

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
SHARED HEAD OF INTERNAL AUDIT	AUDIT AND STANDARDS COMMITTEE	13 JUNE 2019	4
INTERNAL AUDIT ANNUAL REPORT 2018/19			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The purpose of this report is to summarise the work undertaken by the Internal Audit Service during 2018/19 and to give an opinion as required by the Public Sector Internal Audit Standards on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The report also includes the summary of the performance of the Internal Audit Service and the results of the Quality Assurance and Improvement Programme.

RECOMMENDATION

That the Committee notes the contents of the report.

SUMMARY OF PREVIOUS DECISIONS

None

CORPORATE PRIORITIES

Spending your money in the most efficient way to achieve excellent services (Value for Money)	✓
Delivering the services that customers expect of an excellent council (Clean and Green)	✓
Working with all partners (Vibrant Economy)	✓
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	✓
Promoting Fylde as a great destination to visit (A Great Place to Visit)	✓

THE ROLE OF INTERNAL AUDIT

1. The Internal Audit Service is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the council's control environment. The Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) require the head of internal audit to provide an opinion on the council's control environment. This report fulfils this requirement and assists the councils in meeting the requirements of the Accounts and Audit Regulations 2015.

OVERALL OPINION

2. The PSIAS require the Head of Audit to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance. I can confirm that the arrangements are of a good standards as detailed below:

Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. During 2018/19, 87% of the reviews undertaken were awarded either a Substantial or Moderate assurance rating. Any identified areas for improvement are agreed with senior management and are monitored to ensure they are effectively implemented.

Risk Management – the Council's arrangements were strengthened during 2018/19 by the introduction of the GRACE risk management system. Extensive training was delivered to Officers and will continue during 2019/20.

Governance – Internal Audit undertake a rigorous review of the effectiveness of the Council's governance arrangements and any identified areas for improvement are included within the Annual Governance Statement Action Plan. This review has confirmed that the Council's Governance Framework remains effective.

INTERNAL AUDIT SERVICE

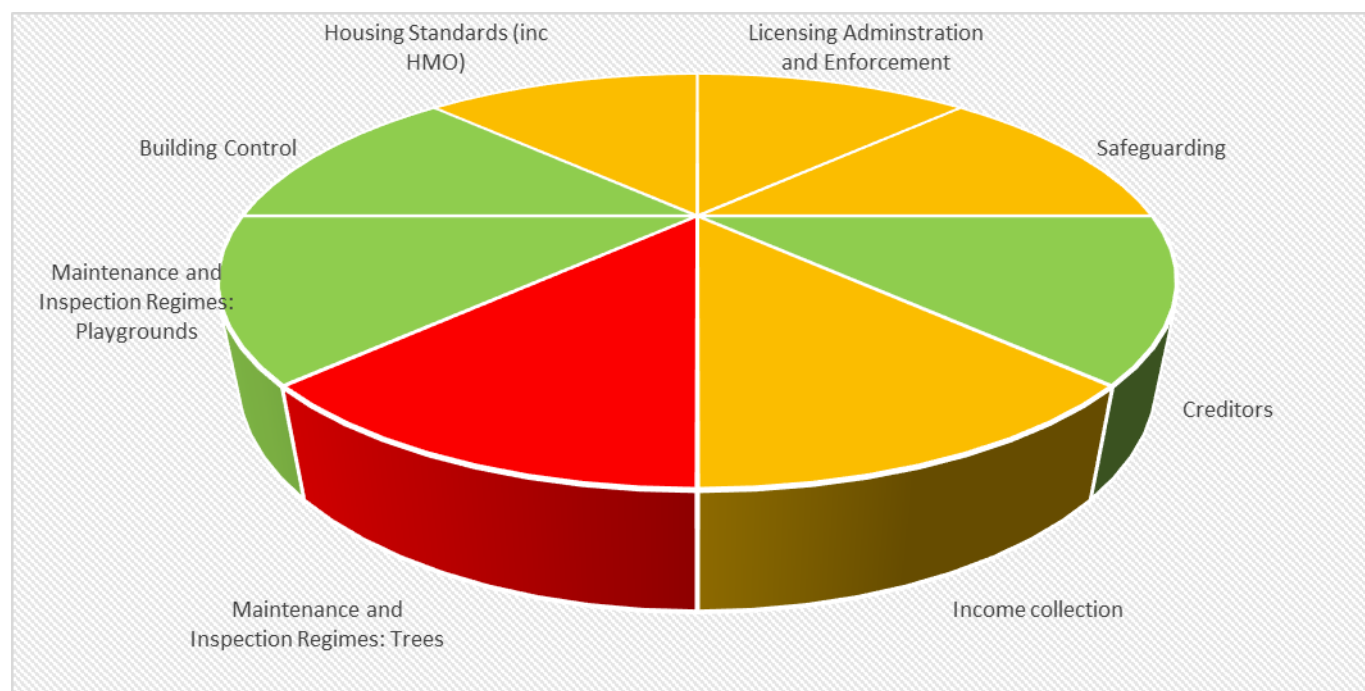
3. Internal Audit has always strived to provide, quality, responsive, efficient and cost effective service and pursues a policy of continuous improvement. Whilst its approach focuses on the extent to which managers have effective controls in place to mitigate their operational risks, audit work also specifically attempts to identify any opportunities for reduction in the level of controls in operation and to streamline processes.
4. The 2018/19 Audit Plan (6 months) was produced with a focus on the significant areas of risk and showing where assurance on these risks can be obtained. This led to an enhanced approach towards the audit and particularly reporting by identifying the sources of assurances within the audit area and then commenting on the effectiveness of those sources. As a result, audit reports now provide information on a greater volume and breadth of assurance for senior management and the Audit and Standards Committee.

