

**Bolsover District Council****Audit Committee****29<sup>th</sup> July 2019****Internal Audit Consortium 2018/19 Annual Report to Bolsover District Council****Report of the Internal Audit Consortium Manager**

This report is public

**Purpose of the Report**

The purpose of this report is to:

- Present a summary of the internal work undertaken during 2018/19 from which the opinion on the internal control environment is derived
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
- Compare work actually undertaken with that which was planned and summarise performance
- Comment on compliance with the Public Sector Internal Audit Standards
- Confirm progress against the Internal Audit action plan that was developed following an external review of internal audit
- Comment on the results of the internal quality assurance programme
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter

**1 Report Details**

- 1.1 Appendix 1 details the audit reports issued in respect of audits included in the 2018/19 internal audit plan. The appendix shows for each report the overall assurance level on the reliability of the internal controls. An additional column shows the opinion given at the last audit for information. The report assurance levels can be summarised as follows:

<b>Assurance Level</b>	<b>Number of Reports 2018/19</b>	<b>Percentage 2018/19</b>	<b>Number of Reports 17/18</b>
Substantial	24	62 %	16
Reasonable	13	33 %	12
Limited	2	5 %	1
Inadequate	0	0	0
N/A	0	0	1
<b>Total</b>	<b>39</b>	<b>100</b>	<b>30</b>

- 1.2 A definition of the above control levels is shown in Appendix 1.
- 1.3 There were no issues relating to fraud arising from the reports detailed in Appendix 1.
- 1.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2018/19		2019/20
	Plan	Actual	Plan
Cost per Audit Day	£287	£256	£285
Percentage Plan Completed (BDC)	96%	98%	96%
Sickness Absence (Days per Employee)	8.0 (Corporate Trigger)	2.1	8
Customer Satisfaction Score (BDC)	85%	93%	85%
To issue internal audit reports within 10 days of the close out meeting. (BDC)	90%	100%	90%
Number/proportion of audits completed within time allocation (BDC)	80%	90%	80%
% 2017/18 Agreed recommendations implemented (BDC)	80%	85%	80%
Quarterly reporting to Audit Committee	100%	100%	100%

## **OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT**

- 1.5 The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisations framework of Governance, risk management and control.
- 1.6 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2018/19.
- 1.7 Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are a few areas where improvements are required.

- 1.8 Overall 95% of the areas audited received substantial or reasonable assurance demonstrating that there are effective systems of governance, risk management and control in place.
- 1.9 There were 2 limited assurance reports issued during the year (Health and Safety and Property Services compliance). Management have agreed the recommendations and have either implemented them or are working towards implementing them.
- 1.10 Members will also be aware of risk areas that are detailed on the Council's Strategic Risk Register i.e.:-
- Changes in Legislation/impact of Brexit
  - Budget Challenges
  - Operational service failure
  - Staff morale and recruitment difficulties
  - Delivery of major initiatives / projects
  - Emergency Planning and Business Continuity Arrangements
  - Cyber crime
  - Lack of strategic direction
  - Data protection failures
  - Governance arrangements
  - HS2 Preparation and Delivery
  - Safeguarding arrangements
  - Local plan found unsound
- 1.11 These risks are all managed corporately and controls put in place to mitigate risk where possible.

#### **ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT**

- 1.12 The internal control issues arising from audits completed in the year have been reported to the Joint Head of Service (Finance and Resources) for consideration during the preparation of the Annual Governance Statement. There has been two Limited Assurance reports (Health and Safety and Property Services Compliance) it was felt that sufficient progress had already been made to implement the recommendations negating the need to include these on the Annual Governance Statement as significant issues.

#### **COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN**

- 1.13 The Internal Audit Plan for 2018/19 was approved by the Audit Committee on the 10th April 2018. 98% of the 2018/19 planned audits have been completed and reported upon. The one remaining audit from 2018/19 is a review of the dog warden service that has been deferred to 2019/20. As there has been a resourcing issue in housing the Housing Repairs (voids) audit was postponed until 2019/20 and in its place an audit of cash and bank took place

