA team professionally qualified and comply with awarding bodies Code of Ethics. Staff declarations. Register of Interest
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Demonstrates competence and due professional care.			<ul style="list-style-type: none"> ✓ Compliance with awarding bodies Code of Ethics ✓ Specialist skills procured when required (ICT) ✓ Experienced Audit Team ✓ Audit Manual and procedures
Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating competence and due professional care?			
CONFORMS	PARTIAL	NOT CONFORMING	
Is objective and free from undue influence (independent).			<ul style="list-style-type: none"> ✓ Internal Audit Charter ✓ Annual Report and Opinion
Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being objective and free from undue influence (independent)?			
CONFORMS	PARTIAL	NOT CONFORMING	
Aligns with the strategies, objectives, and risks of the organisation.			<ul style="list-style-type: none"> ✓ Risk assessment based upon current risks and objectives of the organization / service. ✓ Internal Audit Plan compiled following consultation with Managers and risk analysis. Plan approved by Governance Committee
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?			
CONFORMS	PARTIAL	NOT CONFORMING	
Is appropriately positioned and adequately resourced.			<ul style="list-style-type: none"> ✓ Organisational structure ✓ Audit Plan incl resources
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being appropriately positioned and adequately resourced?			
CONFORMS	PARTIAL	NOT CONFORMING	
Demonstrates quality and continuous improvement.			<ul style="list-style-type: none"> ✓ Internal Audit self-assessment reported to Governance Committee May 22 / May 23 ✓ Quality Assurance and Improvement programme.
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating quality and continuous improvement?			
CONFORMS	PARTIAL	NOT CONFORMING	
Communicates effectively.			<ul style="list-style-type: none"> ✓ Reporting arrangements as set out within the Audit Charter.
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by communicating effectively?			
CONFORMS	PARTIAL	NOT CONFORMING	
Provides risk-based assurance.			

<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?</p>			<ul style="list-style-type: none"> ✓ Annual risk assessment undertaken to inform annual plan. ✓ Review of risk registers ✓ Service Assurance statements ✓ Corporate risk registers
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is insightful, proactive, and future-focused.</p>			<ul style="list-style-type: none"> ✓ Internal Audit involvement with project teams providing proactive advice and guidance on risk, governance and control (As per Internal Audit Plan). ✓ New and emerging risks considered during the risk assessment and within each individual audit
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being insightful, proactive, and future-focused?</p>			
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Promotes organisational improvement.</p>			<ul style="list-style-type: none"> ✓ CAE member of Senior Leadership Team and involvement with Corporate Governance Group ✓ identification of key areas for improvement within the AGS following comprehensive review undertaken by IA. ✓ Individual Internal Audit Reports
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by promoting organisational improvement?</p>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
4 Code of Ethics			
Integrity			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by:</p> <ul style="list-style-type: none"> ■ Performing their work with honesty, diligence and responsibility? ■ Observing the law and making disclosures expected by the law and the profession? ■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation? ■ Respecting and contributing to the legitimate and ethical objectives of the organisation? 			<ul style="list-style-type: none"> ✓ Quality Assurance and Improvement Programme ✓ Satisfaction surveys ✓ Audit Charter – responsibilities ✓ Signed Declaration of interests ✓ Code of Conduct ✓ Professional Code of Ethics ✓ Audit Manual
CONFORMS	PARTIAL	NOT CONFORMING	
Objectivity			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by:</p> <ul style="list-style-type: none"> ■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment? ■ Not accepting anything that may impair or be presumed to impair their professional judgement? ■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review? 			<ul style="list-style-type: none"> ✓ Quality Assurance and Improvement Programme ✓ Satisfaction surveys ✓ Audit Charter – responsibilities ✓ Signed Declaration of interests ✓ Code of Conduct ✓ Professional Code of Ethics ✓ Audit Manual
CONFORMS	PARTIAL	NOT CONFORMING	
Confidentiality			
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by:</p> <ul style="list-style-type: none"> ■ Acting prudently when using information acquired in the course of their duties and protecting that information? ■ Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation? 			<ul style="list-style-type: none"> ✓ Quality Assurance and Improvement Programme ✓ Satisfaction surveys ✓ Audit Charter – responsibilities ✓ Signed Declaration of interests ✓ Code of Conduct ✓ Professional Code of Ethics ✓ Audit Manual
CONFORMS	PARTIAL	NOT CONFORMING	

Competency			<ul style="list-style-type: none"> ✓ All members of IA team are professionally qualified. ✓ Specialist skills procured when required (ICT) ✓ Experienced Audit Team ✓ On-going training and development (assessed through staff PDRs)
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <ul style="list-style-type: none"> ■ Only carrying out services for which they have the necessary knowledge, skills and experience? ■ Performing services in accordance with the PSIAS? ■ Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes? 			
CONFORMS	PARTIAL	NOT CONFORMING	
Seven Principles of Public Life			<ul style="list-style-type: none"> ✓ All members of IA team are professionally qualified and therefore comply with their awarding bodies Code of Ethics ✓ Annual declarations of interest ✓ Internal Audit Charter ✓ Code of conduct
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i>?</p>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider	Evidence / comments	
Standards		
5 Attribute Standards		
5.1 1000 Purpose, Authority and Responsibility		
<p>The questions in this section seek to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.</p>		
<p>Does the internal audit charter conform with the PSIAS by including a formal definition of:</p> <ul style="list-style-type: none"> ■ the purpose ■ the authority, and ■ the responsibility <p>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?</p>	<p>Internal Audit Charter</p> <ul style="list-style-type: none"> ✓ Purpose (section 1) ✓ Authority (section 4) ✓ Responsibilities (section 7) 	
CONFORMS	PARTIAL	NOT CONFORMING

