



**Chorley**  
Council

Working in **Synergy** on shared services

**Internal Audit  
Head of Internal Audit  
Annual Report  
2019/20**

**Author & Date**

**Janice Bamber  
Interim Head of Shared Assurance  
6<sup>th</sup> June 2020**

1	INTRODUCTION / PURPOSE OF REPORT
1.1	The Public Sector Internal Audit Standards require that the Head of Internal Audit provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, this includes an opinion on the level of assurance provided in the overall control environment.
1.1	The Governance Committee are responsible for providing assurance in regard to the adequacy of the risk management framework and internal control environment of the council, and oversight of the financial reporting process. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the Governance Committee is to provide independent review of South Ribble Borough Council's governance, risk management and control frameworks.
1.2	A key element in the Governance Committee being able to provide that assurance is the overall assurance opinion from the Head of Internal Audit. The role of Head of Internal Audit at South Ribble is currently provided by the role of Interim Head of Shared Assurance.
1.3	This report sets out the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, the report includes the Head o Internal Audit's opinion on the level of assurance provided by the overall control environment
1.5	

2	Role of Internal Audit
2.1	<p>The Accounts and Audit (England) Regulations 2015 state that a relevant body must:-</p> <p><b><i>“Undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into accounts public sector internal auditing standards as guidance”</i></b></p> <p>The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2016 (the standards).</p>
2.2	<p>The role of internal audit is summarised in the following definition from the standards:-</p> <p><b><i>“Internal auditing 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></b></p>
2.3	The Governance Committee has approved Internal Audit's Charter which sets out the team's roles and responsibilities in order to ensure effective internal control, good financial systems and management of risk. The Charter is included in the Constitution of the Council.
2.4	The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
2.5	The Council's response to internal audit activity should lead to the strengthening of the control environment, and, therefore, contribute to the achievement of the Council's objectives.

3	Internal Audit Opinion
3.1	The Interim Head of Shared Assurance is responsible for providing an annual audit opinion and report that can be used by the Council to inform its Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
3.2	<p>In giving this 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, the opinion is based on:-</p> <ul style="list-style-type: none"> <li>• Internal audit planned work completed during the course of the year (assurance, consultancy &amp; other);</li> <li>• Results of any follow up reviews undertaken in respect of previous years work and / or limited opinion reviews;</li> <li>• Outcomes from work undertaken in respect of issues arising from the governance issues raised as part of the investigations relating to Senior officers of the Council;</li> <li>• The proportion of SRBC's audit plan that has been completed in the year.</li> </ul>
3.3	As the Interim Head of Shared Assurance I am satisfied that, based on the areas reviewed during the financial year 2019/20 that sufficient work has been carried out to form a reasonable conclusion on the adequacy and effectiveness of South Ribble Council's internal control environment.
3.4	Whilst South Ribble Council has a sound governance framework in that, in general, appropriate policies, rules, regulation and procedures are in place the operation of that framework, the failings in regard to management controls, fundamental failures and weakness of internal controls and the disregarding of existing policies and procedures in some circumstances have led to the conclusion that, in my opinion, the internal control environment only provides <b>Limited Assurance</b> .
3.5	A number of reports have resulted in the opinion of governance and controls providing Limited Assurance and in relation to 2 areas of review there is No Assurance that can be provided that controls are in place, these reports are outlined in the summaries at Appendix 1 and 2 of this report.
3.6	The following is the overall summary of governance, risk management and control, the issues arising from the reports in relation to these 3 areas have been included in the Annual Governance Statement and are supported by the work completed and the findings from those reviews. The summary of findings and resulting Governance issues are summarised at Appendix 2.
3.7	<p><b>Governance</b></p> <p>Generally the Council has a sound, robust governance framework in that there are appropriate policies in place, robust financial rules and regulations, sound decision making processes and appropriately documented procedures, where required. However, there have been consistent significant failings of the operation of those policies, rules, regulations and procedures etc. and fundamental failings in the operation of controls. In some areas the total disregard of governance principles and frameworks have been identified including Senior Statutory Officers disregarding the governance arrangements and not carrying out their duties in a manner you would expect of officers at that level. Work has identified checks and balances put in place to ensure the Council risk of loss / misappropriation and material misstatement is mitigated have been disregarded by officers at that Senior Level.</p>
3.8	<p><b>Risk Management</b></p> <p>Whilst there is a risk management framework in place, there is currently no risk strategy / policy in place, further the Risk Management framework is ambiguous and requires reviewing and updating to reflect best practice processes in relation to the management of risk throughout the Council. The risk management software has not been utilised consistently across the organisation and there is a lack of understanding of operational and service risk management throughout the organisation. Risk Management is not embedded at the Council and whilst officers, in general, manage risk as part of their daily roles, there is a lack of evidence to support that risk is in effect being managed.</p>
3.9	<p><b>Control</b></p> <p>The Internal Audit Service provides an independent opinion on the adequacy of the internal control system within the Council, as outlined above this control environment is inadequate and ineffective in a number of areas reviewed. All management actions are agreed with Senior Management and overall progress is reported to the Governance Committee on a quarterly basis. As can be seen in the final progress report summary at Appendix 1, 7 reviews have been classed as adequate and 10 areas classed as Limited for SRBC; further for</p>