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

- 1.14 During 2018/19 a self - assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non compliance.
- 1.15 In October 2016 the internal audit consortium was subject to an external review to ensure compliance with the Public Sector Internal Audit Standards. The review concluded that the Consortium was compliant with and in places exceeded the requirements of the PSIAS but a number of recommendations were made to further enhance the service provided by the Consortium. The action plan has been completed. An improvement spreadsheet has been introduced to log further improvement ideas and record the action taken.
- 1.16 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Joint Head of Service (Finance and Resources) but has a direct and unrestricted access to senior management and the Audit Committee.
- 1.17 Quality control procedures have been established within the internal audit consortium as follows:
- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.
  - Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
  - Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.
  - All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff. A further review of the audit manual is scheduled for the summer of 2020.
- 1.18 The above quality control procedures have ensured conformance with the PSIAS.
- 1.19 Based on the customer satisfaction survey forms returned, the average score was 93% for customer satisfaction during 2018/19.

- 1.20 The results of the Client Officer survey for BDC was a score of 94% (33 out of a maximum of 35 - for the seven areas reviewed this represented 5 'very good' scores and 2 'good' scores).

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

- 1.21 The Audit Charter was last reported to and approved by the Audit Committee in July 2018. A further review of the Charter is scheduled for the summer of 2020.
- 1.22 Based on the information provided in this report on the completion of the 2018/19 internal audit plan, it is considered that the requirements of the Charter were met during the year.

## **2 Conclusions and Reasons for Recommendation**

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

## **3 Consultation and Equality Impact**

- 3.1 Not Applicable.

## **4 Alternative Options and Reasons for Rejection**

- 4.1 Not applicable.

## **5 Implications**

### **5.1 Finance and Risk Implications**

This report ensures that Members are aware of the work undertaken by internal audit during 2018/19 and the Internal Audit Consortium Managers opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

### **5.2 Legal Implications including Data Protection**

None.

### **5.3 Human Resources Implications**

None

## 6 Recommendation

- 6.1 That the Internal Audit Consortium Annual Report for 2018/19 be noted.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the portfolio holder been informed</b>	N/A
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

## 8 Document Information

Appendix No	Title	
Appendix 1	Internal Audit Reports issued 2018/19	
Background Papers		
Report Author		Contact Number
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## Appendix 1

### Bolsover District Council – Internal Audit Reports Issued 2018/19

Ref	Report Title	Assurance Level 2018/19	Opinion Previous Audit
B001	Risk Management	Reasonable	Good
B002	System Security	Substantial	Substantial
B003	Money Laundering	Reasonable	Satisfactory
B004	Recruitment and Selections	Reasonable	Marginal
B005	Gifts and Hospitality	Substantial	Satisfactory
B006	Pleasley Vale Outdoor Centre	Reasonable	Good
B007	VAT	Substantial	Good
B008	Property Services Compliance	Limited	NEW – N/A
B009	Transport Follow up Part 2	Reasonable	Marginal
B010	Gas and Solid Fuel Servicing	Substantial	Satisfactory
B011	Health and Safety	Limited	Marginal
B012	Council Tax	Substantial	Substantial
B013	Cyber Security	Substantial	NEW – N/A
B014	Stores	Substantial	Good
B015	Planning Fees	Substantial	Good
B016	Treasury Management	Substantial	Substantial
B017	ICT Inventory	Reasonable	2008/09
B018	Partnership Working	Substantial	Good
B019	Right to Buy Sales	Reasonable	Good
B020	Section 106 Agreements	Substantial	Marginal
B021	Pest Control	Reasonable	Satisfactory
B022	Non Domestic Rates	Substantial	Substantial
B023	Insurance	Substantial	Good
B024	FOI / Environmental Regulations	Substantial	Satisfactory
B025	Clowne Leisure Centre	Reasonable	Reasonable
B026	Sundry Debtors	Substantial	Reasonable
B027	Payroll	Substantial	Substantial
B028	Housing Rents	Substantial	Reasonable
B029	The Tangent	Reasonable	Good
B030	Expenses and Allowances	Reasonable	Good
B031	Creditors	Substantial	Substantial
B032	Commercial Waste	Substantial	Good
B033	Housing Benefits	Substantial	Substantial
B034	Premises and Personal Licences	Reasonable	Satisfactory
B035	Cash and Bank	Substantial	Substantial
B036	Extreme Wheels	Substantial	N/A
B037	Fly tipping (back office systems)	Reasonable	N/A
B038	Joint Venture Company – Dragonfly	Substantial	N/A
B039	Disaster Recovery	Substantial	Good

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