Questions to consider			Evidence / comments
<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms 'board' and 'senior management' for the purposes of the internal audit activity?</p> <p>Note that it is expected that the Governance committee will fulfil the role of the board in the majority of instances.</p>			<p>✓ Internal Audit Charter (Section 3.2)</p>
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> ■ Set out the internal audit activity's position within the organisation? ■ Establish the chief audit executive's (CAE) functional reporting relationship with the board? ■ Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager. ■ Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit? ■ Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities? ■ Define the scope of internal audit activities? ■ Recognise that internal audit's remit extends to the entire control environment of the organisation? ■ Establish the organisational independence of internal audit? ■ Cover the arrangements for appropriate resourcing? ■ Define the role of internal audit in any fraud-related work? ■ Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety? ■ Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities? ■ Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation? ■ Define the nature of consulting services? ■ Recognise the mandatory nature of the PSIAS? 			<p>Internal Audit Charter</p> <ul style="list-style-type: none"> ✓ Purpose (Section 1) ✓ Reporting (section 5) ✓ Organisational independence and objectivity (section 5) ✓ Independence & Objectivity ✓ Authority (section 4) ✓ Scope & Responsibilities (section 6) ✓ Scope & Responsibilities ✓ Independence (section 5) ✓ Responsibilities (section 7) ✓ Scope of activities (section 6) ✓ Independence & Objectivity ✓ Scope & Responsibilities ✓ Scope of Activities ✓ Compliance with PSIAS (section 3)
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?			<ul style="list-style-type: none"> ✓ Reviewed and presented to Governance Committee March 21 / March 22
CONFORMS	PARTIAL	NOT CONFORMING	
5.2 1100 Independence and Objectivity			
The questions in this section seek to confirm that the internal audit activity is independent and internal auditors are objective in performing their work.			
Does the CAE have direct and unrestricted access to senior management and the board?			<ul style="list-style-type: none"> ✓ As per Internal Audit Charter
Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the Governance committee?			<ul style="list-style-type: none"> ✓ As per Internal Audit Charter
CONFORMS	PARTIAL	NOT CONFORMING	
Does the CAE attend Governance committee meetings?			<ul style="list-style-type: none"> ✓ CAE attendance and participation at Governance committee meetings
Does the CAE contribute to Governance committee agendas?			
CONFORMS	PARTIAL	NOT CONFORMING	
Are threats to objectivity identified and managed at the following levels:			<ul style="list-style-type: none"> ✓ Declaration of interests form ✓ Internal Audit Plan ✓ Internal Audit Charter (Independence) ✓ Code of Conduct ✓ Code of Ethics
<ul style="list-style-type: none"> ■ Individual auditor? ■ Engagement? ■ Functional? ■ Organisation? 			
CONFORMS	PARTIAL	NOT CONFORMING	
1110 Organisational Independence			
This subsection seeks to confirm that reporting and management arrangements been put in place that preserve the CAE's independence and objectivity.			
This is of particular importance when the CAE is line-managed by another officer of the authority.			
Does the CAE report to an organisational level equal or higher to the corporate management team?			<ul style="list-style-type: none"> ✓ CAE reports to Director of Governance who is a member of the Shared Senior Management Team
Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?			<ul style="list-style-type: none"> ✓ Internal Audit Charter (reporting and monitoring) ✓ Financial Procedure Rules ✓ Organisation structure
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the CAE's position in the management structure:</p> <ul style="list-style-type: none"> ■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? ■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management? 			<ul style="list-style-type: none"> ✓ Audit Plan reported to and approved by Governance committee . ✓ All final reports and action plans agreed and issued to Directors. ✓ Internal Audit Charter ✓ Organisation Structure
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p>			<ul style="list-style-type: none"> ✓ Annual Audit Report
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p> <p>The 'Interpretation' to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board:</p> <ul style="list-style-type: none"> ■ approves the internal audit charter ■ approves the risk-based audit plan ■ approves the internal audit budget and resource plan ■ receives communications from the CAE on the activity's performance (in relation to the plan, for example) ■ approves decisions relating to the appointment and removal of the CAE ■ approves the remuneration of the CAE ■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. <p>The Public Sector Interpretation to PSIAS 1110 notes that board approval of CAE remuneration does not generally happen in the UK public sector, and that the underlying principle is therefore that the independence of the CAE must be safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit.</p> <p>EQA assessors should therefore consider whether adequate steps are taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit. This might for example reflect some involvement of the chief executive in the performance assessment process or feedback from the Governance committee chair.</p>			<p>Reports to Governance Committee incl:</p> <p>Audit Plan (March 22 & September 22)</p> <p>Audit Charter (March 22)</p> <p>Audit Plan resources.</p> <p>Audit Interim reports (Sept/ Nov / Jan)</p> <p>Annual report incl opinion</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<i>1111 Direct Interaction with the Board</i>			
Does the CAE communicate and interact directly with the board?			<ul style="list-style-type: none"> ✓ As per Internal Audit Charter ✓ Governance committee meetings and minutes / Chairs Brief ✓ Ad-hoc meetings ✓ All reports in Head of Service name
CONFORMS	PARTIAL	NOT-CONFORMING	
<i>1112 Chief Audit Executive Roles Beyond Internal Auditing</i>			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			<ul style="list-style-type: none"> ✓ Internal Audit Charter includes safeguards
Does the board periodically review these safeguards?			
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
1112 Chief Audit Executive Roles Beyond Internal Auditing			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			<ul style="list-style-type: none"> ✓ Internal Audit Charter includes safeguards ✓ Internal Audit periodically reviewed and approved by Governance Committee
Does the board periodically review these safeguards?			
CONFORMS	PARTIAL	NOT CONFORMING	
1120 Individual Objectivity			
Do internal auditors have an impartial, unbiased attitude?			<ul style="list-style-type: none"> ✓ Professional Code of Ethics ✓ Internal Audit Charter ✓ Satisfaction survey at end of each audit would likely indicate any difficulties ✓ Officer declarations
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors avoid any conflict of interest, whether apparent or actual?			<ul style="list-style-type: none"> ✓ Signed declaration of interests ✓ Professional code of ethics
CONFORMS	PARTIAL	NOT CONFORMING	
1130 Impairment to Independence or Objectivity			
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?			<ul style="list-style-type: none"> ✓ Internal Audit Charter
CONFORMS	PARTIAL	NOT CONFORMING	
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?			<ul style="list-style-type: none"> ✓ Internal Audit Charter ✓ Staff are experienced auditors and have had no operational responsibilities
CONFORMS	PARTIAL	NOT CONFORMING	
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?			<ul style="list-style-type: none"> ✓ Review of Risk Management undertaken by external 3rd party to maintain independence
CONFORMS	PARTIAL	NOT CONFORMING	
Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?			<ul style="list-style-type: none"> ✓ Allocation of work based on skills, knowledge and experience of audit team, where possible responsibilities and assurance engagements are periodically rotated.
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors declared interests in accordance with organisational requirements?			<ul style="list-style-type: none"> ✓ Signed declaration of interests forms.

