

# AUDIT AND ASSURANCE COMMITTEE

Meeting date: 29 July 2020

From: GROUP AUDIT MANAGER

## INTERNAL AUDIT ANNUAL REPORT 2019/20

### 1.0 EXECUTIVE SUMMARY

1.1 *This report provides a summary of the outcomes of the work of Internal Audit for 2019/20 and includes the Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for governance, risk management and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).*

1.2 *Key points are:*

- *The annual opinion of the Head of Internal Audit: based on the work undertaken by internal audit during 2019/20, the Group Audit Manager is able to provide reasonable assurance over the effectiveness of the Council's arrangements for governance, risk management and internal control.*
- *Overall, 79% of audits with an assurance rating (including schools) have received a substantial or reasonable rating. No audit reviews in 2019/20 were given our lowest assurance level of 'limited'.*
- *Overall, 77% of Risk Based Audits resulted in Reasonable or Substantial assurance, with 23% resulting in Partial assurance. This shows an improvement on 2018/19 outcomes where 65% received Reasonable or Substantial assurance but it should be noted that it is based on 11 less reviews than in 2018/19.*
- *The work of internal audit is considered to have provided an appropriate level of coverage across the Council to provide the opinion. The opinion is based on 34 reviews (64% of overall audit plan and 76% of scored assessment audit reviews). Without the impact of COVID-19, we expected to have had 42 reviews for the Head of Internal Audit Opinion (93% of the scored assessments).*
- *The Head of Internal Audit's declaration of conformance with the mandatory PSIAS.*
- *Safeguards have been put in place to mitigate any perceived threats to internal audit's independence in the year to which this opinion relates.*

- **Actions have been agreed in respect of individual audits. Summaries of the outcomes of all completed audits during the year are included at Appendix 1 (details of those shaded in grey have previously been reported).**

## **2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS**

- 2.1 **Internal Audit's work is designed to provide assurance to management and members that effective systems of governance, risk management and internal control are in place in support of the delivery of Council Plan priorities.**
- 2.2 **The Audit Plan aims to deliver a programme of internal audit reviews designed to target the areas of highest risk as identified through the corporate risk register together with management and internal audit view of key risk areas.**
- 2.3 **The Accounts and Audit Regulations (2015) require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. These standards are the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) to the Standards.**
- 2.4 **Regular reporting to Audit and Assurance Committee enables emerging issues to be identified during the year.**

## **3.0 RECOMMENDATION**

- 3.1 **Members are asked to note:**
  - a) **The progress in delivering the 2019/20 audit plan and the outcomes of completed audits set out at Appendix 1.**
  - b) **The Head of Internal Audit's opinion of reasonable assurance over the adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control for the year ended 31 March 2020.**
  - c) **The Head of Internal Audit's declaration of conformance with the mandatory PSIAS.**
  - d) **The Head of Internal Audit's declaration of safeguards put in place to protect Internal Audit's independence as required by the PSIAS.**
  - e) **The results of the Quality Assurance and Improvement Programme.**

## **4.0 BACKGROUND**

- 4.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. These standards are the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) to the Standards.
- 4.2 Internal Audit is responsible for providing independent assurance to the Council's senior management and to the Audit and Assurance Committee on the systems of governance, risk management and internal control.
- 4.3 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies, procedures and checks to ensure that controls are operating effectively.
- 4.4 The internal audit plan for 2019/20 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to the Council. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 4.5 This report provides an update on the work of internal audit up to 15 June 2020 and includes a summary of the outcomes of audit reviews completed in the period. This includes work carried forward from the 2018/19 audit plan.

### **Annual Opinion of the Head of Internal Audit on the Council's Arrangements for Governance, Risk Management and Internal Control**

- 4.6 The purpose of this report is to give my opinion as the Head of Internal Audit for Cumbria County Council on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control based on the work undertaken by Internal Audit for the year ended 31 March 2020. This annual opinion from the designated Head of Internal Audit is a requirement of the PSIAS which states that the "chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement."
- 4.7 In giving this opinion, it should be noted that assurance can never be absolute and it is not possible to give complete assurance. My opinion is based on the work undertaken by Internal Audit during the year, including the outcomes of follow up work.

## Risk Management

- 4.8 The Council's 'Risk Management Policy' in place throughout 2019/20 was that approved by the Corporate Governance Group in September 2016. It was always the intention to update the Policy document and this was refreshed during the latter part of 2019/20 to include updates to the Risk Management principles as well as the minimum expected risk management requirements as defined within the Performance & Risk Management Framework. During the period of document refresh, COVID-19 impacted Cumbria and Council activities were reprioritised to support the incident response and to maintain the delivery of critical services and as such this refreshed Policy document was not approved during this period. The Policy will be approved at the Risk Owners Group meeting in July 2020. The Policy continues to sit alongside the Council's Performance and Risk Management Framework to provide links between strategic planning and service delivery, including the effective management of risks and opportunities that could impact on corporate or service delivery. The Policy sets out the aim, objectives, scope, principles, roles, responsibilities and delivery mechanism for Risk Management across the Council.
- 4.9 The Risk Owners Group (ROG) continued to operate during 2019/20 with the aim of challenging and approving the quarterly corporate risk register before presenting to CMT as well as embedding corporate and operational risk management standards of practice across all Directorates and business processes.
- 4.10 Corporate risks are reviewed on a quarterly basis by the Risk Owners, Risk Owners Group, Directorate Management Teams (DMTs), Corporate Management Team (CMT), the Leader and Deputy Leader of the Council and the Audit and Assurance Committee.
- 4.11 The corporate risk template, introduced in Quarter 1 of 2018/19, provides more specific detail around current controls and measures as well as looking ahead to further improvements to controls and measures against each risk cause, has continued to be refined during 2019/20.
- 4.12 The Council has continued its work on improving risk management in various areas including the development of Directorate Risk Registers. It has continued to ensure the Council's risk management methodology has been used on specific cross-cutting programmes of work as well as the management of emerging risks such as; the ongoing preparation for No-Deal Brexit, the early preparation for COVID-19 and the ongoing implementation of GDPR and other service transformation projects.
- 4.13 The Council has continued its work on improving operational risk management by supporting various service areas with both Risk Management training and in the development of their risk registers; such as working with the Legal Team, the Coroners Service and the Library Service.
- 4.14 Our work during the year has identified a mixed picture on operational risk management across the Council. The key areas for improvement include ensuring that operational risks are reviewed on a regular basis and that evidence of this is clearly documented.

- 4.15 Training continues to be provided on risk management in a range of forms from e-learning to specific Performance & Risk Management workshops and service areas training sessions.
- 4.16 During 2019/20 the Council's Risk Appetite remained the same however, the Risk Owners Group considered a fresh proposal from Zurich Municipal on how to develop a more thorough and comprehensive risk appetite statement and this will be kept under consideration for 2020/21. The risk appetite statement defines the appetite for risk taking and the agreed levels of tolerance to ensure the Council develops appropriate risk mitigation strategies and systems of control. We will continue to review risk appetite statements from other authorities and Partner Organisations to evaluate best practice.
- 4.17 The Council's suite of Risk Management documents; the Risk Management Policy, Process Guide, and Toolkit has remained the same during 2019/20. All documents have been reviewed, refreshed and as mentioned above all documents were due to be approved in March 2020 but this work was interrupted due to the impact of COVID-19. All documents will be approved at the Risk Owners Group meeting in July 2020.

