

AUDIT AND GOVERNANCE COMMITTEE

Report subject	The Chief Internal Auditor's Annual Report & Opinion for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)
Meeting date	25 July 2019
Status	Public
Executive Summary	<p>It is the opinion of the Chief Internal Auditor that for the three legacy councils:</p> <ul style="list-style-type: none"> • arrangements were in place to ensure an adequate and effective internal control environment and where weaknesses were identified there was an appropriate action plan in place to address them; • the systems and internal control arrangements were effective and agreed policies and regulations were complied with; • adequate arrangements were in place to deter and detect fraud; • there was an appropriate and effective risk management framework; • managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls; • the respective Councils' internal audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that • the arrangements, at the respective Councils, in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>the Audit & Governance Committee note the Chief Internal Auditor's Annual Report and opinion on the overall adequacy of the internal control environment for each of the three legacy Councils.</p>
Reason for recommendation(s)	The Chief Internal Auditor's Annual Report and opinion for each legacy Council provides assurance on the effectiveness of the Council's control environment as required by the Public Sector Internal Audit Standards.

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Nigel Stannard (Head of Audit & Management Assurance) Simon Milne (Deputy Chief Internal Auditor) James Cranston (Audit Manager)
Wards	All
Classification	For Update and Information

Background

1. The Chief Internal Auditor's Annual Report and Opinion for the three legacy Councils was produced in compliance with the Public Sector Internal Audit Standards 2013 (PSIAS), which requires the Head of Audit and Management Assurance, in his role as Chief Internal Auditor to report annually on:
 - the adequacy and effectiveness of the internal control environment; and
 - conformance by the Internal Audit Section to the PSIAS
2. The Audit & Governance Committee must consider each legacy Councils' Chief Internal Auditor's Annual Report and Opinion before its consideration of the respective Councils' Annual Governance Statements.
3. It should be noted that the title 'Chief Internal Auditor' is interchangeable with the terms 'Head of Internal Audit', 'Chief Audit Executive' and 'Head of Audit & Management Assurance' used throughout this report.

The Chief Internal Auditor's Consideration & Opinion Summary

4. The Chief Internal Auditor's Annual Report & Opinion 2018/19 for each legacy Council (Bournemouth, Christchurch and Poole) is provided at Appendices A, B and C respectively.
5. In summary it is the opinion of the Chief Internal Auditor for all three legacy Councils that:
 - arrangements were in place to ensure an adequate and effective internal control environment and where weaknesses were been identified there was an appropriate action plan in place to address them;
 - the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
 - adequate arrangements were in place to deter and detect fraud;
 - there was an appropriate and effective risk management framework;
 - managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
 - the respective Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that

- the arrangements at the Councils in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication “The Role of the Head of Internal Audit in Public Sector Organisations”.

Summary of Financial Implications

6. The total net cost of the Internal Audit sections, for the legacy Councils during 2018/19, was £705,000 (previous year 2017/18 was £787,000).

The cost split of this £705,000 was, Bournemouth and Poole shared costs of £653,000 and Christchurch costs were £52,000.

Summary of Legal Implications

7. The Public Sector Internal Audit Standards (2013), which encompass the mandatory elements of the chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), require that the Council’s Chief Audit Executive provides an annual report and opinion on the adequacy and effectiveness of the internal control environment to those charged with the good governance of the organisation.

Summary of Human Resource Implications

8. There was 14.46 full-time equivalent (FTE) Internal Audit staff members employed across the legacy Councils during 2018/19. Bournemouth and Poole shared 13.21 FTE staff and there was a further 1.25 members of staff in Christchurch.

These numbers are inclusive of the Head of Audit & Management Assurance who manages several other teams and an Auditor who specialises in corporate fraud investigation, detection and prevention.

Summary of Environmental Impact

9. There are no direct environmental implications from this report.

Summary of Public Health Implications

10. There are no direct public health implications from this report.

Summary of Equality Implications

11. There are no direct equality implications from this report.

Summary of Risk Assessment

12. The risk implications are set out in the content of this report.

Background Papers

13. None.

Appendices

Appendix A – Bournemouth Borough Council – Chief Internal Auditor’s Annual Report & Opinion 2018/19

Including Annexe 1(B), 2(B) and 3(B)

Appendix B – Christchurch Borough Council - Chief Internal Auditor's Annual Report
& Opinion 2018/19

Including Annexe 1(C), 2(C) and 3(C)

Appendix C – Borough of Poole – Chief Internal Auditor's Annual Report &
Opinion 2018/19

Including Annexe 1(P), 2(P) and 3(P)



APPENDIX A

Chief Internal Auditor's Annual Report & Opinion 2018/19

Introduction

- 1 This annual report is produced in compliance with the Public Sector Internal Audit Standards 2013 (PSIAS). The PSIAS encompasses the mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows: Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing. The PSIAS requires the Chief Internal Auditor to report annually on the adequacy and effectiveness of the internal control environment; this report covers the period April 2018 to March 2019.
- 2 The scope of the Council's internal control environment that the Chief Internal Auditor is required to provide an opinion on is set out in the Council's Assurance Framework. The opinion given by the Chief Internal Auditor assists the Audit & Governance Committee in forming their view on the Annual Governance Statement.

Chief Internal Auditor's Audit Opinion 2018/19

- 3 The establishment of adequate and effective control systems is the responsibility of management. Internal Audit reviews were conducted using risk based scoping, planning and sampling methodology, consequently not every Council activity, transaction or project has been reviewed in-year by Internal Audit. It follows therefore that the Chief Internal Auditor is unable to provide absolute assurance that the internal control environment is operating adequately and effectively.
- 4 Based on the work undertaken by Internal Audit during 2018/19, it is the opinion of the Chief Internal Auditor that:
 - a arrangements were in place to ensure an adequate and effective internal control environment as set out in the Council's Assurance Framework;
 - b the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
 - c adequate arrangements were in place to deter and detect fraud;
 - d there was an appropriate and effective risk management framework;

- e managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
 - f Bournemouth Council’s internal audit services was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
 - g the arrangements in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication “The Role of the Head of Internal Audit in Public Sector Organisations”.
- 5 This opinion is based on the results of the Internal Audit work undertaken and reported upon during 2018/19. While internal control weaknesses and non-compliance with policies were identified during Internal Audit reviews, corrective actions have been agreed with management. This willingness to respond to and correct issues raised during audit reviews is a key aspect in the Chief Internal Auditor giving an ‘unqualified opinion’.

Basis of the Chief Internal Auditor’s Opinion – A summary look back at work undertaken in 2018/19

Regularity Audit Work

- 6 The work of Internal Audit is designed to provide an annual opinion on the adequacy and effectiveness of the internal control environment. The work carried out in 2018/19 to provide the annual opinion was agreed by the Audit & Governance Committee.
- 7 All Service Units were audited during 2018/19 and a high percentage (94%) of the audit plan was completed (vs the 90% target). A list of all audits completed during 2018/19 is attached at Annexe 1(B).
- 8 Each audit report provides an overall level of assurance on the adequacy of the management arrangements to manage the identified risks within the area reviewed. The assurance level definitions are as follows:

Assurance Level Definitions	
Substantial	There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable	Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial	There are weaknesses in the control framework which are putting service objectives at risk.
Minimal	The control framework is generally poor as such service objectives are at significant risk.