	2 areas that sit within Shared Services, which have been reviewed Creditors and Procurement. The Creditors review has an opinion of Limited Assurance.
3.10	There are 2 areas for SRBC, where the failings are so fundamental that the current opinions could not be applied for these 2 areas the opinion is that processes are such that there is <b>No Assurance</b> provided, this is explained in the reports.

4.	Resources
4.1	It is the Council's responsibility to ensure an adequate and effectively resourced Internal Audit Services, it is the Governance Committee's responsibility to approve the risk based audit plan, including internal audit's resource requirements and to approve significant interim changes to the risk based audit plan and resource requirements and determine if there are any resource limitations. It is the Head of Internal Audit's responsibility to determine the resources, expertise, qualifications and systems for the internal audit service that are required to carry out a satisfactory level of internal audit. To this end the Interim Head of Shared Assurance has reported resource requirements / impacts during the 2019/20 financial year in order for Governance Committee to be satisfied that there was sufficient resource within Internal Audit to deliver the 2019/20 Audit Plan.
4.1	The Internal Audit Plan for 2019/20 was based on an overall resource of 340 days for South Ribble Council, 340 for Chorley Borough Council and 120 days for Shared Services; this was based on the resource in place in March 2019. The resource at that time was 1 FTE – Interim Head of Shared Assurance, 2.6 FTE Auditors.
4.2	<p>The issue regarding the investigations / governance work arose in May 2019 and the Interim Head of Shared Assurance, undertook several pieces of work relating to these areas, this resulted in changes in resources, that were agreed by Governance Committee's at both Council's. The following arrangements were put in place:-</p> <ul style="list-style-type: none"> <li>• 0.8 Auditor temporarily appointed to Principal Auditor role (11/06/19 – 31/03/20)</li> <li>• Temporary Auditor (LH) appointed (agency) 7/07/19 – 03/04/20;</li> <li>• Temporary Auditor (BW) appointed (agency) 21/10/19 – 24/04/20.</li> </ul>
4.3	This increased the resource to enable the plan to be practically completed, a significant % of the plan had been completed, other work was ongoing and was due to be completed by the end of March , then any outstanding that would be carried forward would be completed by end April / mid May. However, due to the impact of COVID-19, 1 of the Agency Auditors and 2.6 FTE's were seconded into the Community Hub to support the Council's response to COVID-19. This meant that the Internal Audit Service was stood down with the exception of the Interim Head of Shared Assurance.
4.4	Going into 2020/21, it should be noted that the Auditor who was Temporarily filling the Principal Auditor role has left the organisation on 8 <sup>th</sup> May 2020; the 2 Agency temporary auditors finished on the 3 <sup>rd</sup> and 24 <sup>th</sup> April respectively. The remaining 1.8 FTE are currently supporting the Community Hub, this was agreed at Leadership Team for a further period to end of June.
4.5	It should also be noted that the Interim Head of Shared Assurance's contract finishes on the 30 <sup>th</sup> June 2020. Members should note the remaining service will be 1.8 FTE Auditors for both Council's. A service review is due to be undertaken in line with the agreement at Shared Services Joint Committee 9 <sup>th</sup> September 2019.

