

AUDIT COMMITTEE

05 OCTOBER 2023

REPORT OF INTERNAL AUDIT MANAGER

A.1 PERIODIC REPORT ON INTERNAL AUDIT – JUNE 2023 - AUGUST 2023

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period June 2023 – August 2023 and to provide an update on the Internal Audit Charter for approval by the Audit Committee as required by the professional standards.

EXECUTIVE SUMMARY

- Five audits have been completed since the last Audit Committee in July 2023. Four of the audits received a satisfactory level of overall assurance. One audit was undertaken as a consultative piece of work as a lessons learned review (Jaywick Sands – Sunspot)
- A further 16 audits from the 2023/24 Internal Audit Plan have been allocated, four of which are currently at the fieldwork phase.
- The Internal Audit Charter is provided to be reviewed and approved for the 2023/24 financial year. There has been no changes since the last update.
- The Internal Audit Manager is currently overseeing the Fraud, Compliance, Risk and Health and Safety services while the Assurance and Resilience Manager is on secondment with the Careline and Enforcement Services.

RECOMMENDATION(S)

Members are requested to note the reports and consider whether they have been informed on the following;

- That the reports be considered and noted, and;
- The Internal Audit Charter be reviewed and approved.

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 reports are for information and consideration of the Audit Committee.

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 13th July 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 2023/24

Four of the audits received a satisfactory level of overall assurance. One audit was undertaken as a consultative piece of work as a lessons learned review (Jaywick Sands – Sunspot)

A further 16 audits from the 2023/24 Internal Audit Plan have been allocated, four of which are currently at the fieldwork phase.

A consultative review on the Jaywick Sands Sunspot development has now been provided to the service to contribute to future similar projects and support any reporting arrangements required from the economic growth team.

We are currently in the 'Key Systems' phase of the audit plan where all financial and core service systems and processes are reviewed. Each area is tried and tested and very important to the Councils day to day activities. We do not anticipate any significant issues in this area as historically they have been well managed; however, it is very important to ensure that these systems and processes continue to work as expected and remain well controlled.

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 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.

The team have recently transferred an Apprentice from the Council's housing department. The individual was keen to gain experience in Internal Audit and is now part of our team, training and providing much needed additional support.

The Internal Audit Manager has also recently taken on additional responsibilities in managing the Fraud, Risk, Compliance and Health and Safety teams while the Assurance and Resilience Manager is on secondment. The current arrangements are expected to last until December 2023 unless the secondment is extended.

There are many similarities between Health and Safety, Compliance and Internal Audit. Work has been undertaken to synchronise the follow up processes between all three services and identify synergies in order to effectively oversee the service. The Internal Audit Apprentice will be supporting all teams with their admin requirements in order to free up time for officers to spend more time on inspections and audit work. This will enable all teams to deliver against their objectives while still delivering against the audit plan.

If the secondment is to be extended then the Audit Committee will be provided with periodic reports on the above areas as they currently receive for internal audit work to provide overall assurance on all areas covered under the responsibilities of the Internal Audit Manager.

Outcomes of Internal Audit Work

The standards require the Internal Audit manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report four 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	3	
Adequate	Light Green	1	1	
Improvement Required	Yellow	0	0	
Significant Improvement Required	Red	0	0	
No Opinion Required	Grey	1	1	One consultative engagements in 2023/24 to date

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: -

- No significant issues were identified in the period.

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	2	
Overdue less than 3 months	0	
Not yet due	0	

The Audit Committee requested more detail on the outstanding actions within the above table and on previous significant findings as a matter of context. Appendix B is a summary of those findings and agreed actions as well as including the service response and an internal audit status. This will become a regular appendix of the periodic progress reports going forwards.

Update on previous significant issues reported

All previous significant issues are now provided within Appendix B of this report.

INTERNAL AUDIT CHARTER

A requirement of the Public Sector Internal Audit Standards (PSIAS) is for the Audit Committee to review and approve the Internal Audit Charter on an annual basis. The Charter was last updated and approved in September 2022. There has been no changes to standards or processes since the last review, therefore no amendments were required.

Global Internal Audit Standards have recently changed with some guidance expected therefore there may be a requirement to update the charter throughout the year or when the charter will be reviewed in 2024

The charter is included as Appendix C of this report.

APPENDICES

Appendix A – Internal Audit Progress Report 2023/24
Appendix B – Action Tracking Summary – Major Findings
Appendix C – Internal Audit Charter

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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