CONFORMS	PARTIAL	NOT CONFORMING	
Questions to consider			Evidence / comments
CONFORMS	PARTIAL	NOT CONFORMING	✓ None offered or accepted, however, process covered within Code of Conduct
CONFORMS	PARTIAL	NOT CONFORMING	✓ None identified
CONFORMS	PARTIAL	NOT CONFORMING	✓ Declaration of Interests signed by auditors ✓ Professional Code of Ethics
CONFORMS	PARTIAL	NOT CONFORMING	✓ No impairment of independence or objectivity noted
CONFORMS	PARTIAL	NOT CONFORMING	✓ Any significant changes to the approved audit plan would be reported to the Governance committee for approval
CONFORMS	PARTIAL	NOT CONFORMING	

5.3 1200 Proficiency and Due Professional Care			
This section seeks to confirm that engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the CAE and their staff, and how they exercise their capability in practice.			
1210 Proficiency			
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?			<ul style="list-style-type: none"> ✓ CMIIA ✓ Service Lead JD
Is the CAE suitably experienced?			<ul style="list-style-type: none"> ✓ 10 years Head of Audit experience
CONFORMS	PARTIAL	NOT CONFORMING	
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?			<ul style="list-style-type: none"> ✓ CAE fully responsible for recruitment. ✓ Up to date Job descriptions and person specifications e.g. Senior Auditor and Auditor posts
Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?			
CONFORMS	PARTIAL	NOT CONFORMING	
Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?			<ul style="list-style-type: none"> ✓ Through in-house, external training courses, networking. ✓ Specialist skills for ICT audit bought in.
Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?			
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?			<ul style="list-style-type: none"> ✓ All auditors sufficiently experienced. ✓ Internal Audit procedures clearly specify the need to consider fraud risks.
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of key information technology risks and controls?			<ul style="list-style-type: none"> ✓ Staff have a general knowledge. ✓ Specialist ICT service is bought in for specific audits.
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?			<ul style="list-style-type: none"> ✓ Staff trained in use of IDEA. Used primarily in Payroll and Creditors work.
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
1220 Due Professional Care			
<p>Do internal auditors exercise due professional care by considering the:</p> <ul style="list-style-type: none"> ■ Extent of work needed to achieve the engagement's objectives? ■ Relative complexity, materiality or significance of matters to which assurance procedures are applied? ■ Adequacy and effectiveness of governance, risk management and control processes? ■ Probability of significant errors, fraud, or non-compliance? ■ Cost of assurance in relation to potential benefits? <p>In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.</p>			<ul style="list-style-type: none"> ✓ Discussed and agreed with auditee / Engagement Plan ✓ Testing of controls to mitigate risks as part of audit work ✓ Through core audit work ✓ Management actions considered for practicality of implementation and discussed with auditee prior to agreement
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> ■ Needs and expectations of clients, including the nature, timing and communication of engagement results? ■ Relative complexity and extent of work needed to achieve the engagement's objectives? ■ Cost of the consulting engagement in relation to potential benefits? 			As above
CONFORMS	PARTIAL	NOT CONFORMING	

1230 Continuing Professional Development		
<p>Has the CAE defined the skills and competencies for each level of auditor? and Does the CAE periodically assess individual auditors against the predetermined skills and competencies?</p>		
CONFORMS	PARTIAL	NOT CONFORMING
<ul style="list-style-type: none"> ✓ Job description for Senior Auditor and Auditor ✓ Staff Performance development reviews regularly undertaken ✓ Regular 1-1 discussions are held with each Auditor to discuss performance / progress against reviews etc. 		
<p>Do internal auditors undertake a programme of continuing professional development? and Do internal auditors maintain a record of their professional development and training activities?</p>		
CONFORMS	PARTIAL	NOT CONFORMING
<ul style="list-style-type: none"> ✓ Work undertaken and on-going training helps to ensure requirements for CPD are met. ✓ The Corporate Learning Hub is utilized to hold all training data. 		