5	Internal Audit Work																
	<b>Audit Plan 2019/20</b>																
5.1	The Internal Audit Plan for 2019/20 was initially agreed by Governance Committee at its meeting in March 2019. The 2019/20 plan was prepared informed by Internal Audit's own assessment of risks at that time and consultation with Leadership Team to ensure it aligned to key risks facing the Council for the coming year (2019/20). Included in that plan was a block of 60 days which was intended to be used to address reviews of emerging risks throughout the year.																
5.2	<p>The summary of work undertaken against the Audit Plan is attached at Appendix 1, this outlines the status of the reports as at end May 2020, the opinion of those reports that are completed and actual days spend against planned days. The report shows:-</p> <p>Page i) - planned audit work, Days planned 165, actual 152.7  Page ii) - 60 days outlined above and the work allocated against those days :planned 60, actual 106.10  - plus further governance work 57.8 days  Total Planned Days - 225, Actual Days 316.6 , (91.6 more days work undertaken than planned)</p> <p>This equates to 140.71% of the Audit Planned Work and Allocated Work completed.</p> <p>Page iii) &amp; iv) relate to ongoing work completed throughout the year, work carried forward from 2018/19, general areas and Contingency / Irregularity work, this area includes the investigation work primarily undertaken by the Interim Head of Shared Assurance.</p> <p>Overall Totals  Planned Days - 340, Actual Days - 517.4; therefore 177.4 days more undertaken than planned, this equates to % of plan completed as 152%.</p>																
5.3	<p>As can be seen from the attached Progress table at Appendix 2 a number of pieces of Core Audit Work / Governance work have exceeded the planned days, these are:</p> <table border="1" data-bbox="220 1093 1069 1276"> <thead> <tr> <th>Audit</th> <th>Planned Days</th> <th>Actual Days</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>Absence Management</td> <td>10</td> <td>18.9</td> <td>(8.9)</td> </tr> <tr> <td>GDPR</td> <td>10</td> <td>43.1</td> <td>(33.1)</td> </tr> </tbody> </table>	Audit	Planned Days	Actual Days	Variance	Absence Management	10	18.9	(8.9)	GDPR	10	43.1	(33.1)				
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Absence Management	10	18.9	(8.9)														
GDPR	10	43.1	(33.1)														
5.4	<p>Further in the original plan 60 days was included in order to respond to risks arising throughout the year, as can be seen from page 2 of the table the actual number of days work undertaken against these is 163.9, a variance of (103.9) days. This allocation included 2 significant pieces of work relating to governance issues arising , these are:-</p> <table border="1" data-bbox="220 1433 1069 1684"> <thead> <tr> <th>Audit</th> <th>Planned Days</th> <th>Actual Days</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>IRG / AGS</td> <td>60 (overall)</td> <td>72.3</td> <td></td> </tr> <tr> <td>H&amp;W Leisure Campus</td> <td></td> <td>57.8</td> <td></td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> <td>130.1</td> </tr> </tbody> </table> <p><b>NB.</b>the planned days and variance refer to overall allocation as outlined in document and in above para.</p> <p>This equates to <b>172.1</b> days extra work on governance issues.</p>	Audit	Planned Days	Actual Days	Variance	IRG / AGS	60 (overall)	72.3		H&W Leisure Campus		57.8		<b>Total</b>			130.1
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<b>Total</b>			130.1														
5.5	The extra work in regard to core audit work reflects the significant risks identified in relation to a number of key areas of work including; GDPR, Governance work relating to the IRG and issues raised as part of the Annual Governance Statement and Governance issues in regard to large key projects, the H&W Leisure Campus.																