- 9 The list of audits carried out during 2018/19 in Annexe 1(B) also details the assurance level given for each review. In summary 13 'Substantial', 25 'Reasonable' and 8 'Partial' assurance level opinions were given during the year. There were no Minimal assurance opinions given for any of the audits. The 'Partial' opinion audits were:

Audit	Recommendations to improve controls covering:
Adult Social Care - Deputyships	Business continuity, standards compliance review, scheme of delegation and annual reviews
Children, Young People & Families - GDPR	Breach reporting, information asset register and staff training
Community Learning and Commissioning - Contracts Children	Overarching policy and supporting procedures for children's contract procurement and compliance with procurement process
Corporate Services Other - Equality Needs Impact Assessments (ENIA)	EINA completion for council projects and EINA guidance for officers
Housing & Community Services - Boscombe Market	Market strategy, income reconciliation, fees and charges, trader insurance and compliance with stallholder agreements
Legal, Democratic & Strategy - Mayoral Assets	Asset register security & contents, asset valuation frequency, asset ownership records and completion of gifts/hospitality registers
Tourism - Seafront Cash Office	Income sources where audit trails are not available, reconciliations, procedure notes, and safe balancing
Strategic Finance - Creditors	Supplier set up and bank account changes

- 10 Regularity Audit work undertaken in 2018/19 covered a range of systems in different Service Units and Schools and included an audit of the Council's fundamental financial systems, including Main Accounting, Creditors,

Debtors, Payroll, Housing Rents, Housing Benefits, Treasury Management, Council Tax and NDR systems as set out in Annexe 2(B).

- 11 The Council's assurance map set out at Annexe 3(B) has been populated to show Internal Audit coverage during 2018/19 over the significant risks facing the Council.
- 12 Recommendations were made throughout the year across several Service Units and Schools; action plans detailing management actions to mitigate the risks and control weaknesses identified have been agreed in all cases.
- 13 For all audits finalised during the period April 2018 to March 2019, a total of 180 recommendations were made. 100% of these recommendations have been accepted by management. The development of robust follow-up procedures has provided assurance that the implementation of audit recommendations is high; the current position of implementation is 89%.
- 14 Outstanding actions in response to recommendations have been noted; the majority of these outstanding actions relate to longer term improvements, those with target dates not yet reached, and those actions for which other priorities or service needs have necessitated a revised implementation date to be agreed. It has therefore not been necessary to instigate the audit recommendation escalation policy agreed with the Audit & Governance Committee.
- 15 Auditees score individual areas of the audit process resulting in a combined total client satisfaction score (100% Very Satisfied, 75% Satisfied, 50% Dissatisfied, 25% Very Dissatisfied). The auditee satisfaction score for 2018/19 of 87% exceeded the target of 75%, illustrating a high level of satisfaction with the way in which audits are conducted.

Value for Money (VFM) and Preparation for BCP Council Work

- 16 Some specific VFM and benchmarking was required during the 2018/19 year to support Local Government Reorganisation in Dorset in collaboration and partnership with Christchurch and Poole Councils.
- 17 To further embed VFM principles, practices, tools and techniques across the Council, the Team was actively involved in the Grant Thornton and CIPFA collaboration and development of the 'CFO Insights' Toolkit. 'CFO Insights' aligns the Council's ethos of matching costs with outcomes and was again used to support medium term financial planning and budget development during 2018/2019. Grant Thornton continued to use some of the Council's templates and methodology to highlight best practice and in return a negotiated preferential rate was obtained to subscribe to the toolkit.
- 18 Time was spent during 2018/19 preparing for Local Government Reorganisation and the creation of Bournemouth, Christchurch & Poole Council. Whilst much of this work centred on operational 'Day 1 soft landing' matters within the wider Audit & Management Assurance Team and

within Financial Services as a whole, advice and support was also given to other legacy council services for their specific operational preparedness.

- 19 Time has also been spent with Grant Thornton to agree principles of consolidation of data for the legacy Councils of Bournemouth, Christchurch and Poole to enable aggregate as well as legacy Council benchmarking whether this be financial, inputs, outcomes or other comparison basis.

Counter Fraud Work

- 20 Counter Fraud work was undertaken during 2018/19 to improve the Council's arrangements for combating fraud & corruption. This work included targeting fraud risk areas such as corporate cards and petty cash and also tackling high value external fraud against the Council. Time was also spent on coordinating the Cabinet Office National Fraud Initiative (NFI) data matching exercise.
- 21 Investigations were undertaken during the year in response to every identified or suspected case of financial irregularity.
- 22 The outcomes of this counter fraud work (including concluded investigations and NFI results) will be incorporated into the Internal Audit Counter Fraud Work and Whistleblowing Referrals annual report which will be presented to the Audit & Governance Committee at the forthcoming October meeting.

Risk Management Framework

- 23 The Chief Internal Auditor is responsible for reporting any significant issues to the Audit and Governance Committee on a quarterly basis, and annually on the appropriateness and effectiveness of the Risk Management Framework to support the Annual Governance Statement.

Governance Work

- 24 The Council's Local Code of Governance was reviewed during the year and work was also undertaken to prepare a new BCP Local Code of Governance which was agreed by the Shadow Authority. The BCP Code will be brought to this committee at its October 2019 meeting for review and to ensure it remains accurate and up to date during this period of rapid governance evolution.
- 25 Progress made against actions arising from the 2017/18 Annual Governance Statement (AGS) has been reviewed and presented to the Audit Committee through the 2018/19 year.
- 26 Work has been undertaken to compile the 2018/19 AGS for inclusion in the Council's statement of accounts. In conducting this review Service Directors have confirmed the adequacy and robustness of certain management controls in the form of Management Assurance Statements.

Compliance with Professional Standards

- 27 From 1 April 2013, the Public Sector Internal Audit Standards came into effect. The PSIAS apply the IIA International Standards to the UK Public Sector. Under standard 1310, the Council must ensure that it puts in place a quality assurance and improvement programme in respect of Internal Audit, which must include both internal and external assessments. An external assessment is required to take place within 5 years of the effective date of the PSIAS.
- 28 An annual internal self-assessment has been carried out which demonstrated all standards were met. In order for technical compliance with the PSIAS an external review of the Internal Audit Section (required under the quality assurance attribute standards) was required to be undertaken by 31st March 2018.
- 29 In view of Bournemouth and Poole shared corporate services and Dorset Local Government Reorganisation this external review was postponed (with the full agreement of the respective legacy Councils' Audit & Governance Committees). There is a requirement for a BCP Internal Audit service external assessment which will be considered during 2019.
- 30 CIPFA has produced a publication "The Role of the Head of Internal Audit in Public Sector Organisations". This document demonstrates the Head of Internal Audit's (HIA) critical role in delivering the organisation's strategic objectives. An annual assessment has been carried out in respect of the five principles contained in this document, which states that the HIA:
- a should promote good governance, assess the adequacy of governance and management of existing risks, and advise on proposed developments;
 - b should give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
 - c must be a senior manager with regular and open engagement across the organisation with the Leadership Team and the external auditor;
 - d must lead and direct an internal audit service that is resourced to be fit for purpose; and
 - e must be professionally qualified and suitably experienced.
- 28 The Chief Finance Officer (CFO) has confirmed, through regular 1:1 meetings and a formal annual appraisal, that the Council's Chief Internal Auditor is compliant with all of these five principles.

