

24th November 2022		ITEM: 9
Standards & Audit Committee		
Internal Audit Progress Report 2022/23		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Chief Internal Auditor		
Accountable Director: Jonathan Wilson – Interim Director of Finance		
This report is Public		

Executive Summary

The Internal Audit Plan 2022/23 was discussed by the Standards & Audit Committee at their meeting of 10th March 2022. This progress report covers final reports issued since the last progress report to the Standards & Audit Committee, draft reports issued and work in progress. In addition, it covers an update on the resourcing issues which have impacted upon service delivery and changes to the audit planning process moving forward into 2023/24.

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

Consider reports issued and the work being carried out by Internal Audit in relation to the 2022/23 audit plan, the update on the resourcing issues facing the service and the changes to the audit planning process.

2. Introduction and Background

- 2.1 The Accounts and Audit Regulations 2015 require that a relevant authority must 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.
- 2.2 The Internal Audit Service carries out the work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Standards & Audit Committee.
- 2.3 The Standards & Audit Committee has a responsibility for reviewing the Council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The audit work carried out by the Internal Audit Service is a key source of assurance to the

Standards & Audit Committee about the operation of the internal control environment.

- 2.4 The audits contained in the Internal Audit Plan 2022/23 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

3. Issues, Options and Analysis of Options

- 3.1 The reports issued by Internal Audit provide 4 levels of assurance opinion. The 4 opinions use a Red/Amber/Green (RAG) assurance level and reports are now categorised as:

- Green; Amber/Green (positive assurance opinions);
- Amber/Red (negative assurance opinion that provides some assurance but a number of weaknesses were identified); and
- Red (negative assurance opinion).

- 3.2 The purpose of this progress report is not only to highlight reports issued as final but to provide members with an update on work which has reached the draft report stage and work currently in progress. The status of work currently being undertaken is shown at Appendix 1.

- 3.3 This report also provides an update on the current resourcing issues facing the service which have impacted on the delivery of the plan. These are covered within Appendix 1 under the section "Work and other issues for which no reports are generated". In summary, the last 2 members of the team, the Senior Internal Auditors, both left in May 22 and July 22 respectively. The vacant Internal Auditor posts were both filled in September 22 but this still leaves the 2 Senior Auditor posts as vacant.

- 3.4 During the period being reported on, we have finalised 1 assurance report on Housing Voids, which received a Green (positive) assurance opinion.

- 3.5 As well as our core work, during the period being considered, from April 22, we implemented new working papers software to help improve the efficiency of the service by computerising more of the work we carry out. However, with the remaining staff leaving and 2 new employees starting in September, further training had to be provided on the software which was carried out at the end of October.

- 3.6 The audit planning process which has been followed for a number of years, required the service to undertake an audit needs analysis every 3 years and develop a 3-year strategy and an annual plan which just rolled forward. With the pace of change now occurring across local government, this is no longer fit for purpose. On this basis, it has been agreed with Directors Board that a 6-month audit plan, which is agreed by Directors Board and Standards & Audit Committee, would not only allow the service to be more reactive to changing

priorities but should also reduce the number of requests for ad hoc work making the service more effective..

4. Reasons for Recommendation

- 4.1 To assist the Standards & Audit Committee in satisfying itself that progress against the Internal Audit Plan is sufficient as one of the means of assuring itself of the effective operation of internal controls.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The audit risk assessment and the plan are periodically discussed with the Chief Executive, Corporate Directors, Directors and Assistant Directors before being reported to Directors Board and the Standards & Audit Committee.
- 5.2 All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors, Directors, Assistant Directors and/or management before being finalised.
- 5.3 The Internal Audit Service also periodically consults with the council's External Auditors to ensure that respective audit plans provide full coverage whilst avoiding duplication.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The council's corporate priorities were used to inform the annual audit plan 2022/23. Recommendations made are designed to further the implementation of these corporate priorities.

7. Implications

7.1 Financial

Implications verified by: **Joanne Freeman**

Finance Manager for Management Accounts

There are financial implications to this report arising from the vacant posts which will result in an underspend against the budget. The costs associated with the implementation of audit recommendations will be considered and, where possible, met from existing budgets within the services.

7.2 Legal

Implications verified by: **Gina Clarke Corporate Governance Lawyer & Deputy Monitoring Officer**

The contents of this report and appendixes form part of the council's responsibility to comply with the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015. The council must ensure that it has a sound system of internal control which facilitates the effective exercise of its

functions and achievement of its aims and objectives; ensures that the financial and operational management of the council is effective; and includes effective arrangements for the management of risk.

At least annually the council must undertake an effective internal audit to, amongst other things, evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance. The council has delegated responsibility for ensuring this is taking place to the Standards & Audit Committee. There are no legal implications directly arising from this report.

7.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**
Community Engagement and Project
Monitoring Officer

There are no direct diversity or equality implications arising from this report.

7.4 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder and impact on Looked After Children

In terms of risk and opportunity management, the Internal Audit Plan and its outcomes are a key part of the council's risk management and assurance frameworks. The Internal Audit Plan is based on risk assessments that include a review of the council's risk and opportunity register.

8. Background papers used in preparing the report:

- Strategy for Internal Audit 2020/21 to 2022/23 and Internal Audit Plan 2022/23
- Internal Audit Reports issued in 2022/23.

9. Appendices to the report

- Appendix 1 – Internal Audit Progress Report.

Report Author:

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