## **Governance**

- 4.18 The Council has a Constitution in place. This is reviewed on an ongoing basis by the Constitutional Review Group with any changes to specific parts of the Constitution approved by the full Council.
- 4.19 The Constitution includes a suite of documents setting out the governance arrangements in place for decision making, standards of conduct, rules and procedures and policies and protocols. The Constitution includes Codes of Conduct setting out expectations of members and officers, an Anti-Fraud, Bribery and Corruption Policy and Whistleblowing policy.
- 4.20 Arrangements are in place to engage with stakeholders and partners through a combination of joint working arrangements, partnership boards and the annual appointment to external organisations including local NHS bodies and neighbourhood forums.
- 4.21 The Chief Executive, Chief Legal Officer and Director of Finance meet regularly as the Council's Corporate Governance Group (which comprises its statutory officers, the Head of Paid Service, Monitoring Officer and Section 151 Officer), to oversee the effectiveness of governance arrangements and deliver improvements.

- 4.22 The Council has in place a Business Assurance Framework (BAF) with quarterly reporting to the Corporate Management Team (CMT). This provides assurance over a number of business activities across the Council, and where necessary, helps identify next steps in improving assurance and shows action agreed by CMT.
- 4.23 The Council also has a Local Code of Corporate Governance 2018-22 in place. The Council refreshed its Local Code of Governance in 2018 to align with the CIPFA / SOLACE publication; Delivering Good Governance in Local Government which was updated in 2016.
- 4.24 During 2019/20 a 'Governance Project', which provides module based information and guidance on key governance areas, went live and includes e-based training on the suite of governance modules.
- 4.25 In recent years there have been a number of developments around operational risk management, performance management and maintenance of policies, protocols, strategies and procedures. Our work this year has identified that there remains a need to ensure that all procedure notes are in place, as required, and that they are periodically reviewed to ensure that they are up to date and where required that they are approved. This will become increasingly important as we go forward, in the recovery stage of COVID-19, as the way some services are delivered may look different and procedure notes will need to be updated to reflect this change.

### **Internal Control**

- 4.26 Based on the 29 completed reviews there are 83% which have received a substantial or reasonable rating. If we included the 5 reports issued in draft there are 79% which have received a substantial or reasonable rating. No audit reviews in 2019/20 were given our lowest assurance level of 'limited'.
- 4.27 Of the 26 risk based audits completed, or at draft report stage, 20 received reasonable or substantial assurance (77%), whilst 6 resulted in partial assurance (23%). This shows an improvement on 2018/19 outcomes where 65% received substantial or reasonable assurance but it should be noted that it is based on 11 less reviews than in 2018/19.
- 4.28 We have completed 15 follow ups and the outcome of audit follow ups has shown that 14 have improved assurance ratings with all of the 14 now receiving a reasonable assurance rating (the highest assurance level we give for a follow up review). It should also be noted that 6 of the 14 reviews improved their assurance level from 'limited' (our lowest assurance level) to 'reasonable' assurance. The other 1 follow up remained at its original assurance rating of partial assurance.

## Internal Audit Opinion 2019/20

- 4.29 I am satisfied that sufficient audit work has been undertaken to allow me to provide an opinion on the adequacy and effectiveness of the Council's risk management, governance and internal control. The impact on the level of audit work undertaken in 2019/20 as a result of COVID-19 is shown in the next section 'Basis of the Opinion'.
- 4.30 One issue was identified last year, in respect of a threat to Internal Audit's independence, remains the same this year. The Group Audit Manager is a friend, and ex-colleague, of the Senior Manager – Pensions and Financial Services. They may well separately attend the same events as part of a wider group of friends. This creates a perceived threat of independence, and this has been mitigated by putting in place safeguards, including the Group Audit Manager having no audit involvement with areas such as pensions and treasury management with any audit work in these areas managed by one of the Audit Managers. This safeguard means the remaining perceived threat to independence and objectivity is low.
- 4.31 Audit Opinion statements available to me using the agreed Internal Audit reporting methodology are:
- **Substantial Assurance** – sound frameworks of governance, risk management and internal control are in place and are operating effectively.
  - **Reasonable Assurance** - frameworks of governance, risk management and internal control are generally sound with some opportunities to further develop the frameworks or compliance with them.
  - **Partial Assurance** - weaknesses in the frameworks of governance, risk management and / or internal control have been identified or there are areas of non-compliance with the established control framework which place the achievement of system / service objectives at risk.
  - **Limited Assurance** - there are significant gaps in the governance, risk management and/or internal control frameworks or there are major lapses in compliance with the control framework that place the achievement of system / service objectives at significant risk.
- 4.32 My opinion is that I can provide **reasonable** assurance over the adequacy and effectiveness of the systems for governance, risk management and internal control operated by the Council in 2019/20.

## **Basis of the Opinion**

- 4.33 The opinion is based on the work undertaken by internal audit during the year which was based on the audit plan approved by Audit & Assurance Committee in March 2019. The Chartered Institute of Internal Auditors has commented that the annual opinion of the Head of Internal Audit should be based on the percentage of work completed due to COVID-19 and that where a limited amount of work has been done the Head of Internal Audit should flag that the opinion is based on that limited amount of work. In overall terms my opinion is based on 34 reviews completed or at draft stage (compared with 44 reviews for 2018/19). This represents 64% of the overall audit plan and 76% of audit reviews that would have been given a scored assessment. Our expectation was that, without the impact of COVID-19, we would have 42 reviews completed or at draft report stage at the time of giving my Head of Internal Audit Opinion (93% of the scored assessments).
- 4.34 I am satisfied that there has been sufficient coverage across the directorates to allow me to provide an opinion.
- 4.35 The audit plan was prepared using a risk based approach designed to provide assurance over the areas considered to be of highest risk to the Council.

## **Internal Audit Coverage and Outcomes**

- 4.36 The audit plan for 2019/20 was approved by the Audit & Assurance Committee on 14 March 2019 following agreement at Corporate Management Team. The annual opinion is based on the audits completed, and in draft, from the plan at 15 June 2020 and includes work from the 2018/19 plan where reports were finalised after the 2018/19 audit opinion was prepared.
- 4.37 The table below shows the outcomes of the finalised and draft audit reports at 15 June 2020, including the 8 schools audits.

<b>Assurance level</b>	<b>Completed reviews</b>	<b>Draft reports</b>	<b>Completed and Draft reviews</b>
Substantial	5	0	5
Reasonable	19	3	22
Partial	5	2	7
Limited	0	0	0
<b>TOTAL</b>	<b>29</b>	<b>5</b>	<b>34</b>

- 4.38 The annual opinion is based on the outcomes of 29 completed reviews and 5 reports issued in draft. This represents 64% of the planned work for the year (76% of audits that would have had a scored assessment) and is considered sufficient to provide an audit opinion. This increases to 75% of planned work if we add in the six audit reviews which were not scored.
- 4.39 The table below shows the outcomes of the finalised and draft audit reports at 15 June 2020, across the directorates.