Conclusion

- 29 It is the opinion of the Chief Internal Auditor that the Internal Audit Team complies with professional standards and has completed sufficient and appropriate work to provide assurance on the adequacy and effectiveness of the Council's internal control environment.

Appendices

- Annexe 1(B) 2018/19 BBC Audits Completed
- Annexe 2(B) BBC Key Financial System Audit Opinions
- Annexe 3(B) BBC Internal Audit Assurance Map 2018/2019

Annexe 1(B): 2018/19 BBC Audits Completed

	Service Area	Audit	Assurance Opinion
	SERVICE UNIT AUDITS		
1	Adult Social Care	Deputyships	Partial
2	Adult Social Care	Direct Payments	Substantial
3	Adult Social Care	General Data Protection Regulation (GDPR)	Substantial
4	Children, Young People & Families	GDPR	Partial
5	Children, Young People & Families	Foster Care Payments	Reasonable
6	Community Learning & Commissioning	GDPR	Substantial
7	Community Learning & Commissioning	Contracts - Adults	Reasonable
8	Community Learning & Commissioning	Contracts – Children’s	Partial
9	Corporate Services – Other	GDPR	Substantial
10	Corporate Services – Other	Equality Needs Impact Assessments	Partial
11	Economic & Cultural Development	GDPR	Substantial
12	Economic & Cultural Development	Petty Cash & Follow Up	N/A
13	Environment	GDPR	Reasonable
14	Environment	Key Assurance Functions, Trade Waste Income and Contract Management	Reasonable
15	Housing & Community Services	Key Assurance Functions, Rent Deposit Rent in Advance Loans	Reasonable
16	Housing & Community Services	Boscombe Market	Partial
17	Housing & Community Services	Coroners & Mortuary Service	Reasonable
18	Human Resources	GDPR	Substantial
19	ICT and Customer Support	Asset Management	Reasonable
20	ICT and Customer Support	Contract Management	Substantial
21	ICT and Customer Support	GDPR	Substantial

	Service Area	Audit	Assurance Opinion
22	Legal, Democratic & Strategy	Mayoral Assets	Partial
23	Legal, Democratic & Strategy	Income & Land Charges	Reasonable
24	Legal, Democratic & Strategy	GDPR	Substantial
25	Planning & Transportation	GDPR	Reasonable
26	Planning & Transportation	Community Infrastructure Levy	Reasonable
27	Strategic Finance	Key Assurance Functions and Counter Fraud Risks	Reasonable
28	Tourism	GDPR	Reasonable
29	Tourism	Seafront Cash Office	Partial
KEY ASSURANCE FUNCTION AUDITS			
30	Financial Services	Asset Management	Reasonable
31	Financial Services	Business Continuity	N/A
32	Corporate Services – Other	Business Planning & Performance Management	N/A
33	Financial Services	Financial Management	Reasonable
34	Environment	Health & Safety	Reasonable
35	Human Resources	Human Resources	Reasonable
36	ICT and Customer Support	ICT (Landline Phones)	Reasonable
37	Legal, Democratic & Strategy	Information Governance F/up	N/A
38	Financial Services	Procurement	Substantial
39	Corporate Services – Other	Programme/ Project Management	N/A
40	Financial Services	Risk Management	N/A
KEY FINANCIAL SYSTEMS AUDITS			
41	Strategic Finance	Council Tax/ Non Domestic Rates (NDR)	Reasonable
42	Strategic Finance	NDR	Substantial
43	Strategic Finance	Housing Benefits	Substantial

	Service Area	Audit	Assurance Opinion
44	Strategic Finance	Debtors	Reasonable
45	Strategic Finance	Creditors	Partial
46	Strategic Finance	Payroll	Reasonable
47	Strategic Finance	Treasury Management	Substantial
48	Housing & Communities	Housing Rents	Reasonable
SCHOOL AUDITS			
49	Children, Young People & Learning	Corpus Christi School	Reasonable
50	Children, Young People & Learning	St Walburgs School	Reasonable
COUNTER FRAUD AUDITS			
51	All Service Units	Corporate Cards	Reasonable
52	All Service Units	Petty Cash	Reasonable
Audits Deferred For Consideration In 2019/20			
	Service Area	Audit	Comment/ rationale
53	Adult Social Care	Financial Assessments	New system implemented
54	Housing & Communities	Investment Strategy	No projects have progressed
55	Strategic Finance	Fire Safety	Assurance through other sources – Chief Executive quarterly monitoring

Annexe 2(B): BBC Key Financial Systems Opinions

Assignment Title	Service Area	2018/19 Opinion	2017/18 Opinion	2016/17 Opinion
Council Tax	Strategic Finance	Reasonable ¹	Substantial	Reasonable
NDR	Strategic Finance	Substantial	Substantial	Reasonable
Housing Benefits	Strategic Finance	Substantial	Substantial	Substantial
Debtors	Strategic Finance	Reasonable	Reasonable	Reasonable
Financial Services	Main Accounting	Reasonable	Reasonable	Reasonable
Creditors	Strategic Finance	Partial ²	Reasonable	Reasonable
Payroll	Strategic Finance	Reasonable ³	Substantial	Substantial
Treasury Management	Strategic Finance	Substantial	Substantial	Reasonable
Housing Rents	Housing & Communities	Reasonable ⁴	Partial	Reasonable

Notes

1. Council Tax – One recommendation was made to improve management of credit balances on Council Tax accounts.
2. Creditors - Recommendations were made to improve controls over setting up suppliers and bank account changes.
3. Payroll - Recommendations were made to improve controls over honorariums, market supplements, staff bank account changes and establishment lists.
4. Housing Rents – Recommendations regarding arrears and writes offs from the 2017/18 review have been generally implemented resulting in a 'Reasonable' 2018/19 Audit Opinion.