5.4 1300 Quality Assurance and Improvement Programme			
The questions in this section seek to confirm that the CAE has developed and maintained a Quality Assurance and Improvement Programme (QAIP) through which conformance with the PSIAS can be and is properly assessed.			
<p>Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?</p> <p>Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?</p> <p>Does the CAE maintain the QAIP?</p> <p>Are any statutory requirements for review of the internal audit activity satisfied?</p>			<ul style="list-style-type: none"> ✓ Quality Assurance and Improvement Programme (QAIP) in place including performance indicators and quality control of audit work. ✓ QAIP periodically reviewed. ✓ Referenced in Review of Effectiveness of Internal Audit to Governance Committee (May 23)
CONFORMS	PARTIAL	NOT CONFORMING	
<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>			
Does the QAIP include both internal and external assessments?			✓ Specified in the QAIP
CONFORMS	PARTIAL	NOT CONFORMING	
<i>1311 Internal Assessments</i>			
Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?			<ul style="list-style-type: none"> ✓ Reviews allocated on a quarterly basis and monitored through regular discussions with individual auditors ✓ Specified in the QAIP
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal assessments include ongoing monitoring of the internal audit activity, such as:			<ul style="list-style-type: none"> ✓ CAE or Senior Auditor reviews each audit assignment and reports ✓ PSIAS checklist used for Annual Review of Effectiveness of IA ✓ Specified in the QAIP
<ul style="list-style-type: none"> ■ Routine quality monitoring processes? ■ Periodic assessments for evaluating conformance with the PSIAS? 			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> ■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities? ■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? ■ Does the CAE measure, monitor and report on progress against these targets? ■ Does ongoing performance monitoring include obtaining stakeholder feedback? 			<ul style="list-style-type: none"> ✓ Targets approved by Governance committee March 2022 ✓ Agreed part of Business planning ✓ To be included with every progress report to Governance committee ✓ Satisfaction survey issued following each review ✓ Review progress monitored at regular 121s ✓ Time Management System
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?</p> <p>Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p>			<ul style="list-style-type: none"> ✓ Annual Self Assessments carried out by CAE ✓ Memorandum of understanding sets out criteria for external assessment carried out by Lancashire Heads of Audit (Peer review)
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?</p>			<ul style="list-style-type: none"> ✓ Reported to Governance committee in each progress report
CONFORMS	PARTIAL	NOT CONFORMING	
1312 External Assessments			
<p>Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?</p> <p>Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.</p>			<ul style="list-style-type: none"> ✓ External peer review carried out April 2018. ✓ Governance committee Report June 2018. ✓ Next external peer review planned for 2023
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?</p> <p>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing <i>and</i> the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies – it is the team as a whole that is qualified.</p> <p>If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</p> <p>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</p> <p>Conflict of interest may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</p>			<p>✓ Peer Review teams are all Lancashire Heads of Audit and any impairments will be taken into account by the Sub Group who appoint the reviewers for each authority.</p> <p>✓ Use of Lancashire Peer Review process agreed with the Governance Committee</p>
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the Governance committee, the CFO or the chief executive?</p> <p>The CAE should also agree this scope with the external assessor or assessment team.</p>			<p>✓ Memorandum of Understanding in place.</p>
CONFORMS	PARTIAL	NOT-CONFORMING	
<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>			
<p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> ■ the results of both external and periodic internal assessment must be communicated upon completion ■ the results of ongoing monitoring must be communicated at least annually ■ the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS. 			<p>✓ Review of the effectiveness of Internal Audit reported to Governance Committee (May 23)</p> <p>✓ On-going monitoring included in interim reports to Governance Committee and Corporate Governance Group throughout the year including performance indicators.</p>
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?			✓ Head of Audit Annual Report May 21 / May 22 / May 23
CONFORMS	PARTIAL	NOT CONFORMING	
1321 Use of 'CONFORMS with the International Standards for the Professional Practice of Internal Auditing'			
Has the CAE stated that the internal audit activity CONFORMS with the PSIAS only if the results of the QAIP support this?			✓ Included within every Internal Audit Report
CONFORMS	PARTIAL	NOT CONFORMING	
1322 Disclosure of Non-conformance			
Has the CAE reported any instances of non-conformance with the PSIAS to the board?			✓ Annual Report
CONFORMS	PARTIAL	NOT CONFORMING	
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
6 Performance Standards			
6.1 2000 Managing the Internal Audit Activity			
<p>The questions in this section seek to confirm that the internal audit activity's work achieves the purposes and responsibility of the activity, as set out in the internal audit charter, and that the internal audit activity adds value to the organisation and its stakeholders by:</p> <ul style="list-style-type: none"> ■ providing objective and relevant assurance ■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes. 			
2010 Planning			
<p>Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?</p> <p>Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?</p> <p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> ■ How the internal audit service will be delivered? ■ How the internal audit service will be developed in accordance with the internal audit charter? ■ How the internal audit service links to organisational objectives and priorities? 			<ul style="list-style-type: none"> ✓ Risk based plans are developed consistent with the Council's priorities, corporate and operational risk registers ✓ Audit plan considers both assurance work and consultancy work on corporate plan / strategy projects. ✓ Reviews cover broad range of service areas to enable an annual internal audit opinion to be made. ✓ Internal Audit Manual
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p> <p>In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?</p> <p>If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this?</p>			<ul style="list-style-type: none"> ✓ Audit Risk Assessment reflects risk position of each area of activity. Consideration given to range of factors including previous opinion, date last audited, new and emerging risks / changes to processes / staffing etc. ✓ Audit Risk Assessment considers SSMT minutes, corporate, project and operational risk registers ✓ Risk Management Strategy supported by discussions with all members of senior management
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> ■ Audit work to be carried out? ■ Respective priorities of those pieces of audit work? ■ Estimated resources needed for the work? <p>Does the risk-based plan differentiate between audit and other types of work?</p> <p>Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?</p>			<ul style="list-style-type: none"> ✓ Plan now only developed for 6 months to allow focus on new and emerging risks ✓ Audit Plan contains both assurance, consultancy and governance reviews (approved by Governance committee) ✓ Priorities agreed with Directors and reflected in the timing of the review ✓ Resources allocated ✓ Audit Plans contain contingency time to allow
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?</p>			<ul style="list-style-type: none"> ✓ Audit Plan kept under constant review and amended when necessary. Any changes are reported to and approved by Governance
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Is the internal audit activity's plan of engagements based on a documented risk assessment?</p> <p>Is the risk assessment used to develop the plan of engagements undertaken at least annually?</p>			<ul style="list-style-type: none"> ✓ An Audit risk assessment is used as basis for Audit Plan. ✓ Audit Risk assessment updated throughout the year and used as basis of the development of the
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
<p>In developing the risk-based plan, has the CAE also given sufficient consideration to:</p> <ul style="list-style-type: none"> ■ Any declarations of interest (for the avoidance for conflicts of interest)? ■ The requirement to use specialists, eg IT or contract and procurement auditors? ■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary? ■ The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion? 			<ul style="list-style-type: none"> ✓ Office declaration of interests ✓ Procurement of ICT specialists ✓ Contingency time included within Audit Plan ✓ Plan allocations set out time for Audit Planning / Monitoring / Reporting and time for Governance
CONFORMS	PARTIAL	NOT CONFORMING	
<p>In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation’s strategies, key business objectives, associated risks and risk management processes?</p> <p>Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?</p>			<ul style="list-style-type: none"> ✓ Senior Managers consulted on the Audit risk assessment and comments recorded. ✓ Plan presented to SSSMT ✓ Governance committee approval of audit plan ✓ All involved with the planning process
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the CAE take into consideration any proposed consulting engagement’s potential to improve the management of risks, to add value and to improve the organisation’s operations before accepting them?</p> <p>Are consulting engagements that have been accepted included in the risk-based plan?</p>			<ul style="list-style-type: none"> ✓ Consultancy engagements included as part of the planning process ✓ Plan includes consultancy / projects etc.
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<i>2020 Communication and Approval</i>			
Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?			<ul style="list-style-type: none"> ✓ Audit Plan reported to Shared Management Team and Governance committee. ✓ Have previously reported changes and sought approval from the Governance committee
Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?			
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE communicated the impact of any resource limitations to senior management and the board?			<ul style="list-style-type: none"> ✓ Any resource limitations discussed with senior managers / CGG / Governance committee.
CONFORMS			
CONFORMS	PARTIAL	NOT CONFORMING	
<i>2030 Resource Management</i>			
Does the risk-based plan explain how internal audit's resource requirements have been assessed?			<ul style="list-style-type: none"> ✓ Plan allocations set out the number of days available including both internal and external resources
CONFORMS			
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?			<ul style="list-style-type: none"> ✓ Timing of engagements discussed with Directors / Service Leads and recorded on Audit risk assessment and Audit Plan. Issued to SSMT
CONFORMS			
CONFORMS	PARTIAL	NOT CONFORMING	
If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?			<ul style="list-style-type: none"> ✓ Any concerns would be identified and discussed prior to production of and approval of the plan.
This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.			
CONFORMS			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2040 Policies and Procedures			
<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems to guide staff in performing their duties in a manner that CONFORMS to the PSIAS</p> <p>Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?</p>			<ul style="list-style-type: none"> ✓ Audit Manual and associated procedures ✓ Audit drive (electronic system) ✓ Document templates
CONFORMS	PARTIAL	NOT CONFORMING	
2050 Coordination			
<p>Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers.</p> <p>They should also meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans.</p> <p>Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.</p>			<ul style="list-style-type: none"> ✓ Assurances considered and collated at audit plan discussion stage, ✓ Service Assurance Statements identify other sources of assurance given ✓ Reports issued to External Audit
CONFORMS	PARTIAL	NOT CONFORMING	
2060 Reporting to Senior Management and the Board			
<p>Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?</p> <p>Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?</p> <p>Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?</p>			<ul style="list-style-type: none"> ✓ Progress against the plan, findings and KPIs presented to CGG ✓ Interim reports presented to Governance committee ✓ Issues raised with managers / directors when appropriate. ✓ All other reviews reported in accordance with Governance committee timetable
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>			
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	