Directorate	Completed reviews	Draft reports	Completed and Draft reviews
People	12	2	14
CC&CS	10	0	10
Economy & Infrastructure	6	1	7
CFRS	0	1	1
Finance	1	1	2
<b>TOTAL</b>	<b>29</b>	<b>5</b>	<b>34</b>

- 4.40 Despite the impact of the COVID-19 outbreak I am pleased to report that for 2019/20 we have had a sufficient level of coverage across the 5 directorates as shown in the table above.
- 4.41 The agreed 2019/20 audit work plan originally included 55 reviews. In September 2019 there were some changes to the 2019/20 audit plan increasing it to 57 reviews. Our update report, that would have been considered at the March 2020 Audit and Assurance Committee, had it not been cancelled, identified that 4 reviews, that would not be started at 31 March 2020, had been re-assessed and removed from the audit plan for 2019/20 so it now contains 53 reviews. Of the 4 reviews, 3 were added into the 2020/21 audit plan and 1 was no longer required as we had covered parts of it in several other audits.
- 4.42 At 31 January 2020 we had completed 25 reviews with a further 4 at draft report stage. With a further four months of planned work to the end of May 2020, and much of it in progress, had it not been for COVID-19, it was expected that we would have had 42 reviews completed or at draft report stage at the time of giving my Head of Internal Audit Opinion (93% of the scored assessments).

4.43 Prior to going into lockdown, we assessed the current state of play on all outstanding audit reviews and considered the impact on the Head of Internal Audit Opinion for 2019/20 and shared this with the Director of Finance on 20 March 2020. We updated this on 1 April 2020, after re-assessing each outstanding review and the likelihood of being able to get to at least draft report stage, taking into account the likely reduced capacity and availability of key staff in the directorates and their need to focus on the COVID-19 response. This analysis was again shared with the Director of Finance and was useful in identifying which work not to progress, where to focus our audit effort to get balanced coverage for our opinion, whilst at the same time allowing us to provide resources to support the Council's response to COVID-19 and the wider Council.

4.44 Although my opinion is based on work that we have completed, to at least draft report stage, I have also considered the issue of what impact there would be if we had completed the rest of the audit plan. The audit plan includes 53 audits of which 45 would have received scored assessments. We know the outcome of 34 reviews and our expectation based on work to date would be that at least 2 of the other 11 outstanding reviews would have been reasonable assurance. If we assumed that the other 9 reviews would be, in the worst case scenario, less than reasonable (and we have no indication at this point that this will be the case). This would give the overall position as:

- based on 45 reviews, 64% (29 out of 45) would have a substantial or reasonable rating
- based on 37 risk based audits, 59% (22 out of 37) would have a substantial or reasonable rating

I have given the Council 'reasonable' assurance in my Head of Internal Audit's opinions for 2019/20 based on work undertaken. My overall assessment covers a variety of factors and I am satisfied that had we completed the audit programme as planned, even if most of the other outstanding reviews were less than reasonable (and no indication that they would be), that it would not have impacted significantly on my overall assessment of 'reasonable' assurance.

4.45 In addition to the 34 reviews shown in the tables above we have also completed the following other work including:

- review of risk management arrangements
- worked with Cumbria Fire and Rescue Service (CFRS) in support of their preparations for their HMICFRS inspection
- certified or provided assurance on 11 grants claims
- reviewed new arrangements for the digitalisation of blue slips for accounts payable
- contributing to the ongoing development of the Council's anti-fraud strategy and fraud risk assessment
- issued summary report consolidating findings from 2019/20 school reviews
- acting as key contact and co-ordinator for the mandatory NFI exercise.

## **Statement of Conformance with the Public Sector Internal Audit Standards**

4.46 The risk based approach has been designed to ensure all internal audit work is conducted in accordance with the Public Sector Internal Audit Standards (PSIAS). All audit work has been conducted in line with the agreed audit methodology and has been subject to Quality Assurance checks by internal audit management.

### **Results of the Quality Assurance and Improvement Programme (QAIP)**

4.47 The Public Sector Internal Audit Standards require that the 'Chief Audit Executive' must develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity'. For the Shared Internal Audit Service the Chief Audit Executive is the Group Audit Manager.

4.48 The QAIP is designed to provide assurance that the work of internal audit is undertaken in conformance with the Public Sector Internal Audit Standards.

4.49 The PSIAS require that a Quality Assurance and Improvement Programme is in place to provide reasonable assurance that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and continually improving Internal Audit's operations as well as contributing to the organisation achieving its objectives.

4.50 The QAIP is documented in Appendix 4 and progress with the findings arising from the November 2017 External Quality Assessment is included as Appendix 5.

**Richard McGahon, Group Audit Manager**

*July 2020*

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## **APPENDICES**

***Appendix 1: Summary of Final reports issued to 15 June 2020***

***Appendix 2: Progress on completion of planned work 2019/20***

***Appendix 3: Internal audit performance measures***

***Appendix 4: Quality Assurance and Improvement Programme***

***Appendix 5: External Quality Assessment (EQA) findings update***

## **IMPLICATIONS**

Staffing: none

Financial: none

Property: none

Electoral Division(s): none

Executive Decision

	No*
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Key Decision

	No*
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If a Key Decision, is the proposal published in the current Forward Plan?

		N/A*
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Is the decision exempt from call-in on grounds of urgency?

	No*
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If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?

		N/A*
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Has this matter been considered by Overview and Scrutiny?  
If so, give details below.

	No*
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## **PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS** ***[including Local Committees]***

***No previous relevant decisions***

## **CONSIDERATION BY OVERVIEW AND SCRUTINY**

***Not considered by Overview and Scrutiny***

## **BACKGROUND PAPERS**

***No background papers***

Contact: Richard McGahon, [Richard.mcgahon@cumbria.gov.uk](mailto:Richard.mcgahon@cumbria.gov.uk)

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
<b>REPORTS INCLUDED IN THE 2018/19 ANNUAL OPINION BUT FINALISED AFTER 31 MAY 2019</b>					
Direct Payments / Individual service funds	Partial	2	3	0	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
External funding	Reasonable	0	1	0	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Recording of drivers hours	Partial	2	0	1	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Monitoring of Standards in schools  (had been rolled forward and included in the 2019/20 audit plan but delivered earlier than expected and was included in 2018/19 opinion)	Reasonable	0	4	1	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Main accounting	Reasonable	0	7	0	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Performance Risk Management Framework (PRMF)  (had been rolled forward and included in the 2019/20 audit plan but delivered earlier than expected and was included in 2018/19 opinion)	Reasonable	0	7	3	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Business continuity planning	Reasonable	0	2	1	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Homecare commissioning	Partial	1	4	0	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Highways Information Management System (HIMS)	Reasonable	0	1	0	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Financial arrangements for learning disabilities	Partial	1	1	0	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
<b>PEOPLE DIRECTORATE</b>					
Focus Families Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Follow up – Alston Moor Federation	Reasonable	0	1	2	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Follow up – Social Worker Recruitment and Retention	Partial	1	3	1	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Follow up – Hawkshead Esthwaite School	Reasonable	0	9	2	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Gilford Centre PRU (E5, 60 pupils)	Reasonable	0	7	2	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Ullswater Community College (Chequebook, 1,398 pupils)	Partial	2	7	4	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Norman Street School (Chequebook, 352 pupils)	Reasonable	1	8	4	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Beacon Hill School (Chequebook, 113 pupils)	Reasonable	0	5	9	<p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> <li>• ‘Back to Good’ monies not accounted for in the delegated budget</li> <li>• The Policy for Financial Delegation did not include all bank accounts held or responsibilities relating to on-line banking. It also referred to an out of date procedures manual</li> <li>• The Federation did not have a Debt Recovery Procedure</li> <li>• Travel and subsistence payments were not made via the payroll system</li> <li>• The schools were not following internal procedures for purchasing.</li> </ul>
Solway School, Silloth (Chequebook, 121 pupils)	Reasonable	Included in above	Included in above	Included in above	Findings from the audit were combined into a single report as the two schools operate as the Cumbria Futures Federation which shares the same Governing Body, Executive Head and Business Manager.