5.6	<p>The investigation work is detailed on page 4 of the progress table and is outlined below:-</p> <table border="1" data-bbox="220 215 1310 589"> <thead> <tr> <th data-bbox="220 215 804 271">Audit / Investigation</th> <th data-bbox="804 215 999 271">Planned Days</th> <th data-bbox="999 215 1166 271">Actual Days</th> <th data-bbox="1166 215 1310 271">Variance</th> </tr> </thead> <tbody> <tr> <td data-bbox="220 271 804 338">Recruitment Compliance</td> <td data-bbox="804 271 999 338"></td> <td data-bbox="999 271 1166 338">28</td> <td data-bbox="1166 271 1310 338">(28)</td> </tr> <tr> <td data-bbox="220 338 804 405">Compliance with Council Financial Policies etc.</td> <td data-bbox="804 338 999 405"></td> <td data-bbox="999 338 1166 405">45</td> <td data-bbox="1166 338 1310 405">(45)</td> </tr> <tr> <td data-bbox="220 405 804 472">Compliance with Capability Policy</td> <td data-bbox="804 405 999 472"></td> <td data-bbox="999 405 1166 472">32</td> <td data-bbox="1166 405 1310 472">(32)</td> </tr> <tr> <td data-bbox="220 472 804 528">Collation of Evidence</td> <td data-bbox="804 472 999 528"></td> <td data-bbox="999 472 1166 528">8.2</td> <td data-bbox="1166 472 1310 528">(8.2)</td> </tr> <tr> <td data-bbox="220 528 804 589"><b>Total</b></td> <td data-bbox="804 528 999 589"></td> <td data-bbox="999 528 1166 589">113.2</td> <td data-bbox="1166 528 1310 589">(113.2)</td> </tr> </tbody> </table>	Audit / Investigation	Planned Days	Actual Days	Variance	Recruitment Compliance		28	(28)	Compliance with Council Financial Policies etc.		45	(45)	Compliance with Capability Policy		32	(32)	Collation of Evidence		8.2	(8.2)	<b>Total</b>		113.2	(113.2)
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5.7	<p>The extra days were resourced by the following:-</p> <ul data-bbox="225 723 1519 913" style="list-style-type: none"> <li>• Interim Head of Shared Assurance – reduced time on Management of Service / reduced time on Chorley BC service provision;</li> <li>• Agency provision (as outlined below) focused on key governance work, i.e., GDPR, IRG / AGS and H&amp;W Campus;</li> <li>• Increased capacity due to appointment of Agency staff, as outlined which equated to 15 months increased capacity.</li> </ul>																								
5.8	<p>As previously reported to Governance Committee, the Interim Head of Shared Assurance undertook a number of pieces of work relating to governance issues and the failings of senior officers to comply with Council Policies and Procedures, a summary of the outcomes from those reports is included in this report. As this was taking a significant amount of time a number of interim arrangements were put in place which have previously been reported to Governance Committee, there is a brief summary included here to aid in the understanding of the apparent overachievement of the plan.</p>																								
5.4	<p>In May 2019, a number of issues arose relating to the 3 most senior officers of the Council, the following arrangements were put in place:-</p> <ul data-bbox="225 1267 1519 1435" style="list-style-type: none"> <li>• Interim Head of Shared Assurance - May to December 2019 investigation / governance work</li> <li>• Auditor (MB) appointed as Principal Auditor on a temporary basis 11/06/19 – 31/03/20 (undertook management of the Internal Audit service during that time)</li> <li>• Temporary Auditor (LH) appointed (agency) 7/07/19 – 03/04/20;</li> <li>• Temporary Auditor (BW) appointed (agency) 21/10/19 – 24/04/20.</li> </ul>																								
5.5	<p>This resulted in additional days which enabled the majority of planned work to be completed and additional work to be undertaken, this is reflected in the over delivery of the audit plan for 2019/20.</p>																								