6.2 2100 Nature of Work			
The questions in this section seek to confirm that the internal audit activity evaluates and contributes to the improvement of the organisation's governance, risk management and internal control processes using a systematic and disciplined approach.			
2110 Governance			
<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> ■ Making strategic and operational decisions? ■ Overseeing risk management and control? ■ Promoting appropriate ethics and values within the organisation? ■ Ensuring effective organisational performance management and accountability? ■ Communicating risk and control information to appropriate areas of the organisation? ■ Coordinating the activities of and communicating information among the board, external and internal auditors and management? 			<ul style="list-style-type: none"> ✓ Overall aim of the IA Service (Audit Charter) ✓ Through specific audit reports, including the annual audit of the Governance / Risk Management Frameworks. ✓ CAE involvement in Corporate Governance Group ✓ Delivery of Governance Essentials Training to all members of SLT ✓ Ownership of corporate policies i.e. anti-fraud, whistleblowing etc ✓ Performance Management included within each engagement where appropriate ✓ Performance Management included within Internal Audit Plan as a review. ✓ Communicated through Audit reports and through provision of advice and guidance ✓ Individual Audit reports issued to Directors /External Audit ✓ Internal Audit annual report and progress reports to Governance committee
CONFORMS	PARTIAL	NOT CONFORMING	
Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.			<ul style="list-style-type: none"> ✓ Ownership of corporate policies i.e. anti-fraud, money laundering etc. ✓ Through individual audit reviews incl. Ethical culture ✓ SAS received and reviewed as part of the AGS process
CONFORMS	PARTIAL	NOT CONFORMING	
Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.			<ul style="list-style-type: none"> ✓ Salford Council commissioned to provide ICT assurance ✓ ICT reports considered by the CGG
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2120 Risk Management			
<p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <ul style="list-style-type: none"> ■ Organisational objectives support and align with the organisation's mission? ■ Significant risks are identified and assessed? ■ Appropriate risk responses are selected that align risks with the organisation's risk appetite? ■ Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities? 			<ul style="list-style-type: none"> ✓ Review of Risk management periodically included within Internal Audit Plan ✓ Use of risk management framework ✓ Use of GRACE risk management system to record risks and controls ✓ All risks assigned to an owner ✓ Corporate risk register reported and monitored
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> ■ Achievement of the organisation's strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 			<ul style="list-style-type: none"> ✓ Risk-based Audit Plan ✓ Risk-based auditing for each individual audit review ✓ All areas considered as part of planning / scope of each review as appropriate. ✓ Service Assurance Statements reviewed by IA annually
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a <i>Code of Practice on Managing the Risk of Fraud and Corruption</i>, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>			<ul style="list-style-type: none"> ✓ Individual audit engagements specifically review identified fraud risks ✗ Review to assesses the council's arrangements against CIPFA Code of Practice and Fighting Fraud and Corruption Locally completed and action plan being developed.
CONFORMS	PARTIAL	NOT CONFORMING	

