

AUDIT COMMITTEE

26 JANUARY 2023

REPORT OF INTERNAL AUDIT MANAGER

A.1 REPORT ON INTERNAL AUDIT – SEPTEMBER 2022 - DECEMBER 2022

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a progress report on the Internal Audit function for the period September 2022 – December 2022.

EXECUTIVE SUMMARY

- A total of nine audits have been completed since the previous update in September 2022. Four of the six audits in fieldwork are close to completion. The final 12 audits have been allocated and due to progress in the final quarter.
- All audits complete in this period received a satisfactory level of assurance.
- An external quality assessment is recommended for Internal Audit functions every five years. Therefore, our assessment will be due in March 2023. As this is the end of the financial year which is one of our busiest periods, it is requested to delay the assessment until later in the 2023/24 financial year.

RECOMMENDATION(S)

- That the reports be considered and noted; and
- The Five Yearly External Quality Assessment due in March 2023 be deferred to later in the 2023/24 financial year.

REASON(S) FOR THE RECOMMENDATION(S)

The above recommendations are required to ensure that the Audit Committee agree and accept the contents of the report.

ALTERNATIVE OPTIONS CONSIDERED

The External Quality Assessment could be undertaken sooner, however additional resources would be required to do so when the impact is considered low risk.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters. It also links in with the Council's key priorities of 'Delivering high quality services' and having 'Strong finances and governance'.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

The Council has a statutory responsibility to maintain adequate and effective internal audit.

The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards and guidance.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

The Internal Audit function is operating within the budget set. Recruitment and retention remains to be the biggest risk of not being able to deliver the Internal Audit Plan. This is continuously monitored, and the Audit Committee are updated with any issues accordingly.

USE OF RESOURCES AND VALUE FOR MONEY

External Audit expect the following matters to be demonstrated in the Council's decision making:

- A) *Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;*
- B) *Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and*
- C) *Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.*

As such, set out in this section the relevant facts for the proposal set out in this report.

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	Budgets are reported to the Audit Committee annually to review. The Internal Audit Manager regularly monitors those budgets throughout the year to ensure that they remain adequate and do not overspend.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	The Internal Audit Charter sets out the roles and responsibilities of both the Audit Committee and the Internal Audit function. The powers of the Audit Committee and the

	role of Internal Audit is also set out within the Councils Constitution.
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	Internal Audit continues to monitor new working practices in order to streamline processes and improve performance and potentially reduce costs. Internal Audits undertaken may support services in doing the same and potential reduce overall costs to the Council.

MILESTONES AND DELIVERY

Review of recommendations and decision to be made on 26th January 2023 by the Audit Committee

ASSOCIATED RISKS AND MITIGATION

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

As this report is a periodic update report, there is no exposure to strategic risks within the Councils Risk Management Framework. There is however an operational risk of being unable to complete and deliver the internal audit plan and be unable to provide the Head of Internal Audit Annual Opinion.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

EQUALITIES

There are no equality impacts directly associated with this progress report. However they will need to be considered as part of any improvement / remedial actions undertaken by the relevant Service where necessary.

SOCIAL VALUE CONSIDERATIONS

The following report is for information only and does not have a social value impact as set out within the template guidance.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

The following report is for information only and does not have an environmental impact as set out within the template guidance.

OTHER RELEVANT IMPLICATIONS

Set out what consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are then set out below.

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder

N/A

Health Inequalities

N/A

Area or Ward affected

N/A

ANY OTHER RELEVANT INFORMATION

N/A

PART 3 – SUPPORTING INFORMATION**BACKGROUND**

The Public Sector Internal Audit Standards require the Internal Audit Manager to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.

N/A

INTERNAL AUDIT PROGRESS 2022/23

A total number of nine audits were completed during September 2022 to December 2022. All audits completed in this period received a satisfactory level of assurance with no significant issues to report.

A further six audits from the 2022/23 Internal Audit Plan are in fieldwork phase, four of which are near completion. The final 12 audits from the plan have now been allocated to be scoped and completed in the final quarter of the 2022/23 financial year.

Although we currently have 12 audits due to be scoped and progress in this quarter we are not too far behind where we were at this time last year therefore there is currently no concern at this stage as to whether enough audit work will be completed by the end of the financial year in order to be able to provide the Head of Internal Audit Annual Opinion. If there is any change to this the Audit Committee will be updated accordingly.

The majority of the key system audits are now complete or nearing completion which hold significant weight when contributing to the annual opinion.

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. In the period under review 100% of the responses received indicated that the auditee was satisfied with the audit work undertaken.

Resourcing

Internal Audit is currently has an establishment of 4 fte posts with access to a third party provider of Internal Audit Services for specialist audit days as and when required. We currently have an Audit Technician post vacant.

It was reported at the previous audit committee that we would explore a shared apprenticeship route with other authorities as a way for new recruits to gain experience across different sectors and authorities while learning. Unfortunately, we could not gain enough interest across all authorities to make it worthwhile therefore we are now going to revisit the normal apprenticeship route.

Outcomes of Internal Audit Work

The standards require the Acting Audit and Governance Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report nine audits have been completed and the final report issued. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues.

Assurance	Colour	Number this Period	Total for 2022/23 Plan	
Substantial	Green	3	4	
Adequate	Light Green	6	9	
Improvement Required	Yellow	0	0	
Significant Improvement Required	Red	0	0	

No Opinion Required		0	1	One consultative engagement in 2022/23 to date
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For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

Issues arising from audits completed in the period under review receiving an 'Improvement Required' opinion and requiring reporting to Committee are: -

- There were no significant issues identified within this period of completed audits.

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	0	
Not yet due	5	

Update on previous significant issues reported

Depot Operations

Issues have previously been reported to the audit committee relating to Housing Repairs and Maintenance and Depot Operations relating to the following areas;

- Lack of regular stock takes for the stores
- Lack of contract variation tracking as part of the Housing Repairs Contract Management
- Missing tenancy information
- Lack of clear record keeping
- Discrepancies between Oneserve Management Software and Invoices

All of the above actions relating to the above issues are not yet due to be implemented and the Corporate Director is due to provide an update in March 2023. However, an interim update has been provided by the service.

The implementation of stock takes has begun and a review of how the stores will be managed going forwards is currently being undertaken.

All other issues will be resolved by implementing the Oneserve software completely and ensuring all officers use it going forwards. There is a working party tasked with ensuring this and specified staff are being trained as administrators with a view to role out to all other

officers to use.

The Corporate Director or Assistant Director for the service will provide a more detailed update in March 2023 as requested by the committee.

EXTERNAL QUALITY ASSESSMENT

An external quality assessment is recommended for Internal Audit functions every five years as per the Public Sector Internal Audit Standards (PSIAS). Therefore, our assessment will be due in March 2023.

A Quality Assurance Improvement Programme (QAIP) is also undertaken annually which is a self-assessment review against the PSIAS which is then provided to the Audit Committee for review to understand the Internal Audit Teams conformance with the standards.

As this is the end of the financial year which is one of our busiest periods and it is considered low risk due to the regular reviews already undertaken internally against the PSIAS, it is requested that the assessment be delayed until later in the 2023/24 financial year.

Once a date has been agreed a procurement process will need to be completed to choose an external provider to carry out the assessment.

APPENDICES

Appendix A – 2022/23 Internal Audit Progress Report

REPORT CONTACT OFFICER(S)

Include here the Name, Job Title and Email/Telephone details of the person(s) who wrote the report and who can answer questions on the content.

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