Annexe 3(B)

BBC Internal Audit Assurance Map 2018/19

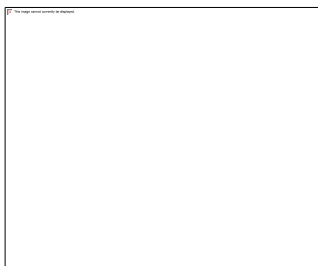
INTERNAL SOURCES OF ASSURANCE	
Source of Assurance	Internal Audit Assurance Work
Internal Audit	<ul style="list-style-type: none"> • All Service Units audited during 2018-19 • 52 out of 55 Audits completed (see Annexe 1(B) for list of audits) • 13 Substantial, 25 Reasonable and 8 Partial Assurance Level opinions were given during the year • There were no Minimal assurance opinions
Strategic Procurement	<ul style="list-style-type: none"> • Internal Audit carried out an annual assurance review of Procurement ('Substantial' audit opinion) • See separate Annual Report on Breaches and Waivers also being reported to this committee
Risk Management	<ul style="list-style-type: none"> • Corporate Risk Management Strategy and framework in place • Regular risk management reporting took place during the year to Audit & Governance Committee and Senior Management • Audit review carried out on Poole and Bournemouth Council's current arrangements for risk management to assist with planned changes for BCP
Financial Management	<ul style="list-style-type: none"> • Regular reporting took place in year to Cabinet and Council • Internal Audit review of Main Accounting system undertaken during the year ('Reasonable' audit opinion)
Business Continuity	<ul style="list-style-type: none"> • Regular reporting took place during the year on corporate emergency planning arrangements to Audit & Governance Committee • Corporate Resilience Strategy is in place • Audit review carried out on Poole and Bournemouth Council's current arrangements for business continuity to assist with planned changes for BCP

INTERNAL SOURCES OF ASSURANCE

Source of Assurance	Internal Audit Assurance Work
Value for Money	<ul style="list-style-type: none"> • VFM and benchmarking work carried out to support Local Government reorganisation in Dorset work • CFO Insights Toolkit used which aligns the Council's ethos of matching costs with outcomes • Grant Thornton, the Councils' external auditors carry out an annual assessment of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and reports its conclusions in their Audit Findings Report and Annual Audit Letter. Their last conclusion (reported to Audit & Governance Committee Oct 18) was 'we were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources' for y.e 31 March 2018
Asset Management	<ul style="list-style-type: none"> • Internal Audit carried out an annual assurance review on Health and Safety ('Substantial' audit opinion)
Corporate Fraud	<ul style="list-style-type: none"> • Audit assignments carried out during 2018/19 have considered the risk of fraud • Corporate Fraud Officer has provided support to service units on high risk external fraud areas (including housing allocation/tenancy) • Several investigations carried out and recommendations made to improve controls • Participation in National Fraud Initiative (NFI) data matching exercise
Information Governance	<ul style="list-style-type: none"> • Internal Audit carried out a follow up review of Information Governance recommendations. All were found to be satisfactorily addressed. • Internal Audits carried out across all Service Units to confirm compliance with GDPR requirements. No significant weaknesses identified
Programme & Project Management	<ul style="list-style-type: none"> • Regular reporting took place during the year on programmes/projects progress to the Executive Gateway Board • Audit review carried out on Poole and Bournemouth Council's current arrangements for the management of projects and programmes to assist with planned changes for BCP

INTERNAL SOURCES OF ASSURANCE

Source of Assurance	Internal Audit Assurance Work
Human Resources	<ul style="list-style-type: none"> Internal Audit carried out a review of Human Resources arrangements including payroll, travel & subsistence, pension data and corporate policies ('Reasonable' audit opinion)
Corporate Health & Safety	<ul style="list-style-type: none"> Detailed reporting of arrangements to Audit & Governance Committee during the year Included in Annual Governance Statement Action Plan and progress monitored during the year Internal Audit carried out an annual assurance review ('Reasonable' audit opinion)
Business Planning & Performance Management	<ul style="list-style-type: none"> Audit review carried out on Poole and Bournemouth Council's current arrangements for business planning & performance management to assist with planned changes for BCP
Management Assurance Statements	<ul style="list-style-type: none"> Received from all Service Directors No new significant issues raised
EXTERNAL SOURCES OF ASSURANCE	
External Audit	
Inspection Agencies	
Regularity Bodies	
Quality / Accreditation Schemes	
External Benchmarking	
Peer Reviews	
External Assessments	
Health Checks	



APPENDIX B

CHIEF INTERNAL AUDITOR'S ANNUAL REPORT & OPINION 2018/19

1. BACKGROUND

- 1.1 This annual report is produced in compliance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter.
- 1.2 The Accounts and Audit (England) Regulations 2015, requires that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.” Regulation 6 specifically requires the organisation to annually review the effectiveness of the system of internal control.
- 1.3 The key areas of this report are:
 - the auditor’s opinion on the adequacy of the Council’s control environment, which is defined by the Assurance Framework;
 - any other matters that should be considered for inclusion within the Annual Governance Statement;
 - the performance of Internal Audit; and
 - conformance against the PSIAS and the Internal Audit Charter.
- 1.4 Dorset’s Local Government Reorganisation came into effect on 1st April 2019. As such Christchurch Borough Council and East Dorset District Council’s Joint Audit Committee ceases to exist. Therefore this report will be presented to Audit Committees of the two new councils.

2. AUDIT OPINION

- 2.1 Management are responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes.
- 2.2 The opinion concludes on the overall adequacy and effectiveness of the Councils’ framework of governance, risk management and control.
- 2.3 **Annexe 1(C)** provides details of the audit reviews undertaken in 2018/19 and the assurance ratings provided. The table below provides a summary:

Assurance Rating	Number of Audit Reviews in 2018/19	% against total reviews completed
Substantial Assurance - There is a strong system of control designed to achieve the system objectives with controls being consistently applied.	1	4.2%
Adequate Assurance - Whilst there is basically a sound system, there are weaknesses which may put some of the system objectives at risk.	21	87.5%
Limited Assurance - Weaknesses in the system of controls are such as to put system objectives at risk.	2	8.3%
No Assurance - Control is generally weak leaving the system open to significant error or abuse.	0	0%
Total Number of Audit Reviews Completed	24	

2.4 24 audit reviews have been finalised and reported in 2018/19.

2.5 In summary 1 'Substantial', 21 'Adequate and 2 'Limited' assurance level opinions were given during the year. There were no 'No Assurance' opinions given for any of the audits. The Limited opinion audits were:

Audit	Recommendations to improve controls covering:
Creditors	Separation of duties for payments and supplier changes records
IT	Network vulnerability checks and inventory records

2.6 The assurance framework for 2018/19 is detailed in **Annexe 2(C)**. The assurance framework demonstrates that key assurances have been reviewed across all of the Council's services.

2.7 In forming the annual opinion, third party assurance was collected from the Borough of Poole in relation to the SVPP Debtors audit review. 65 days of Auditor resources was also purchased from Portsmouth City Council.

2.8 Based on the work undertaken by Internal Audit during 2018/19, it is the opinion of Internal Audit that:

- managers are aware of the importance of maintaining internal controls, managing risks and working to good governance standards and accept recommendations made by Internal Audit to improve any weaknesses identified.

- The systems and internal control arrangements have generally been adequate.
- Where significant weaknesses were identified during the year, high priority recommendations have been made and accepted by Management. Progress made against the high priority recommendations are monitored quarterly by the Joint Audit Committee.
- Counter fraud arrangements are in place to deter and detect fraud; however, these arrangements require updating.

2.9 It is therefore the opinion of Internal Audit that an overall assurance level of 'adequate' is given for the adequacy and effectiveness of the Councils' framework of governance, risk management and control.

3. SUMMARY OF AUDIT WORK AND PERFORMANCE TO SUPPORT THE ANNUAL OPINION

Resources & Audit Plan Completion

3.1 The Internal Audit service covers Christchurch Borough Council and East Dorset District Council.

3.2 As stated in paragraph 2.3, **Annexe 1(C)** details the opinion provided on each audit review and highlights the number of recommendations made. All audit reviews, save one audit, in the plan have been completed. This gives a completion rate of 96% as at 10 June 2019 (compared to 90% in 2017/18).