<p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p> <p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p> <p>Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?</p>			<p>✓ IA involved with project teams to provide advice and guidance on governance, control and risk.</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?</p>			<p>✓ GRACE system assigns risk owners to individual risks. IA do not own any risks other than those relating to the IA service</p>
CONFORMS	PARTIAL	NOT CONFORMING	
2130 Control			
<p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> ■ Achievement of the organisation's strategic objectives? ■ Reliability and integrity of financial and operational information? ■ Effectiveness and efficiency of operations and programmes? ■ Safeguarding of assets? ■ Compliance with laws, regulations, policies, procedures and contracts? 			<p>✓ Risk-based Audit Planning process</p> <p>✓ Risk-based auditing for each individual audit review</p> <p>✓ All areas considered as part of planning / scope of each review as appropriate.</p> <p>✓ Risk-based Audit Plan</p> <p>✓ Service Assurance statements reviewed by IA annually</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?</p>			<p>✓ Where appropriate</p> <p>✓ Knowledge shared within wider Audit and Risk team during fortnightly meetings</p>
CONFORMS	PARTIAL	NOT CONFORMING	
6.3 2200 Engagement Planning			
<p>Do internal auditors develop and document a plan for each engagement?</p> <p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ Timing? ■ Resource allocations? 			<p>✓ Standard document templates / Audit Engagement Plan issued agreed and issued at the start of each review.</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> ■ The objectives of the activity being reviewed? ■ The means by which the activity controls its performance? ■ The significant risks to the activity being audited? ■ The activity’s resources? ■ The activity’s operations? ■ The means by which the potential impact of risk is kept to an acceptable level? ■ The adequacy and effectiveness of the activity’s governance, risk management and control processes compared to a relevant framework or model? ■ The opportunities for making significant improvements to the activity’s governance, risk management and control processes? 			<ul style="list-style-type: none"> ✓ Audit Engagement Plan and report ✓ Review of performance information is included within the engagement where appropriate ✓ Use of risk registers and recorded in the Risk and Control Evaluation ✓ Resource availability considered at the Audit Engagement Plan stage and discussed during the initial meeting. ✓ Part of audit planning and initial discussion with Service Lead incl. within the Engagement Plan ✓ Review of the risk register and assessment of the controls in place ✓ Basis of the risk based assignment. Findings included within the report ✓ Basis of the risk based assignment. Findings and actions to improve included within the report
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)? 			<ul style="list-style-type: none"> ✓ Engagement plan developed and agreed with wholly owned companies prior to commencement
CONFORMS	PARTIAL	NOT CONFORMING	

<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> ■ Objectives? ■ Scope? ■ The respective responsibilities of the internal auditors and the client and other client expectations? <p>For significant consulting engagements, has this understanding been documented?</p>			<p>✓ Engagement plan clearly sets out the role of Internal Audit within consulting engagements</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2210 Engagement Objectives			
<p>Have objectives been agreed for each engagement?</p> <p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p> <p>Have internal auditors considered the probability of the following when developing the engagement objectives:</p> <ul style="list-style-type: none"> ■ Significant errors? ■ Fraud? ■ Non-compliance? ■ Any other risks? 			<ul style="list-style-type: none"> ✓ Within Audit Engagement Plan and discussed at initial meeting. ✓ Review of the risk register and compilation of the RCE ✓ Audit engagement working papers
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?</p> <p>If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?</p>			<ul style="list-style-type: none"> ✓ Most service areas have PIs to assess adequacy of performance and these are tested where appropriate and included within the Engagement Plan
<p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p> <p>If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?</p>			<ul style="list-style-type: none"> ✓ If PI's were inadequate we would identify and include within the IA report. ✓ Where appropriate
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?</p> <p>Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?</p>			<ul style="list-style-type: none"> ✓ Included within the Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?</p> <p>Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties? Does this consideration include areas under the control of outside parties, where appropriate?</p>			<ul style="list-style-type: none"> ✓ Audit Engagement Plan (reviewed and agreed with CAE and Directors)
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?</p> <p>Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards?</p>			<p>This has not occurred as significant consultancy work is included within the IA Annual plan</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?</p> <p>If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?</p> <p>During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?</p> <p>During consulting engagements, were internal auditors alert to any significant control issues?</p>			<ul style="list-style-type: none"> ✓ Included within Audit Engagement Plan ✓ This has not occurred but discussion would take place if the situation arose ✓ Key focus of the consultancy work ✓ IA role is to ensure that governance, risk management and control issues are considered throughout the whole project
CONFORMS	PARTIAL	NOT CONFORMING	
<i>2230 Engagement Resource Allocation</i>			
<p>Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement based on:</p> <p>a) The nature and complexity of the individual engagement?</p> <p>b) Any time constraints?</p> <p>c) The resources available?</p>			<ul style="list-style-type: none"> ✓ Resource allocation is estimated for each review and is included within the Annual Plan ✓ Plan is based on current knowledge of the system under review. ✓ Plan allocations issued to all auditors ✓ Time is monitored throughout the course of the audit to ensure resources are used effectively and efficiently.
CONFORMS	PARTIAL	NOT CONFORMING	