<b>Significant Issues Arising</b>	
5.6	A number of significant issues / fundamental failings have been identified from the reviews undertaken during 2019/20, Appendix 3 provides the detail in respect of the findings and the resulting governance issues, however, the failings are generally consistent across each of the areas reviewed. The information below provides a summary of those issues arising, these issues will feed into the review of Governance contained in the Annual Governance Statement.
5.7	<p><b>Leadership / Management Controls</b></p> <p>A number of reviews have identified the lack of management controls relating to Directors ensuring staff have appropriate training for them to carry out the roles they are in; failure of Senior Managers to ensure appropriate policies, rules and regulations are complied with and adhered to; failure of Senior Managers to give priority to and fail to take responsibility for current and new policies and processes which form part of the Governance framework. Failure of Senior Managers to ensure Policies within their services that they are responsible for are maintained, reviewed, updated and approved as required, in some areas there were no agreed policies relating to work that has been carried out by the Council for a number of years. Weakness in management controls as little / no performance management is undertaken / evidenced. Failure to ensure that Data in respect of performance management is recorded, retained, accurately calculated and reported and definitions are robust to ensure the right information is being reported</p>
5.8	<p><b>Culture</b></p> <p>Findings from the reviews undertaken highlight that the culture of the Council is that of a lack of understanding, compliance and adherence in respect of the governance framework. The response to Service Level Assurance Statements contradict findings from reviews which implies / evidences that the Senior Managers are not aware / disregarding governance arrangements in respect of the Council's corporate framework. It is apparent, due to the findings of the investigation / governance work that this has been a culture arising from the top of the organisation, where the most Senior Officers of the organisation and Statutory officers have disregarded the systems of checks and balances put in place to protect the organisation and its officers. Findings from these reviews evidence that there were significant failings by the Statutory Officers of the Council and fundamental failings in control, in some cases total disregard of the governance arrangements in place including insufficient challenge to reporting, decision making, lack of compliance and adherence to the Council's key policies and procedures.</p>
5.9	<p><b>Policies / Rules / Regulations / Processes</b></p> <p>There is a number of reviews that have highlighted that policies, procedures, rules, regulations etc. of the Council are consistently breached, not complied with, disregarded. There are significant weaknesses in internal controls particularly in relation to Contract Procedure Rules and Procurement exercises of high value contracts, these breaches identified include breach of European Laws in relation to Procurement, which leaves the Council open to significant risk of financial, legislative and reputational damage. Further there are contracts in place that have been extended for a number of years without any authority to do so. The issues identified have given rise to an Internal Audit opinion of providing <b>No Assurance</b> relative to the contracts and projects reviewed in these case. There are also significant failings in respect of project management and compliance with the decision making process relating to key decisions.</p> <p>The significant issues outlined above provide evidence to support the review of governance included in the Council's Annual Governance Statement, actions relating to the issues are addressed in Management Actions from the Audit reports and the Annual Governance Statement Action Plan.</p>
<b>Annual Plan Audit Reviews Overview</b>	
5.10	<p>A detailed summary of findings, resultant governance issues and an update, where relevant is included at Appendix 2 of this report. In summary there are no areas with Substantial or Full Assurance, there are 7 Service areas reviewed that are classed as providing an Adequate assurance, these are:-</p> <ul style="list-style-type: none"> <li>• Absence Management</li> <li>• Ethical Culture Review</li> <li>• Credit Cards</li> <li>• Environmental Health – Enforcement / Fixed Penalty Notices</li> <li>• Environmental Health – Health &amp; Safety</li> <li>• Commercial Properties (c/f 2018/19)</li> <li>• Health &amp; Safety (c/f 2018/19).</li> </ul>