3.3 The audit plan for 2018/19 was approved by the Joint Audit Committee on 21 March 2018 to deliver 442 days of audit resources.

3.4 It is deemed by Internal Audit that the audit plan contains sufficient and adequate coverage across all services to provide an annual opinion on the effectiveness of the Council's framework of governance, risk management and control.

3.5 There were no fraud Investigations undertaken by the Internal Audit service. However, Internal Audit co-ordinates the Council's National Fraud Initiative (NFI) and has monitored progress against potential data matches throughout the year.

Maintaining Performance and Standards

3.6 Auditor's performance is monitored and maintained through:

- Independent management review of all audits.
- Annual development appraisals (in line with Council policy)
- Ongoing training and development
- Continuing professional development as required by relevant professional bodies.

- 3.7 In undertaking all audit reviews our officers have acted independently, objectively and ethically at all times. All Auditors sign an annual declaration of the Institute of Internal Auditor's (IIA) code of ethics, which confirms that they will remain independent and will report any conflicts of interest to the Audit Partnership Manager or Strategic Director.
- 3.8 The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit Team to develop and maintain a Quality Assurance and Improvement Programme (QAIP). The QAIP must include an annual self-assessment and an external assessment every five years. The standards are now in their sixth year and therefore the Internal Audit Service is overdue for an external assessment. However, due to Local Government Re-organisation, it has been deemed that it would not be beneficial to the Council to obtain an external assessment this year given that the Internal Auditing arrangements will be changing.
- 3.9 A self-assessment has been carried out by the Internal Audit Manager. It is deemed that the Internal Audit Service meet the standards set by the PSIAS save for the non-compliance detailed in paragraph 3.8. Although the self-assessment has identified minor improvements to the service, these will not be actioned due to the changes in Internal Auditing arrangements due to Local Government Reorganisation. However, **Annexe 3(C)** outlines the weaknesses identified.

Annexes:

Annexe 1(C): Internal Audit Plan Summary of Opinions 2018/19

Annexe 2(C): Assurance Framework 2018/19

Annexe 3(C): PSIAS Self-Assessment Summary of Issues

Annexe 1(C)

INTERNAL AUDIT PLAN SUMMARY OF OPINIONS 2018/19

		Quarter to be completed				Assurance Opinion	Number of Recommendations			
Christchurch and East Dorset Councils	Audit Days	Q1 Apr-Jun	Q2 Jul-Sep	Q3 Oct-Dec	Q4 Jan-Mar		High	Medium	Low	VFM
Beach Huts (CBC)	8	FINAL				Adequate	0	1	2	0
Moorings & Dinghy Park (CBC)	8	FINAL				Adequate	0	1	2	0
Grants inc Ward Budgets	10	FINAL				Adequate	0	4	3	0
Community Facility Policy and Asset management	15	FINAL				Adequate	0	0	1	0
Moors Valley Country Park (EDDC)	15	FINAL				Adequate	0	7	5	0
Development Management (From 17/18)	10		FINAL			Adequate	0	3	3	0
Estate Management (inc Investment Property and Community facilities)	10		FINAL			Adequate	0	4	1	0
Highcliffe Castle (CBC)	15			FINAL		Adequate	0	5	6	4
Treasury Management	10			FINAL		Adequate	0	0	3	0
Creditors	15			FINAL		Limited	1	1	1	0
Cash Receipting and Reconciliation	15			FINAL		Adequate	0	2	2	0
Debtors	15			FINAL		Adequate	0	5	0	0
Council Tax	15			FINAL		Adequate	0	2	1	0
National Non Domestic Rates	15			FINAL		Adequate	0	2	1	0
Benefits	10			FINAL		Substantial	0	0	0	0
Information Governance - GDPR	10			FINAL		Adequate	0	5	1	0
Parking and Enforcement	15			FINAL		Adequate	0	2	2	0
Main Accounting System inc bank reconciliation	10				FINAL	Adequate	0	2	1	0
Payroll (inc T&S, Car Loans and Member Allowances and Civic Expenses)	15				FINAL	Adequate	0	1	1	0
IT	10				FINAL	Limited	1	1	0	0
Procurement	20				FINAL	Adequate	0	2	0	0
Engineering Maintenance (Works) to include Asset Inspections	15				FINAL	Adequate	0	3	0	0
Housing	15				FINAL	Adequate	1	1	1	0
Planning Policy/S106/CIL (From 17/18)	10				FINAL	Adequate	0	4	1	2

Annex 2(C): Assurance Framework 2018/19

Audit	Lead Service	Leisure & Community (LC)	ICT & Communications (ICT)	Organisation Development (OD)	Growth & Economy (GE)	Public Health & Protection (PH)	Housing (H)	Planning (P)	Legal & Democratic (LD)	Financial Services (FS)	Property, Engineering & Car Parks (PEC)	Total Days 18/19
Key Financials												
Main Accounting System inc bank reconciliation	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Treasury Management	FS									✓		10
Creditors	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Cash Receipting and Reconciliation	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Payroll (inc T&S, Car Loans and Member Allowances and Civic Expenses)	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Debtors	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Council Tax	FS									✓		15
National Non Domestic Rates	FS									✓		15
Benefits	FS									✓		10
Key Assurance Functions												
Risk Management	FS	✓						✓			✓	19
Financial Management	FS	✓	✓					✓	✓	✓	✓	71
Performance Management	OD	✓						✓			✓	4
Asset Management	PEC	✓	✓							✓	✓	14
Information Governance	ICT	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Business Continuity	OD	✓										1
Health and Safety	PH	✓				✓		✓				5
Human Resources	OD	✓		✓							✓	6
ICT	ICT	✓	✓					✓			✓	10
Procurement	FS	✓	✓								✓	34
Follow ups	FS	✓					✓	✓	✓	✓	✓	10
Counter Fraud & NFI	FS			✓		✓	✓		✓	✓	✓	36
Consultancy/Advice	FS									✓		30
Audit Management	FS									✓		60
Total Days												442
Days Left as WIP												0

Total Plan Days

442

Annexe 3(C): PSIAS Self-Assessment Summary of Issues

The Standard	Issues
3.1 - 1000 Purpose, Authority and Responsibility	
Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?	The Charter does contain who the 'Board' and 'Senior Management' are; however, it does not specifically define what the terms are.
Does the Audit Charter Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	The Charter does refer to anti-fraud but does not detail the anti-fraud and corruption policies
3.4 - 1300 Quality Assurance and Improvement Programme	
Does the QAIP include both internal and external assessments?	PSIAS requires the Council to have an external assessment every five years. 2018/19 was the sixth year; however, no external assessment has been carried out due to the outcome of the Local Government Reorganisation. This has been highlighted in the annual internal auditor's opinion.
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?	Self-assessments are undertaken annually. However, as stated above no external assessment has been undertaken within five years.

Does ongoing performance monitoring include obtaining stakeholder feedback?	Audit questionnaires have not been issued and collated at the end of each audit.
4 - Performance Standards	
Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	There is an audit manual in place but this was last updated in 2013. The Audit Manual requires updating.
Has the internal audit activity evaluated the a) design, b) implementation and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	No audits carried out have evaluated the ethics-related activities of the Councils. It is not proposed that ethics-related audits will be carried out in 2018/19.
Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	The whistle blowing policy and fraud awareness training are out of date and require updating.