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Deprivation of Liberty Safeguards (DoLS)	Partial	1	2	1	<p>High priority recommendation was made in the following area:</p> <ul style="list-style-type: none"> <li>Statutory timescales for assessing DoLS cases were not met and there is a backlog of cases. The current arrangements to manage and allocate work do not enable the service to reduce the backlog</li> </ul> <p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> <li>A number of relevant activities for the DoLS service did not have documented guidance process notes and some existing processes contain out of date information.</li> <li>The rationale for DoLS referral case prioritisation was not always documented.</li> </ul>
Follow up – John Ruskin School	Reasonable	0	1	0	<p>The assurance level has improved from limited to reasonable. There were 18 audit recommendations in the original report and all except one of the agreed recommendations tested have been fully implemented. The recommendation where further action is required related to improving the detail on financial reporting in the minutes of both the Resources Committee and the Full Governing Body (FGB). This is particularly important to demonstrate that progress on the recovery of the budget deficit is being appropriately monitored.</p>
Follow up – Social work practice	Reasonable	0	1	1	<p>The assurance level has improved from partial to reasonable. There were 3 recommendations in the original report with 1 recommendation fully implemented and the other 2 recommendations partially completed and further action is needed to fully implement them.</p>

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Adoption services	N/A	N/A	N/A	N/A	We attended the Regional Adoption Agency (RAA) working group as required. The original decision to operate the RAA through a 'Hosted Model' is under review with options being considered in consultation with DFE. A revised business case is currently being produced. We will continue to monitor progress in this area during 2020/21.
Follow up - Quality assurance over care provision	Reasonable	0	3	0	The assurance level has improved from partial to reasonable. There were 8 recommendations in the original report. Our follow up report confirmed that recommendations tested had been partially completed and further action was needed to fully address the risks. However, sufficient progress has been made on the two high priority recommendations (Developing a Care Quality Strategy and producing a policy / procedure for raising concerns around the quality of care provided) for recommendations in these areas to be made medium priority, allowing us to provide an overall assurance level of 'reasonable'.
Integration and Partnerships – CQC action plan	N/A	N/A	N/A	N/A	We carried out a review of the Integration & Partnerships – CQC Action Plan. This confirmed that, based on sample testing, progress against the recommendations in the CQC action plan was consistent with the RAG rating given, and where appropriate, these had been implemented.

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
<b>CORPORATE CUSTOMER AND COMMUNITY SERVICES DIRECTORATE</b>					
Cyber security	Reasonable	1	2	3	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
GDPR implementation Phase 1	Substantial	0	0	1	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Workforce Plan implementation	Substantial	0	0	1	Only one advisory recommendation made.
Follow up - ICT Strategy	Reasonable	0	0	0	The assurance level has improved from limited to reasonable. There was 1 recommendation in the original report but it was a high priority recommendation with several parts to it. Our follow up has confirmed that all elements of the recommendation have been fully implemented.
Follow up – Digital transition	Reasonable	0	0	0	The assurance level has improved from partial to reasonable. There were 10 recommendations in the original report and all recommendations tested had been fully implemented.
Accounts receivable	Substantial	0	0	1	Only one advisory recommendation made.
Controcc	Substantial	0	0	2	Only two advisory recommendations made.

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Second Follow up – Employee expenses	Reasonable	0	1	0	<p>The assurance level has improved from limited to reasonable. The original audit was completed in August 2017 and given limited assurance. A follow up audit was completed in November 2018 which again resulted in a limited assurance opinion. There were 5 high, 3 medium and 2 advisory recommendations made in the follow up report.</p> <p>Our second follow up has confirmed that significant progress has been made. Our second follow up report includes only one medium priority recommendation to enhance controls in place by extending sample checks, reporting outcomes of dip sampling to management to assess improvements in compliance, and ensuring that overpayments are recovered in line with the salary overpayment recovery policy.</p>
Follow up – Health and Safety	Reasonable	0	3	0	<p>The assurance level has improved from limited to reasonable. There were 9 recommendations in the original report. Our follow up report confirmed that, of the recommendations tested, 5 recommendations had been fully implemented with the rest partially completed with further action being required to fully address the risks. Of the six high priority recommendations in the original report 3 had been fully implemented with sufficient progress having been made on the other 3 high priority recommendations for these 3 recommendations to be made medium priority, allowing us to provide an overall assurance level of 'reasonable'.</p>

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Follow up – Blue Badge Fraud	Reasonable	0	1	3	The assurance level has improved from partial to reasonable. There were 7 recommendations in the original report. Our follow up report confirmed that, of the recommendations tested, 2 of the recommendations had been fully implemented with the rest partially completed with further action being required to fully address the risks. However, sufficient progress has been made on the two high priority recommendations (Blue Badge Misuse Policy and undertaking a formal fraud risk assessment) for one of these recommendations to be made a medium priority and the other advisory, allowing us to provide an overall assurance level of ‘reasonable’.
<b>ECONOMY AND INFRASTRUCTURE DIRECTORATE</b>					
Northern Cultural Regeneration Fund (NCRF) Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Growth Hub Grant 2018/19	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Bransty Junction - Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Bus Service Operators Grant (BSOG)	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Planned Maintenance	Partial	1	4	3	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Local Transport Capital Funding 2018/19 Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Local Transport Capital Funding BLOCK 2018/19 Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Regional Growth Fund Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.
Better Care Fund – Disabled Facilities Grant (DSG)	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 9 December 2019.

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
SEND transport – in-house provision	Reasonable	0	6	3	<p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> <li>• Finance staff were involved in discussions on the general principles and costings used, although business cases were presented to decision-making groups before financial information had been independently checked in detail by Finance</li> <li>• Legal risks identified (from various sources) were not grouped and included on an appropriate risk register to clearly document how legal advice had been considered and the action taken</li> <li>• Key project decisions are not always documented and authorised. Changes to the pilot business case and the pilot project closure document were not formally authorised</li> <li>• Risks to not achieving the SEND pilot objectives and their mitigating actions were not subject to regular review</li> <li>• Management cannot demonstrate that client risk assessments have been fully actioned</li> <li>• Project plan was not subject to regular review, update and circulation to project team members. A number of SEND Travel Board actions were not closed in a timely manner. The CTOT Pilot Closure document had not been formally reviewed and approved by the sponsoring group.</li> </ul>