INTERNAL AUDIT PLAN 2018/19 (6 month)

5. **Appendix A** to this report provides a detailed account of the individual audits undertaken during 2018/19. A summary of any actions that have been agreed with management to further improve controls within all the areas audited is also included within the appendix.
6. Members will be aware that each individual audit is awarded a separate controls assurance rating after the audit is completed to reflect the level of internal control that is present in each system / area. The table below shows the assurance ratings along with the definition for each:

Assurance Rating	Definition
Full	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives.
Substantial	While there is basically a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk.
Moderate	While there is basically a sound system of control, there are some more significant/serious weaknesses, which may put some of the system objectives at risk.
Limited/None	There are significant weaknesses in key areas in the systems of control, which put the system objectives at risk and leaves the system open to significant error or abuse

7. A total of 8 systems / areas were reviewed in accordance with the plan. The chart below shows the controls assurance ratings that were awarded for the individual audits undertaken during the year:



8. The vast majority of reviews were awarded either a substantial or moderate assurance rating. Of the 8 systems reviewed during 2018/19, only 1 received a limited assurance rating. The findings of this review was accepted and we will continue to work with the manager to ensure the agreed actions are fully implemented.
9. **When the individual ratings are aggregated, it is our conclusion that these opinions should provide the Committee with sufficient assurance regarding the effectiveness of the authority's control environment.**
10. Members are also reminded that the control ratings shown relate to the point in time when the respective audit reports were issued during the course of the year. They therefore represent a historical rather than a current judgement as managers have been charged with implementing corrective actions to address the controls issues raised which in turn is supported by management confirmation that actions have been implemented.

INTERNAL AUDIT PERFORMANCE

11. Audit findings have been reported in detail to the senior managers and directors for each service area. As detailed above we have been able to provide assurance through 8 individual audit engagements as well as other pieces of work which have not resulted in an assurance opinion. These are all included within the summary at Appendix A.

Management response to Audit Findings

12. In totality, there were 96 actions emanating Internal Audit's work which were due to be implemented by the 31st March 2019. We have been working closely with senior officers to establish the current status of each action and can now confirm the following:

Total number of actions due to implemented by 31 st March 2019	96
Number of actions implemented in full	85
Number remaining outstanding – revised dates agreed	11
Percentage implementation rate (target implementation rate – 90%)	88.5%

13. The outstanding actions relate to actions emanating from the following Internal Audit Plans:

2016/17 4 actions

2018/19 7 actions

Members can be assured that all of the 11 outstanding actions are currently in progress and realistic revised implementation dates have been agreed for each action. We will continue to work with managers until they are fully implemented.

14. Furthermore, Internal Audit Progress reports presented to the Audit and Standards Committee in September and January will contain information regarding the implementation of agreed actions from reviews which have been awarded a limited assurance rating.

Customer Satisfaction

15. Customers are asked to complete a satisfaction survey as the Final Report is issued. During 2018/19, this process was reviewed and a different set of questions were established. The mechanism for collating this data was also amended with the use of Survey Monkey being introduced.
16. The results from 2018/19 indicate an upwards trend in customer satisfaction as highlighted in the table below:

Year	Target	Actual	Comments
2018 / 19	90%	94%	Target exceeded
2017/ 18			Performance indicator not collated
2016/17	90%	90.4%	Target achieved

QUALITY AND IMPROVEMENT ASSURANCE PROGRAMME

17. The PSIAS came into force from 1 April 2013 and the annual review of effectiveness of Internal Audit is now demonstrated through a self-assessment against these standards. At least once every five years, however, some external independent input into the assessment is required and in December 2016 a Peer Review team provided external validation of the self-assessment.
18. The Corporate Governance Group has reviewed and challenged the self-assessment and concluded that the Internal Audit Service effectively demonstrates conformance with the Standards and there have been no instances of non-conformance. The self-assessment is contained in a separate report on this agenda.
19. An update on the action plan arising from the external assessment in December 2016 is attached at **Appendix B**. This shows that 12 of the 15 actions are now complete. One action is on-going and the remaining two have been carried forward to 2019/20 and are included within the PSIAS Action Plan 2019 table at **Appendix C**.

IMPLICATIONS	
Finance	None arising from this report
Legal	There are no legal implications arising from this report, however the provision of an Internal Audit Service is a requirement of the Accounts and Audit Regulations 2015
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	This report supports the Audit and Standards Committee in undertaking it's role which includes providing independent oversight of the adequacy of the council's framework of governance , risk and control

LEAD AUTHOR	CONTACT DETAILS	DATE
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BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
2018/19 Internal Audit Plan	September 2018	Audit office, Town Hall

Attached documents

Appendix A – Summary of Audit Work 2018/19

Appendix B – PSIAS Action Table

Appendix C – PSIAS Action Plan 2019