APPENDIX C

CHIEF INTERNAL AUDITOR'S ANNUAL REPORT & OPINION 2018/19

1. PURPOSE

- 1.1 To provide Audit Committee with assurance on the adequacy and effectiveness of the Authority's control environment for 2018/19. This is a requirement of the Public Sector Internal Audit Standards (PSIAS) which the Council is required to take into account in accordance with the Accounts and Audit Regulations 2015.
- 1.2 To provide the Audit Committee with supporting information when considering the Annual Governance Statement (AGS); this also appears on the agenda for this meeting.

2. DECISIONS REQUIRED

- 2.1 Councillors are asked to note the Chief Internal Auditor's (CIA) Annual Report on the overall adequacy and effectiveness of the control environment.

3. BACKGROUND

- 3.1 This annual report is produced in compliance with the PSIAS which requires the Chief Internal Auditor to report annually on the adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment), and covers the period 1st April 2018 to 31st March 2019.
- 3.2 The scope of the Council's control environment that the Chief Internal Auditor is required to provide an opinion on is set out in the Council's Assurance Framework (previously approved by Audit Committee) as detailed in Annexe 1(P). The opinion given by the Chief Internal Auditor assists the Audit Committee in forming their view on the Annual Governance Statement which is also on this meeting's agenda.
- 3.3 The establishment of adequate and effective control systems is the responsibility of management. Internal Audit provides management with independent support and oversight on the adequacy and effectiveness of their systems. Internal Audit work is conducted on an overall assessment of risk(s) basis and does not involve a review of every Council activity, transaction or project. As such the Chief Internal Auditor cannot inherently provide absolute assurance that every element within the control environment is operating adequately and effectively.

4. CHIEF INTERNAL AUDITOR'S ANNUAL OPINION 2018/19

4.1 Based on all the sources of assurance it is the opinion of the Chief Internal Auditor that:

- arrangements were in place to ensure an adequate and effective internal control environment and where weaknesses were identified there was an appropriate action plan in place to address them;
- the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
- adequate arrangements were in place to deter and detect fraud;
- there was an appropriate and effective risk management framework;
- managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
- Borough of Poole's internal audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
- the arrangements in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".

4.2 This opinion is primarily based on the results of Internal Audit work undertaken during 2018/19 which is reported in more detail at section 5 below. Councillors should note that Internal Audit recommendations were made throughout the year to improve systems, and whilst internal control weaknesses and non compliance with policies were identified, the Chief Internal Auditor is satisfied that management have agreed to implement all recommendations within agreed timescales.

4.3 This report should be considered alongside all other evidence sources contributing to the Annual Governance Statement (AGS) which will be reported later on this Audit Committee agenda.

5. SUMMARY OF AUDIT WORK & PERFORMANCE 2018/19

5.1 The work of Internal Audit is designed to provide an annual opinion on the adequacy and effectiveness of the control environment. The work carried out in 2018/19 to provide the annual opinion is determined by the risk based Audit Plan approved by the Audit Committee.

5.2 Core Audit & Assurance Work

5.2.1 The majority of the audit resource is allocated to the Core Audit & Assurance Work activity to ensure adequate and effective arrangements are in place to provide assurance on the control environment. This work includes Regularity Audits, Contingency Audits, and Support/Advice to managers, Special Investigations and Counter-Fraud.

5.2.2 All Service Units were audited during 2018/19 and a high percentage (95%) of the audit plan was completed (vs the 90% target). A list of all audits completed during 2018/19 is attached at Annexe 2(P).

5.2.3 Each audit report provides an overall level of assurance on the adequacy of the management arrangements to manage the identified risks within the area reviewed. The assurance level definitions are as follows:

Assurance Level Definitions	
Substantial	There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable	Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial	There are weaknesses in the control framework which are putting service objectives at risk.
Minimal	The control framework is generally poor as such service objectives are at significant risk.

5.2.4 The list of Regularity Audits carried out during 2018/19 in Annexe 2(P) details the assurance level given for each review. In summary, 11 'Substantial', 22 'Reasonable' and 4 'Partial' assurance level opinions were given during the year. There were no Minimal assurance opinions given for any of the audits. The 'Partial' opinion audits were:

Audit	Recommendations to improve controls covering:
Adult Social Care Direct Payments	<ul style="list-style-type: none"> • Content and consistency of care plans • Potential misspending of Direct Payment monies • Checking of spend against the clients care plan • Recovery of potentially misspent monies • Use of external agencies to assist with the financial monitoring of Direct Payment spend
Legal, Democratic & Strategy - Mayoral Assets	<ul style="list-style-type: none"> • Asset register security & contents, asset valuation frequency, asset ownership records and completion of gifts/hospitality registers
ICT & Customer Support - Landline Phones	<ul style="list-style-type: none"> • Validation of monthly bill charges
Financial Services - Creditors	<ul style="list-style-type: none"> • Supplier set up and bank account changes

5.2.6 The Regularity Audits undertaken in 2018/19 covered a range of risks/systems in different Service Units/Schools. Key financial system reviews were carried out on Creditors, Cash Receipting, Treasury Management, Debtors, Housing Benefit and Council Tax/NDR, Main Accounting and Social Services Financial Assessments as set out in Annexe 3(P).

5.2.7 A total of 169 audit recommendations* were made during the year across various Service Units/Schools and action plans have been agreed in all cases to address the control weaknesses identified. *Recommendations are graded High/Medium/Low priority - in relation to the critical/significant/minor implications for the achievement of the Council's objectives

- 5.2.8 All (100%) of recommendations made during 2018/19 were accepted by management as necessary control improvements.
- 5.2.9 The majority (94%) of High priority recommendations due to be implemented in 2018/19 were found to have been actioned on follow up. The remaining recommendations have agreed revised timescales and there are no recommendations that require reporting/escalation to the Audit Committee at this stage.
- 5.2.10 Auditee's score individual areas of the audit process resulting in a combined total client satisfaction score (100% Very Satisfied, 75% Satisfied, 50% Dissatisfied, 25% Very Dissatisfied). The auditee satisfaction score for 2018/19 of 86% exceeded the target of 75%, illustrating a high level of satisfaction with the way in which audits are conducted.
- 5.2.11 Specific audit reviews and audit work requested by Service Units/Schools (Contingency Audits) have been undertaken during the year. Some examples include: Troubled families grant; Mayor's Charity Accounts; & Grant Certification. Internal Audit also provided assurance on funds (approximately £4m) allocated to nurseries, pre-schools and childminders (Free Early Education Funding Audits). Time was also spent on providing support and advice to Service Units/Schools on a wide range of risk, control and compliance issues.