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Follow up - Section 38 agreements	Reasonable	0	1	0	The assurance level has improved from partial to reasonable. There were 6 recommendations in the original report. Our follow up report confirmed that recommendations tested had been fully implemented except for one recommendation which was partially completed and further action was needed to fully implement it. This related to being able to demonstrate that identified risks had been reviewed on a regular basis, for example in the minutes of management meetings (SMT or DMT).
Vacant Properties – risk management arrangements	Partial	2	2	0	<p>High priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> <li>• A formal risk assessment process was not in place for vacant properties</li> <li>• There was no evidence to demonstrate that documented ‘managed shut down’ procedures had been approved and effective management oversight arrangements for ensuring compliance with the procedures are not in place</li> </ul> <p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> <li>• The format of the record used by the team to list unoccupied property had no real consistency in the detailed descriptions used for the property listed, making searching and analysis difficult</li> <li>• There was no evidence to demonstrate how or why the decision taken to inspect a vacant property every 6 months rather than 3 months, had been made (and the frequency differs from that referred to in the managed shut down procedure).</li> </ul>

## APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Follow up – Statutory Compliance	Reasonable	0	0	0	The assurance level has improved from partial to reasonable. There were 4 recommendations in the original report. Our follow up report confirmed that recommendations tested had been fully implemented.
Follow up – Highways Area Office income	Reasonable	0	0	2	The assurance level has improved from partial to reasonable. There were 11 recommendations (all medium priority) in the original report. Our follow up report confirmed that recommendations tested had been fully implemented except for two recommendation which were partially completed and further action was needed to fully address the risk. Sufficient progress had been made to make these both advisory recommendations.
Grants - Cumbria Growth Deal Grant	N/A	N/A	N/A	N/A	Required declaration to Cumbria Local Enterprise Partnership (LEP) which was signed by the Group Audit Manager on 1 April 2020.
<b>CUMBRIA FIRE AND RESCUE SERVICE</b>					
Review of preparations for HMICFRS inspection	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.
Police and Crime Panel Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 17 September 2019.

**APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 15 JUNE 2020**

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
<b>FINANCE DIRECTORATE</b>					
Treasury management	Substantial	0	1	1	Only one medium priority recommendation and one advisory recommendation were made. The medium priority recommendation related to updating the Treasury Management Practices (TMPs) and Procedures. When finalising our audit report management confirmed that the review of the TMP's had been scheduled and would be based on a new template format.

## APPENDIX 2 – PROGRESS ON AUDIT WORK 2019/20

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
<b>COMPLETION OF WORK IN PROGRESS FROM PREVIOUS YEAR PLANS</b>		<b>145</b>		
People	Monitoring of Standards in schools		Completed	Reasonable (included in 2018/19 opinion)
People	Deprivation of Liberty safeguards		Completed	Partial
Corporate	General Data Protection Regulations (GDPR) implementation Phase 1		Completed	Substantial
Corporate Customer & Community Services	Cyber Security		Completed	Reasonable
Finance	Performance and Risk Management Framework		Completed	Reasonable (included in 2018/19 opinion)
People	Allocation of personal budgets		Fieldwork – report being drafted	
Economy and Infrastructure	Planned maintenance		Completed	Partial
Economy and Infrastructure	CNDR - Connect		Draft report issued	
Economy and Infrastructure	Highways operational delivery		Not started – removed from plan	
Follow up – B/fwd	Follow up – Section 38 agreements		Completed	Reasonable

## APPENDIX 2 – PROGRESS ON AUDIT WORK 2019/20

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
Follow up – B/fwd	Follow up – ICT service continuity		Management update received but agreed to defer as was work ongoing on the high priority recommendation area.	
Follow up – B/fwd	Follow up – ICT Strategy		Completed	Reasonable
Follow up – B/fwd	Follow up – Highways Area Offices		Completed	Reasonable
Follow up – B/fwd	Follow up – Social work practice		Completed	Reasonable
Follow up – B/fwd	Follow up – Health & Safety		Completed	Reasonable
Follow up – B/fwd	Follow up – Care Act implementation		Draft report issued	
Corporate	Review of risk management arrangements	20	Completed	
Corporate	Review of corporate performance information arrangements	20	Fieldwork	
Corporate	Contract management arrangements	20	Fieldwork	
Corporate / cross cutting	Transformation programme	25	Not started – will form part of a broader review in 2020/21.	
Corporate / cross cutting	Decision making within the Council	20	Fieldwork – report being drafted	
Corporate / cross cutting	Complaints	15	Not started – new system being introduced December 2019 so full audit review to	

## APPENDIX 2 – PROGRESS ON AUDIT WORK 2019/20

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
			be undertaken in 2020/21.	
Corporate Counter-fraud	Review of Counter-Fraud Strategy and associated activity	20	Fieldwork	
People	Adoption services	20	Completed	
People	Safeguarding adults	25	Draft report issued	
People	Reablement / Homecare / Delayed transfer of care action plans	40	Meeting held to start discussion on scope of review.	
People	Emergency Duty Team (EDT)	20	Removed from the plan – defer audit until 2020/21.	
People	Safeguarding children	25	Removed from the plan – LGA Peer Review reported back in April 2019 on its work on governance and structure of Cumbria LSCB in preparation for new safeguarding arrangements to be implemented by 29 September 2019.	
People	Learning Disabilities Pooled Fund	20	Not started – defer audit until 2020/21 to reflect new arrangements post pooled fund.	
People	Integration and Partnership – CQC action plan	10	Completed	

## APPENDIX 2 – PROGRESS ON AUDIT WORK 2019/20

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
People	Review of preparation for SEND inspection	10	Removed from the plan – the SEND inspection was called for March 2019 and therefore given the timing of this we were not able to undertake the proposed work	
People (Schools)	<b>See details below</b>	<b>60</b>		
People (Schools)	Ullswater Community College		Completed	Partial
People (Schools)	Gillford Centre PRU		Completed	Reasonable
People (Schools)	Solway, Silloth		Completed	Reasonable
People (Schools)	Beacon Hill		Completed	Reasonable
People (Schools)	Norman Street, Carlisle		Completed	Reasonable
Corporate Customer & Community Services	Workforce Plan implementation	20	Completed	Substantial
Cumbria Fire & Rescue Service	Sharing of risk information – internally, multi-agency and cross-border	25	Draft report issued	
Cumbria Fire & Rescue Service	Review of preparation for Her Majesty's Inspectorate of Constabulary and Fire & Rescue Service (HMICFRS) inspection (Consultancy)	15	Completed	
Economy & Infrastructure	LEP Funding	20	Scoping meeting held	
Economy & Infrastructure	SEND transport – in-house provision	25	Completed	Reasonable

## APPENDIX 2 – PROGRESS ON AUDIT WORK 2019/20

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
Economy & Infrastructure	Vacant properties – risk management arrangements	25	Completed	Partial
Economy & Infrastructure	Section 106 contributions (was Developer contributions)	15	Fieldwork	
Economy & Infrastructure	Vehicle utilisation (Consultancy)	25	Scoping meeting held	
Financial System audit	Treasury management (compliance audit)	15	Completed	Substantial
Financial System audit	Pensions (compliance audit)	20	Draft report issued	
Financial System audit	Accounts receivable (compliance audit)	15	Completed	Substantial
Financial System audit	Controcc (compliance audit)	15	Completed	Substantial
<b>Follow up Audits</b>	<b>Follow up provision (see below)</b>	<b>85</b>		
Follow up	Follow up – Digital transition		Completed	Reasonable
Follow up	Follow up - Employee expenses		Completed	Reasonable
Follow up	Follow up – Quality assurance over care provision		Completed	Reasonable
Follow up	Follow up – Children with complex needs		Fieldwork	
Follow up	Follow up – Social worker recruitment and retention		Completed	Partial
Follow up	Follow up - ICT Projects		Fieldwork	
Follow up	Follow up – Blue Badge Fraud		Completed	Reasonable
Follow up	Follow up - Ethical Policies		Management Update Statement issued	

