

AUDIT COMMITTEE

25 JANUARY 2024

REPORT OF INTERNAL AUDIT MANAGER

A.1 REPORT ON INTERNAL AUDIT – SEPTEMBER 2023 - DECEMBER 2023

(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 2023 – December 2023.

EXECUTIVE SUMMARY

- A total of seven audits have been completed since the previous update in September 2023. A further audit (Financial Resilience) is currently at Draft Report stage waiting to be finalised.
- All audits complete in this period received a satisfactory level of assurance.
- The five year External Quality Assessment remains outstanding, however as the new Global Internal Audit Standards are effective from January 2025 it is recommended that the external assessment be delayed until the new standards are effective. The Institute of Internal Auditors will be releasing guidance in March 2024 to be able to undertake a self-assessment as a stop gap until the new standards are released.

RECOMMENDATION(S)

- **That the reports be considered and noted; and**
- **The Five Yearly External Quality Assessment be deferred until after the new Global Internal Audit Standards become effective in January 2025**

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	
<p>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'.</p>	
LEGAL REQUIREMENTS (including legislation & constitutional powers)	
<p>The Council has a statutory responsibility to maintain adequate and effective internal audit.</p> <p>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.</p>	
FINANCE AND OTHER RESOURCE IMPLICATIONS	
<p>Finance and other resources</p> <p>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.</p>	
USE OF RESOURCES AND VALUE FOR MONEY	
<p><i>External Audit expect the following matters to be demonstrated in the Council's decision making:</i></p> <p>A) <i>Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</i></p> <p>B) <i>Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</i></p> <p>C) <i>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.</i></p> <p><i>As such, set out in this section the relevant facts for the proposal set out in this report.</i></p> <p>The following are submitted in respect of the indicated use of resources and value for money indicators:</p>	
<p>A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</p>	<p>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.</p>
<p>B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</p>	<p>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</p>

	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 26 th January 2023 by the Audit Committee	
ASSOCIATED RISKS AND MITIGATION	
<p>Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.</p> <p>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.</p>	
OUTCOME OF CONSULTATION AND ENGAGEMENT	
<p>Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.</p> <p>During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.</p> <p>There is no specific effect on any particular ward.</p>	
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	
<i>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.</i>	
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

A total number of seven audits were completed during September 2023 to December 2023 period. All audits completed received a satisfactory level of assurance with no significant issues to report.

At time of writing, one audit (Financial Resilience) is currently at Draft Report stage awaiting finalisation. A further seven audits from the 2023/24 Internal Audit Plan are in fieldwork phase. The final nine audits from the plan will be risk assessed and allocated based on available resource.

Although we currently have nine 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 any change to the audit plan is required 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. Three surveys have been received of the seven reviews undertaken, all providing a satisfactory response to the service provided.

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.

A member of the team has been off sick since the beginning of November therefore in order to try to ensure that we are not too far behind in delivering the audit plan, overtime has been approved for a member of staff during this period.

It was also reported at the last committee meeting that an apprentice had started with the team to provide administrative support. I am pleased to report that the apprentice has now gained full time employment within the Council. Unfortunately for the audit team, we have now lost that administrative support and will need to look to recruit another apprentice in the near future.

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		3	7	
Adequate		3	12	

Improvement Required		0	0	
Significant Improvement Required		0	0	
No Opinion Required		1	2	Two consultative engagement 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: -

- 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	3	
Overdue less than 3 months	2	
Not yet due	0	

Update on previous significant issues reported

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

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).

The five year External Quality Assessment remains outstanding, however as the new Global Internal Audit Standards are effective from January 2025 it is recommended that the external assessment be delayed until the new standards are effective. Any assessment undertaken now would require more work at a later date when the new standards are introduced to ensure that the team meets the requirements of the supplementary standards.

The Institute of Internal Auditors will be releasing guidance in March 2024 to be able to undertake a self-assessment as a stop gap until the new standards are released. A Quality Assurance Improvement Programme (QAIP) will be carried out against this new guidance to ensure that a review is undertaken between March 2024 and the release of the new standards in January 2025.

A procurement process will then need to be completed to choose an external provider to carry out the external assessment.

APPENDICES

Appendix A – 2023/24 Internal Audit Progress Report

Appendix B – Agreed Action Tracking

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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