<p>5.11</p> <p>5.12</p> <p>5.13</p> <p>5.14</p>	<p>There are 10 SRBC areas where the opinion is Limited Assurance, they are:-</p> <ul style="list-style-type: none"> <li>• GDPR Compliance</li> <li>• Environmental Health – Food Safety</li> <li>• Car Park Management &amp; Enforcement</li> <li>• Tree Inspection and Maintenance</li> <li>• Performance Management Information (2018/19 original, extra work 2019/20)</li> <li>• Commercial Properties Follow Up</li> <li>• Health &amp; Wellbeing Campus</li> <li>• Commercial Properties (original review c/f2018/19)</li> <li>• Recruitment Compliance (Investigation / Governance Work)</li> <li>• Compliance with Council Financial Policies, Procedures, Rules &amp; Regulations (Investigation / Governance Work)</li> <li>• Compliance with Capability Policy (Investigation / Governance Work)</li> </ul> <p>One areas that sits within Shared Services also has an opinion of Limited Assurance – Creditors, this is relative to both Council's as the system that has been reviewed is shared.</p> <p>Two of the areas reviewed were found to have serious, significant and fundamental failures of control, breaches of financial and contract procedure rules, fundamental failings in management controls and potentially breaches of European Legislation relating to Procurement rules. For this reason, the Interim Head of Shared Assurance considered that the current assurance levels could not apply, therefore the opinion is that <b>No Assurance</b> could be placed on the effectiveness of the controls in place and the extent to which risks have been mitigated. It should be noted that this is only in relation to the specific areas reviewed in each of the reviews, which are:-</p> <ul style="list-style-type: none"> <li>• Procurement (Utilities &amp; 2 Other Contracts) – no assurance applies to these specific contracts and procurement exercises;</li> <li>• Health &amp; Wellbeing Leisure Campus – no assurance applies to those specific issues in respect of key decisions, contract procedure rules, project management relating to specific project.</li> </ul> <p>These 2 reports are attached to another report to Governance Committee, which is the report in respect of the Audit reviews with Limited Assurance opinion.</p>
<b>Audit Reviews Overview Governance / Investigation Report</b>	
<p>5.15</p> <p>5.16</p> <p>5.17</p>	<p>There are 4 review areas included in the progress report relating to the issues arising from the work related to the 2 most senior officers of the Council who have since left, and Governance issues arising from the original AGS presented to Governance Committee in May 2019, these are:-</p> <ul style="list-style-type: none"> <li>• IRG / AGS – review of action plan arising from IRG included in AGS 2019 as completed;</li> <li>• Recruitment Compliance – compliance with Recruitment &amp; Selection policy in appointment of Senior Officers;</li> <li>• Compliance with Council Financial Policies, Procedures, Rules &amp; Regulations – compliance with policies and adherence to rules etc.</li> <li>• Compliance with Capability Policy – compliance with Policies relation to HR capability procedure.</li> </ul> <p>The following is a summary of the findings from those Reviews;</p> <p><b>IRG / AGS</b></p> <p>A number of recommendations were agreed following the LGA Peer review and the S24 Notice issued by external audit, these were amalgamated and an Independent Review Group was formed to manage the progress and outcomes against those recommendations, there were 8 in total. It should be noted that the S24 Notice issued to SRBC was 1 of only 2 issued nationally.</p> <p>The IRG had been disbanded in February 2019 and a final outcome report provided to Cabinet, the review indicated that significant improvements had been made in regard to the findings of the LGA, however, this wording had been challenged as part of the discussion in respect of the AGS. AN internal audit review confirmed that whilst LGA agreed that improvements had been made, as the actions had not been in place and embedded it was too soon to determine if significant improvements had been made to the culture of the</p>

organisation. Further a review of the status and progress of the 8 recommendations was undertaken and the following was identified:-

- Whilst the Chief Executive was not the Chair of the IRG at the time, the notes and record of the meetings were produced and provided to her to agree prior to being issued, this is not usual governance arrangements;
- Whilst there was evidence to support some actions had been fully or partially completed, there were still a number of actions outstanding, of the 8 recommendation, 7 were marked as complete, however, Internal Audit identified that only 2 had been fully completed and 5 had only been partially completed;
- Members were not fully informed of all actions taken or the true position of the Council's improvement and transformation journey;
- The Internal Audit report reflected the LGA review that actions were not fully implemented or embedded and the actual position was not reflected in the minutes and not reported to Members.

#### 5.18 **Recruitment**

This review focused on compliance with the recruitment & selection policy of the Council in relation to the appointment of a number of Leadership Team members and the creation of 2 new posts. The following issues were identified:-