## APPENDIX 2 – PROGRESS ON AUDIT WORK 2019/20

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
Follow up	Follow up – Statutory compliance		Completed	Reasonable
Follow up	Follow up – Schools – Hawkshead Esthwaite		Completed	Reasonable
Follow up	Follow up – Schools – Alston Moor Federation		Completed	Reasonable
Follow up	Follow up – Schools – John Ruskin		Completed	Reasonable
<b>Grants</b>				
People	Focus Families grant claims	15	Completed - Internal Audit attended PBR meetings and undertook a 10% sample check on files to support the claims.	
	<b>Other Grant Claims – See below (Allocation for all claims received in year)</b>	<b>30</b>		
	Police and Crime Panel Grant		Completed	
	Northern Cultural Regeneration Fund (NCRF) Grant		Completed – this work relates to Cumbria LEP where Cumbria CC is the accountable body.	
	Growth Hub Grant		Completed – this work relates to Cumbria LEP where Cumbria CC is the accountable body.	

**APPENDIX 2 – PROGRESS ON AUDIT WORK 2019/20**

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
	Cumbria Growth Deal Grant		Completed	
	Bus Service Operators Grant (BSOG)		Completed	
	Local Transport Capital Funding Grant		Completed	
	Local Transport Capital Funding BLOCK Grant		Completed	
	Bransty Junction Grant		Completed	
	Regional Growth Fund		Completed	
	Better Care Fund – Disabled Facilities Grant (DFG)		Completed	
Corporate	National Fraud Initiative	50	The 2018/19 exercise has been completed. All 2018/19 match reports reviewed and action taken as appropriate. The exercise identified total overpayments, across all types of matches, of £33,800, the bulk of these overpayments related to pensioners who had died and the Council had not been notified or there was a delay in notification of death. We also identified one duplicate payment and one potential direct payment fraud.	

## APPENDIX 2 – PROGRESS ON AUDIT WORK 2019/20

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
	General advice to reflect the changing environment in which we work and that issues may arise during the year. This time could be used for general advice, consultancy type work, or to provide proactive assurance on aspects of control during project implementation or emerging issues.	35	As required.	
	Summary report consolidating findings from all school reviews in 2019/20.		Report issued 3 March 2020 for the year to 31 March 2020 and presented to Schools Forum on 13 March 2020 and then circulated to CASBAM (Cumbria Association of School Business Managers)	
	Liaison with 2nd line of defence colleagues to continue to develop annual audit opinion on risk management arrangements and input into the development of corporate assurance mapping, approaches to fraud and governance.	15		
	Management, planning, supervision	170		
	Internal audit service development	40		
<b>TOTAL DAYS AS PER AGREED PLAN</b>		<b>1,190</b>		

### Appendix 3 – measures of internal audit performance

Measure	Description	Target	Actual	Explanations / remedial action required
Completion of audit plan	% of audits completed to draft / final report	74% (based on 2018/19 actual)	75%	40 reports out of 53.
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	75%	
Timeliness of final reports	% of final reports issued for corporate director comments within 5 working days of management response or closeout meeting (where no additional work required to be undertaken)	90%	94%	
Recommendations agreed	% of high / medium priority recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	70%	
Quality assurance checks completed	% of QA checks completed	100%	100%	

Measure	Description	Target	Actual	Explanations / remedial action required
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	82%	Based on 7 questionnaires returned YTD.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	77%	

## APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

On-going reviews conducted through	Elements
<p><b>Regular, documented review of working papers during engagements</b></p>	<p>Audit Manager / Principal Auditor review each audit file to ensure:</p> <ul style="list-style-type: none"> <li>• The scope and objectives of the audit have been agreed with clients and adequately documented and communicated</li> <li>• Key risks have been identified</li> <li>• The audit testing strategy has been designed to meet the objectives of the audit and testing undertaken to the extent necessary to provide an audit opinion for each piece of work</li> <li>• Audit has been completed in a thorough, accurate and timely manner</li> <li>• The standard of working papers and evidence collected during the audit are in accordance with audit processes and procedures</li> <li>• The draft audit report fully reflects all findings from the audit and these are properly explained and practical recommendations made</li> <li>• The assurance rating is fully supported by the working papers and can be justified by the auditor</li> <li>• The audit has been completed within the time allocation</li> <li>• The audit report has been produced to a good standard in an accurate and timely manner</li> <li>• Training and development needs are identified through the review process.</li> <li>• Periodic reviews by the Group Audit Manager to ensure that the quality assurance process is being applied consistently.</li> </ul>

## APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

On-going reviews conducted through	Elements
<b>Audit manual containing all key policies and procedures to be used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards</b>	<ul style="list-style-type: none"> <li>• Audit manual was fully refreshed during 2014/15 with the latest update being July 2019. The manual contains the risk based audit methodology and key working papers, the code of ethics and performance measures for the shared internal audit service.</li> <li>• The audit manual is updated on an on-going basis as required.</li> </ul>
<b>Feedback from customer survey on individual assignments</b>	<ul style="list-style-type: none"> <li>• Customer feedback form in place and linked to performance measures for internal audit</li> <li>• Feedback form issued for all risk based internal audit assignments</li> <li>• Feedback from client satisfaction forms passed on to individual auditors. Any areas identified for learning and development are taken forward</li> <li>• Any common issues are identified and action taken where necessary</li> </ul>
<b>Analysis of performance measures established to improve internal audit effectiveness and efficiency</b>	<ul style="list-style-type: none"> <li>• Monthly monitoring of performance measures by the audit management team</li> <li>• Feedback to individuals / teams as appropriate</li> <li>• Reporting to Audit and Assurance Committee on a quarterly basis and Corporate Governance Group.</li> </ul>
<b>All final reports and recommendations are reviewed and approved by the Audit Manager</b>	<ul style="list-style-type: none"> <li>• Formal sign off and issue of all final reports and recommendations by Audit Manager</li> <li>• Audit report template includes comments from Executive Director</li> </ul>

## APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Periodic reviews conducted through	Elements
<b>Annual risk assessments for the purposes of annual audit planning</b>	<ul style="list-style-type: none"> <li>• Annual risk assessment of audit universe as part of the planning process</li> </ul>
<b>Annual assessment of Internal Audit's conformance with its Charter, PSIAS with an improvement plan produced to address any areas of non-conformance identified</b>	<ul style="list-style-type: none"> <li>• Review of Charter for conformance</li> <li>• Annual completion of CIPFA checklist for assessing conformance with the PSIAS</li> <li>• Improvement plan produced to address areas of non-conformance.</li> <li>• Service development plan identifying actions for service improvement.</li> </ul>
<b>Benchmarking with other Internal Audit service providers</b>	<ul style="list-style-type: none"> <li>• Benchmarking through regional and national level networks by attending the following Heads of Internal Audit groups including the Local Authority Chief Auditors Network (LACAN – counties, mets and unitaries) and North West Chief Audit Executives (NWCAE – North West based local authorities)</li> </ul>
<b>Quarterly reports to audit committees on progress with delivery of the audit plan</b>	<ul style="list-style-type: none"> <li>• Preparation of progress report for each Audit and Assurance Committee and attendance by Group Audit Manager and / or Audit Manager.</li> </ul>
<b>Annual sign up to Code of Ethics by all internal audit staff</b>	<ul style="list-style-type: none"> <li>• Signed declaration from all internal audit staff</li> </ul>

## APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Periodic reviews conducted through	Elements
Annual completion of declaration of business interests from by all internal audit staff	<ul style="list-style-type: none"><li data-bbox="645 448 1312 480">• Signed declaration from all internal audit staff</li></ul>

### EXTERNAL ASSESSMENTS (PSIAS ref: 1312)

External Assessments will be carried out in accordance with the requirements of the PSIAS and reported to Audit and Assurance Committee as appropriate.