5.3 Counter Fraud Work

- 5.3.1 Counter Fraud work was undertaken during 2018/19 to improve the Council's arrangements for combating fraud & corruption. This work included targeting high risk fraud areas such as contract award, planning applications and pre-employment checks and also tackling high value external fraud against the Council. Time was also spent on coordinating the Cabinet Office National Fraud Initiative (NFI) data matching exercise.
- 5.3.2 Investigations were undertaken during the year in response to every identified or suspected case of financial irregularity.
- 5.3.3 The outcomes of this counter fraud work (including concluded investigations and NFI results) will be incorporated into the Internal Audit Counter Fraud Work and Whistleblowing Referrals annual report which will be presented to the Audit & Governance Committee at the forthcoming October meeting.

5.4 VFM/MTFP and Local Government Reorganisation Work

- 5.4.1 Some specific VFM and benchmarking work was required during the 2018/19 year to support Local Government reorganisation in Dorset work and collaboration and partnership working with Bournemouth Borough Council.
- 5.4.2 To further embed VFM principles, practices, tools and techniques across the Council, the Team was actively involved in the Grant Thornton and CIPFA collaboration and development of the 'CFO Insights' Toolkit. 'CFO Insights' aligns the Council's ethos of matching costs with outcomes and will again be used extensively in supporting the next round of Medium Term Financial

Planning and Budget development during the summer of 2019. Grant Thornton continued to use some of the Council's templates and methodology to highlight best practice and in return a negotiated preferential rate was obtained to subscribe to the toolkit.

- 5.4.3 Time was spent during 2018/19 preparing for Local Government Reorganisation and the creation of Bournemouth, Christchurch & Poole Council. Whilst much of this work centred on operational 'Day 1 soft landing' matters within the wider Audit & Management Assurance Team and within Financial Services as a whole, advice and support was also given to other legacy council services for their specific operational preparedness.
- 5.4.4 Time has also been spent with Grant Thornton to agree principles of consolidation of data for the legacy Councils of Bournemouth, Christchurch and Poole to enable aggregate as well as legacy Council benchmarking whether this be financial, inputs, outcomes or other comparison basis.

5.5 Governance Work

- 5.5.1 The Council's Local Code of Governance was reviewed during the year and work was also undertaken to prepare a new BCP Local Code of Governance which was agreed by the Shadow Authority. The BCP Code will be brought to this committee at its October 2019 meeting for review and to ensure it remains accurate and up to date during this period of rapid governance evolution.
- 5.5.2 Progress made against actions arising from the 2017/18 Annual Governance Statement (AGS) has been reviewed and presented to the Audit Committee.
- 5.5.3 Work has been undertaken to compile the 2018/19 AGS for inclusion in the Council's statement of accounts. In conducting this review Service Unit Heads have confirmed the adequacy and robustness of certain management controls in the form of Management Assurance Statements.

6 Compliance with Professional Standards

- 6.1 The way in which Internal Audit should operate is outlined in the PSIAS. This section sets out how the Internal Audit Service has complied with these professional standards during 2018/19.
- 6.2 A self assessment against the standards, listed below, has been undertaken.
- Mission and Definition of Internal Audit
 - Code of Ethics: Integrity, Objectivity, Confidentiality and Competency
 - Attribute Standards: Purpose authority and responsibility, Independence and objectivity, Proficiency and due professional care, Quality Assurance and improvement programme
 - Performance Standards: Managing the internal audit activity, Nature of work, Engagement planning, Performing the engagement, Communicating the results, Monitoring progress & Communicating the acceptance of risks

The self assessment demonstrated all standards were met. In order for technical compliance with the PSIAS an external review of the Internal Audit service (required under the quality assurance attribute standards) was required to be

undertaken by 31st March 2018. In view of Bournemouth and Poole shared corporate services and Dorset Local Government Reorganisation this external review was postponed, (with the full agreement of the respective legacy Councils Audit & Governance Committees). There is a requirement for a BCP Internal Audit service external assessment which will be considered during 2019.

- 6.3 The CIPFA publication 'The Role of the Head of Internal Audit in Public Service Organisations' demonstrates the Head of Internal Audit's (HIA) critical role in delivering the organisation's strategic objectives.
- 6.4 An annual assessment has been carried out against the five principles contained in this document, the Head of Internal Audit:
- should promote good governance, assess the adequacy of governance and management of existing risks, and advise on proposed developments;
 - should give an objective and evidenced based opinion on all aspects of governance, risk management and internal control;
 - must be a senior manager with regular and open engagement across the organisation with the Leadership Team and the Audit Committee;
 - must lead and direct an internal audit service that is resourced to be fit for purpose;
 - must be professionally qualified and suitably experienced.

The Chief Finance Officer (CFO) has confirmed through regular 1:1 meetings and an annual appraisal that the Council's Chief Internal Auditor meets the five principles above.

- 6.5 External Audit (Grant Thornton), as part of their work on the Council's accounts, have stated that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council. This also supports professional standards compliance by the Internal Audit team.

7. CONCLUSION

- 7.1 It is the opinion of the Chief Internal Auditor that the Internal Audit Team complies with professional standards and has completed sufficient and appropriate work to provide assurance on the adequacy and effectiveness of the Council's internal control environment.

APPENDICES

Annexe 1(P) - BoP Internal Audit Assurance Work 201819

Annexe 2(P) - BoP Audits Completed 201819

Annexe 3(P) - BoP Key Financial Systems Audit Opinion 201819

Borough of Poole

ASSURANCE FRAMEWORK

Internal Audit Assurance Work 2018/19

ASSURANCE SOURCE		INTERNAL AUDIT ASSURANCE WORK	
AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	Internal Audit	<ul style="list-style-type: none"> - All Service Units audited during 2018-19 (see Annexe 2(P) for list of audits completed) - 11 "Substantial" and 22 "Reasonable" and 4 "Partial" Assurance Level opinions were given during the year (no Minimal assurance opinions) - Other recommendations were made during the year across various Service Units/Schools. Action plans have been agreed in all cases to address the control weaknesses - 100% of Audits commenced/completed - See 'Summary of Audit Work & Performance' (section 5 of appendix 3) for further details
		Asset Management	<ul style="list-style-type: none"> - A Corporate Property and Asset Management Strategy is in place - Audit of Asset Management Corporate Property carried out ('Reasonable' audit opinion). No high priority recommendations were made
		Business Continuity	<ul style="list-style-type: none"> - Regular reporting took place during the year on corporate emergency planning arrangements to the Emergency Planning Committee - A Corporate Resilience Strategy is in place - Audit review carried out on Poole and Bournemouth Council's current arrangements for business continuity to assist with planned changes for BCP
		Business Planning/ Performance Management/ Partnerships	<ul style="list-style-type: none"> - A Performance Management Framework is in place which applies to all Council services - A narrative, year end 'Performance Story' was produced for 2018-19 reflecting the Council's performance against the Corporate Strategy 2015-19
		Counter Fraud	<ul style="list-style-type: none"> - Audit assignments carried out during 2018/19 have considered the risk of fraud, including reviews of high fraud risk areas. - Corporate Fraud Officer has provided support to service units on high risk external fraud areas (including housing allocation/tenancy) - Several investigations carried out and recommendations made to improve controls - Participation in National Fraud Initiative data matching exercise