2240 Engagement Work Programme			
<p>Have internal auditors developed and documented work programmes that achieve the engagement objectives?</p> <p>Do the engagement work programmes include procedures for:</p> <ul style="list-style-type: none"> ■ Identifying information? ■ Analysing information? ■ Evaluating information? ■ Documenting information? <p>Were work programmes approved prior to implementation for each engagement?</p> <p>Were any adjustments required to work programmes approved promptly?</p>			<ul style="list-style-type: none"> ✓ RCE produced which details all the controls to be tested during the course of the review. ✓ All working papers are retained on the Shared Audit network drive. ✓ Experienced / Professionally qualified auditors able to use appropriate methods to identify, analyse , evaluate and document information in order to provide assurance or otherwise in all reviews undertaken ✓ CAE / Senior Auditor approves all RCEs prior to review commencing. ✓ Auditors can amend work programme according to complexity and time on approval by CAE
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
6.4 2300 Performing the Engagement			
The questions in this section seek to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support engagement			
2310 Identifying Information			
Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions? Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the			<ul style="list-style-type: none"> ✓ Working papers retained on the Shared Audit network drive. ✓ Experienced auditors able to identify sufficient, reliable, relevant and useful information in order to provide assurance or otherwise in all reviews undertaken ✓ CAE review of working papers and report would identify any shortcomings.
CONFORMS	PARTIAL	NOT CONFORMING	
2320 Analysis and Evaluation			
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and			<ul style="list-style-type: none"> ✓ Auditors follow standardized process. Each assurance rating is based upon evidence considered as part of the quality process
CONFORMS	PARTIAL	NOT CONFORMING	
Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented: <ul style="list-style-type: none"> ■ Intentional wrong doing? ■ Errors and omissions? ■ Poor value for money? ■ Failure to comply with management policy? ■ Conflicts of interest? 			<ul style="list-style-type: none"> ✓ Experienced auditors who would be able to identify and document within working papers ✓ Review of working papers and report to ensure scope and objectives of the review achieved
CONFORMS	PARTIAL	NOT CONFORMING	
2330 Documenting Information			
Have internal auditors documented the relevant information required to support engagement conclusions and results? Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?			<ul style="list-style-type: none"> ✓ Working papers contain the relevant information (template documents and quality system) ✓ Senior Auditor review of working papers and report would identify any shortcomings ✓ Any shortcomings would be addressed and rectified
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the CAE control access to engagement records?</p> <p>Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?</p> <p>Has the CAE developed and implemented retention requirements for all types of engagement records?</p>			<ul style="list-style-type: none"> ✓ Records held on shared network drive. Only internal audit staff have access to this drive. ✓ Retention requirements included within the Audit Manual
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?</p>			<ul style="list-style-type: none"> ✓ Retention schedule developed in accordance with corporate approach
2340 Engagement Supervision			
<p>Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?</p> <p>Is appropriate evidence of supervision documented and retained for each engagement?</p>			<ul style="list-style-type: none"> ✓ Ongoing discussion with auditor, file review and report clearance will identify any issues ✓ Working papers reviewed are signed by the Senior Auditor / CAE and comments recorded on the RCE to highlight any areas of concern which must be addressed prior to the issue of the draft report.
CONFORMS	PARTIAL	NOT-CONFORMING	
6.5 2400 Communicating Results			
<p>The questions in this section seek to confirm that internal auditors communicate the results of engagements in an</p>			
2410 Criteria for Communicating			
<p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> ■ The engagement's objectives? ■ The scope of the engagement? ■ Applicable conclusions? ■ Recommendations and action plans, if appropriate? 			<ul style="list-style-type: none"> ✓ Report templates used ✓ Summary of overall findings included with controls assurance ratings ✓ Management Action Plan
CONFORMS	PARTIAL	NOT-CONFORMING	
<p>Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?</p>			<ul style="list-style-type: none"> ✓ Meeting with Lead Officer to discuss draft report, findings and agree management actions ✓ Report issued to officers set out in the engagement plan
CONFORMS	PARTIAL	NOT-CONFORMING	