- 2 senior roles created relating to roles included in the original Shared Services agreed arrangements, created for SRBC only;
- Breach of Constitution in relation to the creation of the roles, failure to include the detail in the budget estimate, appointment to one of the posts prior to budget approval for the posts;
- No proper approval or agreement in respect of the creation of the roles and the salary offered;
- Recruitment policy not complied with / process used not agreed or approved by Members;
- External Officers misinformed
- Potential allegation of misleading / misinforming officers and members;
- Potential failure to follow appropriate procedures relating to Statutory Officer appointment;
- Failure to comply with Pay Policy;
- No evidence to support procurement / commissioning of supplier to aid in recruitment, failure to include HR in process relating to several officers;
- No evidence retained to support the resulting appointee, officers who met criteria, not shortlisted – no evidence to support decision, only 1 applicant for each role selected, both from previous Deputy CE's previous employing authority, one a close friend of S151 officer.
- Other recruitment exercises, no evidence retained to support decision making;
- Minor changes in designations of post without recourse to Members who had agreed original structure;
- Potential breach of Data Protection as no agreement in place in regard to sharing data with third party supplier.

#### 5.19 **Compliance with Council Financial Policies, Procedures, Rules & Regulations – compliance with policies and adherence to rules etc.**

This review focused on compliance with financial policies and rules etc. of the Council. The review identified:-

- Failure to demonstrate value for money in the procurement of suppliers, lack of evidence to support choice of supplier, lack of agreed evaluation criteria to evaluate against;
- Breaches of Contract Procedure Rules, Financial Procedure Rules and Key Decision process of the Council;
- Failure to provide evidence of work completed to support amounts invoiced, unable to determine if provision of service provided best value for the Council;
- Failure to follow prescribed electronic waiver process and approval process and obtain MO sign off;
- Work undertaken outside of original scope;
- Attempt to circumvent the Financial Procedure Rules by a Statutory Officer of the Council;
- No signed agreements between parties in some instances, failure to sign Data Sharing agreements, no review of liability insurance in relation to work to be undertaken, unable to confirm that suppliers held sufficient liability cover in the event of claims for damages etc.

#### 5.20 **Compliance with Capability Policy – compliance with Policies relation to HR capability procedure**

This review focused on the compliance with the Council's HR Policy relating to Capability by the 3 Senior Officers of the Council. The findings of the review included the following:-

- Failure to support officers during probationary / trial / development period as agreed by the appointment letters;
- Intent to disregard external legal advice

	<ul style="list-style-type: none"> <li>• Development review process utilised by DCE's was a process provided by a third party supplier, this had not been discussed and agreed by HR and / or Leadership Team and not presented to Members, yet used to undertake some of the Leadership Development Reviews;</li> <li>• Inconsistency of approach dependent on officer, some officers not being treated fairly or equitably;</li> </ul>
	<ul style="list-style-type: none"> <li>• Development review process changed part way through to capability process;</li> <li>• Failure to undertake an internal independent review of complaints prior to sending for external opinion, internal processes not exhausted, Internal Audit not reviewed;</li> <li>• No justification for appointing third party to review complaints;</li> </ul> <p>Failure to follow capability process.</p>
5.21	It is clear from the findings within these reports that there is evidence of Statutory Officer roles not carrying out their duties in line with the Council's governance framework. What is evidenced is that the checks and balances put in place to ensure appropriate governance and control within the Council have been disregarded by officers at a senior level.
5.22	The issues outlined above, identified from the work undertaken by Internal Audit demonstrates fundamental failing of the Council's governance framework / arrangements, there are consistent failures of internal control and breaches of fundamental policies, rules and regulations of the Council.
5.23	The findings arising from these reports are included in the Annual Governance Statement 2019 and 2020.

6	Internal Audit Performance
5.1	As can be seen in Appendix 1 the Annual Plan work is 92.54% completed, there are some areas of work that have more time booked against them than originally planned, this is largely due to the extension of scope once it the area of review is discussed with the Service lead. The % plan completed based on Planned and the Allocated work (as explained above) is 140.71% completed, this is due to the increased resources input throughout the year and increased productive work of Interim Head of Shared Assurance. The overall plan is 152% complete, this is due to the increased resources and increased workload for South Ribble BC.
5.2	The Shared Services arrangement generally mean that the service costs are split 50/50 between 2 Council's, the S151 Officers have agreed a more appropriate split due to the focus on South Ribble Audit work during 2019/20, including the focus of the Interim Head of Shared Assurance.
5.3	The Internal Audit Service has achieved 100% of all management actions agreed based on those finalised reports.