ASSURANCE SOURCE		INTERNAL AUDIT ASSURANCE WORK
	Financial Management	<ul style="list-style-type: none"> - Regular financial reporting took place during the year to Cabinet and Council - Internal Audit review of Main Accounting system undertaken during the year and only one high priority recommendation made regarding journal authorisation ('Reasonable' audit opinion)
	Health & Safety	<ul style="list-style-type: none"> - General report on H&S activity and incidents reported to Management Team six-monthly - Internal Audit carried out an annual assurance review on Health and Safety and some recommendations were made to improve arrangements ('Reasonable' audit opinion)
	Human Resources	<ul style="list-style-type: none"> - Internal Audit carried out a review of Human Resources arrangements including payroll, travel & subsistence, pension data and corporate policies ('Reasonable' audit opinion)
	ICT	<ul style="list-style-type: none"> - Audit review carried out reviews of ICT asset management ('Reasonable' audit opinion), contract management ('Substantial' audit opinion) and landline phones ('Partial' audit opinion) - One high priority recommendation made to improve controls over landline phone payments
	Information Governance	<ul style="list-style-type: none"> - Internal Audit carried out a follow up review of Information Governance recommendations. All were found to be satisfactorily addressed - Internal Audits carried out across all Service Units to confirm compliance with GDPR requirements. No significant weaknesses identified
	Procurement	<ul style="list-style-type: none"> - Internal Audit carried out an annual assurance review of Procurement ('Substantial' audit opinion) - Internal Audit reviews of some Service Units procurement processes carried out and recommendations made to ensure future compliance with Financial Regulations - See separate Annual Report on Breaches and Waivers also being reported to this committee
	Project & Programme Management	<ul style="list-style-type: none"> - Regular reporting took place during the year on programmes/projects progress (registered on the CP30 system) to the Corporate Change Board - Audit review carried out on Poole and Bournemouth Council's current arrangements for the management of projects and programmes to assist with planned changes for BCP
	Risk Management	<ul style="list-style-type: none"> - Corporate Risk Management Strategy and framework in place and is used by Service Units as a management tool for prioritisation of limited resources - Regular risk management reporting took place during the year to Audit Committee and Management Team - Audit review carried out on Poole and Bournemouth Council's current arrangements for risk management to assist with planned changes for BCP
	Value for Money	<ul style="list-style-type: none"> - VFM and benchmarking work carried out to support Local Government reorganisation in Dorset work

ASSURANCE SOURCE		INTERNAL AUDIT ASSURANCE WORK
		<ul style="list-style-type: none"> - CFO Insights' Toolkit used which aligns the Council's ethos of matching costs with outcomes - Grant Thornton, the Councils' external auditors carry out an annual assessment of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and reports its conclusions in their Audit Findings Report and Annual Audit Letter. Their last conclusion (reported to Audit Committee Sept 18) was '<i>we were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources</i>' for y.e 31 March 2018
	Management Assurance Statements	<ul style="list-style-type: none"> - Received from all Service Unit Heads - No significant issues raised
External Assurances		External Audit, External Reviews & Inspections, Regulatory Bodies, Quality/Accreditation Schemes, External Benchmarking, Peer Reviews
Corporate Governance Disclosure Statement		BoP Statutory Officers

Annexe 2(P): 2018/19 BoP Audits Completed

	Service Area	Audit	Assurance Opinion
	SERVICE UNIT AUDITS		
1	Adult Social Care	Direct Payments	Partial
2	Adult Social Care	General Data Protection Regulation (GDPR)	Substantial
3	Children & Young People Social Care	Follow Up	Reasonable
4	Children, Young People & Learning	GDPR, Special Educational Needs & Disability Process and Contract Award	Reasonable
5	Commissioning & Improvement Services	GDPR, Procurement Process, Contract Award	Substantial
6	Commissioning & Improvement Services	GDPR	Substantial
7	Corporate Services – Other	GDPR	Substantial
8	Culture & Community Learning	GDPR, Key Assurance Functions, Museums, Concessions, Counter Fraud	Reasonable
9	Environment	GDPR, Key Assurance Functions and Counter Fraud	Reasonable
10	Financial Services	GDPR and Key Assurance Functions	Reasonable
11	Growth & Infrastructure	GDPR, Key Assurance Functions, Counter Fraud (Planning Applications)	Reasonable
12	Housing & Community Services	GDPR, Key Assurance Functions, Rent Deposit & Rent in Advance Loans	Reasonable
13	Human Resources	GDPR	Substantial
14	Legal, Democratic & Strategy	Mayor Assets	Partial
15	Legal, Democratic & Strategy	Income & Land Charges	Reasonable
16	Legal, Democratic & Strategy	GDPR	Substantial
17	ICT and Customer Support	Asset Management	Reasonable
18	ICT and Customer Support	Contract Management	Substantial

	Service Area	Audit	Assurance Opinion
19	ICT and Customer Support	GDPR	Substantial
	KEY ASSURANCE FUNCTION AUDITS		
20	Financial Services	Asset Management	Reasonable
21	Financial Services	Business Continuity	N/A
22	Corporate Services – Other	Business Planning & Performance Management	N/A
23	Environment	Health & Safety	Reasonable
24	Human Resources	Human Resources Policies	Reasonable
25	ICT and Customer Support	ICT (Landline Phones)	Partial
26	Legal, Democratic & Strategy	Information Governance F/up	N/A
27	Financial Services	Procurement	Substantial
28	Corporate Services – Other	Programme/ Project Management	N/A
29	Financial Services	Risk Management	N/A
	KEY FINANCIAL SYSTEMS AUDITS		
30	Adult Social Care	Social Services Financial Assessments	Reasonable
31	Financial Services	Council Tax/ NDR	Reasonable
32	Financial Services	Housing Benefits	Substantial
33	Financial Services	Debtors	Reasonable
34	Financial Services	Main Accounting	Reasonable
35	Financial Services	Cashiering Services	Reasonable
36	Financial Services	Creditors	Partial
37	Financial Services	Payroll	Reasonable
38	Financial Services	Treasury Management	Substantial
	SCHOOL AUDITS		
39	Children, Young People & Learning	Poole High School	Reasonable

	Service Area	Audit	Assurance Opinion
40	Children, Young People & Learning	Winchelsea School	Reasonable
	COUNTER FRAUD AUDITS		
41	Growth & Infrastructure	Planning Applications	Reasonable
42	All Service Units	Pre-employment checks	Reasonable

Annexe 3(P): BoP Key Financial Systems Opinions 201819

Assignment Title	Service Area	2018/19 Opinion	2017/18 Opinion	2016/17 Opinion
Adult Social Care	Social Services Financial Assessments	Reasonable	Reasonable	Reasonable
Financial Services	Council Tax/ NDR	Reasonable	Reasonable	Reasonable
Financial Services	Housing Benefits	Substantial	Substantial	Reasonable
Financial Services	Debtors	Reasonable	Reasonable	Reasonable
Financial Services	Main Accounting	Reasonable	Reasonable	Reasonable
Financial Services	Cashiering Services	Reasonable	Reasonable	Reasonable
Financial Services	Creditors	Partial*	Reasonable	Reasonable
Financial Services	Payroll	Reasonable	Reasonable	Substantial
Financial Services	Treasury Management	Substantial	Reasonable	Reasonable

*Recommendations were made to improve controls over setting up suppliers and bank account changes