<p>If recommendations and an action plan have been included, are recommendations prioritised according to risk?</p> <p>If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?</p> <p>If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?</p>			<ul style="list-style-type: none"> ✓ Red and amber risks reviewed and actions prioritized according to the level of control ✓ Actions prioritized by priority level with the timescale recorded on the action plan ✓ Any alternative actions are recorded in the management action plan.
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?</p>			<ul style="list-style-type: none"> ✓ Material facts disclosed. ✓ Control assurance ratings based on findings of the review. If challenged, the auditee must provide evidence to support change ✓ All Audit reports are issued to Directors and External Audit.
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300).</p> <p>Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?</p>			<ul style="list-style-type: none"> ✓ Each identified risk is awarded an assurance opinion on the RCE These support the overall assurance opinion awarded for the review ✓ Positive assurance is included within the report ✓ Working papers reviewed to ensure accuracy of opinion
CONFORMS	PARTIAL	NOT CONFORMING	
<p>When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?</p>			<ul style="list-style-type: none"> ✓ Where necessary (but has not occurred)
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?</p>			<ul style="list-style-type: none"> ✓ CAE providing assurance to council wholly owned companies. ✓ Reports to Board of Directors and Governance Committee set out reporting requirements
CONFORMS	PARTIAL	NOT CONFORMING	
2420 Quality of Communications			
<p>Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?</p>			<ul style="list-style-type: none"> ✓ Report template used ✓ Factual accuracy of report findings confirmed with auditee at draft report stage ✓ Satisfaction survey issued after each review
CONFORMS	PARTIAL	NOT CONFORMING	
2421 Errors and Omissions			
<p>If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?</p>			<ul style="list-style-type: none"> ✓ This would be done where required ✓ Meeting to discuss draft report may identify errors and omissions if applicable
CONFORMS	PARTIAL	NOT CONFORMING	

<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>			
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?			✓ Noted on the Report template
CONFORMS	PARTIAL	NOT-CONFORMING	

Questions to consider			Evidence / comments
2431 Engagement Disclosure of Non-conformance			
<p>Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:</p> <ul style="list-style-type: none"> ■ The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved? ■ The reason(s) for non-conformance? ■ The impact of non-conformance on the engagement and the engagement results? 			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
2440 Disseminating Results			
<p>Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?</p>			✓ Circulation specified on Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the CAE communicated engagement results to all appropriate parties?</p>			✓ As per each individual Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Before releasing engagement results to parties outside the organisation, did the CAE:</p> <ul style="list-style-type: none"> ■ Assess the potential risk to the organisation? ■ Consult with senior management and/or legal counsel as appropriate? ■ Control dissemination by restricting the use of the results? 			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?</p>			<ul style="list-style-type: none"> ✓ Summary of consultancy work undertaken included within Progress Report / Annual Report ✓ Any significant issues highlighted during the consultancy engagement are raised with the lead officer during the review
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
2450 Overall Opinion			
<p>Has the CAE delivered an annual internal audit opinion?</p> <p>Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control?</p> <p>Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?</p> <p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?</p>			<ul style="list-style-type: none"> ✓ Annual Report ✓ Results of individual reviews reported to senior managers and the Governance committee throughout the year ✓ Overall annual opinion based on opinions of individual pieces of audit work undertaken during the year and knowledge of other sources of assurance both internal and external.
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the communication identify the following:</p> <ul style="list-style-type: none"> ■ The scope of the opinion, including the time period to which the opinion relates? ■ Any scope limitations? ■ The consideration of all related projects including the reliance on other assurance providers? ■ The risk or control framework or other criteria used as a basis for the overall opinion? <p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?</p> <p>Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?</p>			<ul style="list-style-type: none"> ✓ Annual Report ✓ Where appropriate ✓ Other assurance providers are included (highlighted within SAS as part of AGS work) ✓ Results of audit reviews undertaken during the year ✓ Included in summary table of each review ✓ Opinion included within AGS
CONFORMS	PARTIAL	NOT CONFO	
<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> ■ The annual internal audit opinion? ■ A summary of the work that supports the opinion? ■ A disclosure of any qualifications to the opinion? ■ The reasons for any qualifications to the opinion? ■ A disclosure of any impairments or restriction in scope? ■ A comparison or work actually carried out with the work planned? ■ A statement on conformance with the PSIAS? ■ The results of the QAIP? ■ Progress against any improvement plans resulting from the QAIP? ■ A summary of the performance of the internal audit activity against its performance measures and targets? ■ Any other issues that the CAE judges is relevant to the preparation of the governance statement? 			<ul style="list-style-type: none"> ✓ Annual report includes all required information
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
6.6 2500 Monitoring Progress			
<p>The questions in this section seek to confirm that a system is in place to monitor effectiveness of audit communications results to management, including appropriate follow up when no action is taken by management.</p> <p>Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?</p>			
<p>Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?</p> <p>Do the results of monitoring management actions inform the risk-based planning of future audit work?</p>			<ul style="list-style-type: none"> ✓ Comprehensive monitoring system introduced in 21/22. ✓ Progress against implementation of actions reported to CGG and Governance Committee ✓ Implementation of actions considered as part of the audit planning process
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the internal audit activity monitor the results of consulting engagements as agreed with the client?</p>			<ul style="list-style-type: none"> ✓ As per any other engagement
CONFORMS	PARTIAL	NOT CONFORMING	
6.7 2600 Communicating the Acceptance of Risks			
<p>This section considers the arrangements which apply if the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation.</p> <p>Situations of this kind are expected to be rare. PSIAS 2600 sets out communication requirements for the CAE. It is not the responsibility of the CAE to resolve the risk.</p>			
<p>If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?</p> <p>If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?</p>			<p>Has not occurred but if it did, the matter would be reported to Senior Management</p> <p>This has not occurred but if it did, the matter would be reported to Governance committee</p>
CONFORMS	PARTIAL	NOT CONFORMING	

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Public Sector Internal Audit Standards Self-Assessment Action Plan**May 2023**

Ref	Action	Responsible Officer	Status
1	Undertake a review of the Council's arrangements against the CIPFA Code of Practice on Managing the risk of fraud and corruption and Fighting Fraud and Corruption Locally	Head of Audit and Risk	In progress. The review has been undertaken an action plan is being developed. – See AGS action plan

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