The first External Quality Assessment was carried out in November 2017, in line with the requirement of the PSIAS to have an external assessment at least every five years.

## **APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

### **REPORTING ON THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (PSIAS ref: 1320)**

The results of the quality assurance programme and progress against any improvement plans must be reported in the annual report.

**Internal Assessments** – outcomes of internal assessments will be reported to the Audit and Assurance Committee on an annual basis;

**External Assessments** – results of external assessments will be reported to the Audit and Assurance Committee and S151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report was accompanied by a written plan in response to findings and recommendations contained in the report and was reported to Audit and Assurance Committee on 20 March 2018.

**Follow up** – all audits receiving less than reasonable assurance will be followed up. Usually this will occur within six to twelve months of the original report being issued but will vary dependent on the agreed timescales for the recommendations to be implemented and any known implementation issues. Directorates are responsible for monitoring the implementation of audit recommendations. Therefore, rather than following up all recommendations we changed our follow up approach in 2019/20 so that we only follow up high priority recommendations and a sample of medium priority recommendations. This approach provides a more balanced use of our limited audit resources, whilst at the same time allowing enough work to be undertaken to assess progress on implementing the recommendations, allowing us to provide up to 'Reasonable' assurance.

## APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
<b>Nature of internal auditing (Standard 2100 Nature of internal audit work)</b>			
<p><b><u>Finding 1</u></b></p> <p>Risk based internal audit is most effective when the organisation has a clear definition of its strategic risks with detailed identification of the controls and monitoring arrangements designed to mitigate the risks to an acceptable level. From this it is then possible to match who is best placed to provide assurance mitigation is working (an assurance map based on the 3 lines of defence) to prevent gaps or duplication in assurance. The annual internal audit plan can then be derived from the assurance map and include review of those other forms of assurance.</p> <p>Our recommendations below are designed to achieve this objective and will further facilitate general conformance to professional internal auditing standards. However, we would ask the Audit &amp; Assurance Committee to consider its overall aim for risk based auditing and how a risk based culture will be reinforced.</p>	<p><b><u>Action 1 – Corporate Action</u></b></p> <p>A refresh of the Corporate Risk Register is in progress and will address the recommendation for greater clarity over mitigating actions.</p>	<p>In the first quarter of 2018/19 responsibility for the Risk and Performance Management functions transferred to the Director of Finance.</p> <p>In Q1 of 2018/19 a new Corporate Risks reporting template was implemented to simplify the links between the causal factors of the risk and the key corporate and operational controls and measures in place to maintain or mitigate the risk.</p> <p>The Corporate reporting template demonstrates both the current controls and measures in place and planned improvements for the following quarter.</p> <p>The Risk Owners Group (ROG) was established in August 2018. Its role is to challenge and approve the quarterly risk register before it is presented to CMT, as well as embedding corporate and operational risk management standards of practise across all Directorates and business processes.</p>	<p><b>Completed</b></p>

## APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
<b>Coordination and reliance (Standard 2010 Planning – non-conformance)</b>			
<p><b><u>Finding 2</u></b></p> <p>We acknowledge the work within the wider Council to develop strategic risk management processes and the strategic business assurance framework. As part of this progress management should begin to map who is best placed to provide assurance that risk mitigation for strategic risks is reliable and working. Active participation by the Group Audit Manager to achieve a coordinated approach will help to maximise assurance resources and achieve conformance to the standard.</p>	<p><b><u>Action 2 – Corporate Action</u></b></p> <p>The recommendation is supported and will be addressed within the strategic review of risk management arrangements.</p>	<p>This was first included in the 2018/19 Audit Plan which outlined in Appendix 2 – How Internal Audit Plan addresses risks in Corporate Risk Register. This showed how inspectorates and internal groups set up by management may be better placed to provide assurance.</p> <p>Each Audit and Assurance Committee meeting the members receive a ‘Deep dive’ presentation by an Assistant Director (AD) on one of the corporate risks. This provides a key outline of the risk, the causal factors and key action being taken to mitigate the risk. This often refers to where the AD gets their assurance from and whether regulators are involved in this area.</p>	<p><b>Completed</b></p>

## APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
<b>Responsibilities regarding governance and risk management (Standard 2110 Governance and Standard 2120 Risk management – partial conformances)</b>			
<p><b><u>Finding 3</u></b></p> <p>The aim of the internal audit plan is to provide a broad range of assurance to enable the Board to deliver an annual statement of control. In support of this aim we suggest that the Group Audit Manager gives an annual opinion upon:</p> <ul style="list-style-type: none"> <li>a) The development of an effective risk culture and risk maturity through specific governance audits and risk management audits.</li> <li>b) The application of corporate risk management arrangements, including implementation of processes, management of emerging risks, and the effectiveness of training.</li> <li>c) The development of operational risk management based upon specific assessment of risk processes in individual audits.</li> <li>d) Progress towards assurance mapping and the coordination of assurance arising from specific assurance audits.</li> </ul>	<p><b><u>Action 3 – Internal Audit action</u></b></p> <p>Provision has been included within the 2018/19 audit plan for additional liaison with Risk Management colleagues to fulfil this requirement. In addition, regular audits will continue to include an assessment of risk management arrangements where appropriate.</p>	<p>It is now common practice for us to include time in our audit plan for additional liaison with risk management colleagues. In addition when we undertake our regular audit reviews we will always consider risk management arrangements where appropriate.</p> <p>Since 2018/19 time was been included in our audit plan to report an opinion on risk management. This will feature in all future audit plans</p> <p>The annual opinion for 2018/19 included specific commentary on the areas suggested and this is our approach for future years.</p>	<p><b>Ongoing.</b></p> <p><b>Annual opinion for 2019/20 will be delivered in July 2020</b></p>

## APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
<b>Direct interaction with the Audit &amp; Assurance Committee (Standard 1111 – partial conformance)</b>			
<p><b><u>Finding 4</u></b></p> <p>The recommendations above regarding coordination and planning will be challenging and we feel further interaction with the Audit &amp; Assurance Committee, along with senior management consultation, is needed to explore how they will be delivered and monitored, particularly with regard to annual priorities. We note that the Group Audit Manager does not have private meetings with the Chair of the Audit &amp; Assurance Committee. This is an important safeguard over independence which we recommend is implemented in advance of each Committee meeting. This is especially important as the Group Audit Manager is in the third tier of management whereas we would ordinarily expect the Head of Internal Audit to report direct to the top level of the management structure.</p>	<p><b><u>Action 4 – Internal Audit action</u></b></p> <p>This action plan together with a longer term plan for the Internal Audit service will be reported to Audit &amp; Assurance Committee on a regular basis to give clear oversight of the actions planned to further develop the service.</p> <p>Private meetings between the Group Audit Manager and the Chair of Audit &amp; Assurance Committee will be re-introduced.</p>	<p>Meetings held with Directorate Management Teams (DMTs) in January 2019 to identify priorities for 2019/20 with ongoing discussions during the year. To produce the 2020/21 audit plan we held discussion with individual Executive Directors (EDs) and Assistant Directors (ADs) between December 2019 and January 2020 to identify priorities. Given the impact of the COVID-19 outbreak we are re-assessing the content of our 2020/21 audit plan</p> <p>This update provides the Audit and Assurance Committee with progress on delivery of improvement actions identified through the EQA and the continuous improvement of the Shared Internal Audit Service.</p> <p>Private meetings between the Group Audit Manager and the Chair of Audit &amp; Assurance Committee re-introduced.</p>	<p><b>Completed</b></p>

## APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
<b>Overall planning of audit assignments (Standard 2200 Engagement planning, Standard 2201 Planning considerations, Standard 2210 Engagement objectives, Standard 2220 Engagement scope – partial conformances)</b>			
<p><b><u>Finding 5</u></b></p> <p>Individual audits need closer alignment to specific risks (identified during the development of the audit plan) to reaffirm their specific purpose and include definition of the key risks and controls associated with that subject as opposed to reference to wider more generic risks. In some cases, this may prompt sessions with management so auditors can assess the adequacy of controls and monitoring as opposed to the current practice of internal audit documenting 'expected controls' in advance of the audit.</p> <p>We note the most successful audits involve consultation with senior managers as sponsors to fine tune and tighten the objectives and scope to specific risks and we encourage this practice. Realistic timetables need to be set for interviews, testing and reporting in advance with the sponsor to help the achievement of such targets.</p> <p>We also recommend the introduction of shorter 3 – 5 day specific reviews that focus on key controls within systems and procedures where risks and controls are known and established.</p>	<p><b><u>Action 5 – Internal Audit action</u></b></p> <p>A project will be established to take this recommendation forward. Some audits within the 2018/19 audit plan have been included with the intention of focusing in on key controls (e.g. Social Media accounts, cyber risk, some counter-fraud audits and main financial systems).</p> <p>All audits have a scoping meeting with the Assistant Director to agree the scope. This will continue to be an important part of our audit process.</p> <p>We agree that some audits have taken too long to bring to conclusion, and we understand the reasons for these delays. All audits have a deadline that has been agreed with the client and these are monitored through regular one to one meetings. We work consistently to ensure deadlines are met and to deliver audits in as short a timescale as possible.</p> <p>The audit plan for 2018/19 includes a number of shorter audits than in previous years. We will continue to develop our approach during 2018/19 with the aim of reducing these further if possible in 2019/20.</p>	<p>As part of the continued development of the Shared Internal Audit service, in 2019/20, we set up working group to review areas identified for development, including looking at client engagement and scoping. We always keep how we do things under review and the impact of COVID-19 means that we are currently re-assessing how we deliver our audits in the future.</p> <p>The plan for 2018/19 included some shorter audits but these took longer than expected. As part of our continuing improvement work we have set up a working group looking at developing a framework / approach in which we do any future shorter audits. Our conclusion was that short audits of 3-5 days would have to be limited to financial systems and even then only limited areas of the system.</p>	<p><b>Completed</b></p>

## APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
<b>Use of resources (Standard 2030 Resource management – partial conformance)</b>			
<p><b><u>Finding 6</u></b></p> <p>The current audit methodology was developed when the team included staff with little or no experience of risk based internal auditing. This has resulted in several supervision points in the process with extensive documentation requirements. As a result many audits often overrun and audit managers do not have time available to undertake audit work.</p> <p>There is now the opportunity to review the audit methodology to streamline the process. For example, revisiting the documentation standards and supervision stages to reduce time spent on these activities. In doing so a target should be set to increase the number of days available to the plan, which may involve assigning more audits to the most senior audit managers thus ensuring the allocation of challenging audits to the most experienced people.</p>	<p><b><u>Action 6 – Internal Audit action</u></b></p> <p>The risk based approach was a significant change in audit approach and a detailed methodology was appropriate at the time. Audit &amp; Assurance Committee were briefed at the time about the changes and the challenges the new approach presented.</p> <p>The reasons for audits over-running are well understood by the Audit Management Team. These are varied and rarely a result of over-supervision. There are four key supervision stages in the audit process; scoping, initial risk assessment, controls and testing strategy and review of findings/draft report. We consider these to be essential in ensuring scope is agreed, focus is on appropriate risks/controls, testing is relevant and proportionate and findings are adequately supported and reflected fairly in report and opinion (as required under the PSIAS).</p> <p>We will review our audit approach during 2018/19 to identify efficiencies in the process, including where appropriate the management and supervision stages.</p> <p>Audits are assigned according to skills, experience, development needs and availability of team members.</p>	<p>Supervision points are in line with the PSIAS and are defined within the QAIP.</p> <p>We continually seek to identify efficiencies in the process whilst ensuring a quality product through management and supervision. The level of supervision and review required is a matter of professional judgement and will be dependent on the complexity of the area being reviewed, the experience of the auditor undertaking the work and whether this meets a development need for the auditor.</p> <p>As part of the continued development of the Shared Internal Audit service, in 2019/20, we set up working groups to review areas identified for development, including client engagement and scoping, working papers format (including appropriate management and supervision stages) and reporting format. This led to improvements in the reporting format (reporting re-structured under priority of recommendations and revising audit opinion definitions), streamlining working papers for school reviews and agreeing a school follow up approach.</p>	<p><b>Completed</b></p>

## APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
<b>Tracking audit recommendations (Standard 2500 Monitoring progress – partial conformance)</b>			
<p><b><u>Finding 7</u></b></p> <p>At present follow up of audit actions is limited to a single follow up of the agreed actions at the point in time where all High and Medium Priority recommendations are due to have been implemented. This may undermine the overall benefit of internal audit work. Once audit follow-up of partial or limited assurance assignments has been undertaken the responsibility for further progress reporting is handed over to management and there is a risk that some important issues may remain outstanding. We understand that senior managers in some areas have recognised this and have been initiating monitoring and reporting. We recommend management across the Council be asked to undertake such monitoring and that the Audit &amp; Assurance Committee receive regular updates.</p>	<p><b><u>Action 7 – Corporate Action</u></b></p> <p>Each directorate is responsible for tracking the implementation of agreed actions arising from internal audit reports. Business Managers maintain this information on behalf of each Corporate Director.</p> <p>A mechanism will be implemented to report this information to CMT and Audit &amp; Assurance Committee on a six monthly basis.</p>	<p>Internal Audit will continue to follow up all audits resulting in 'Partial' or 'Limited' assurance.</p> <p>Directorates are responsible for monitoring the implementation of audit recommendations and to report this at DMTs. Therefore, rather than following up all recommendations we have changed our follow up approach in 2019/20 so that we only follow up high priority recommendations and a sample of medium priority recommendations. This approach provides a more balanced use of our limited audit resources, whilst at the same time allowing enough work to be undertaken to assess progress on implementing the recommendations, allowing us to provide up to 'Reasonable' assurance.</p>	<p><b>Completed</b></p>