



Signed off by	Interim Head of Finance
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To	Audit Committee
Date	Tuesday, 14 June 2022

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Internal audit - Q4 2021/22 progress report
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Recommendations

- (i) That the Audit Committee note the Q4 2021/22 internal audit progress report available at annex 1; and,
- (ii) That the Audit Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.

Reasons for Recommendations

In accordance with its constitutional responsibilities and the Council's Internal Audit Charter, the Audit Committee is required to receive regular updates on the progress of internal audit plan delivery.

Executive Summary

This report provides an update on the delivery of the 2021/22 internal audit plan as of the end of Q4. A separate report on the Audit Committee's agenda covers the Chief Internal Auditor's annual report and opinion for 2021/22.

The Audit Committee has the authority to approve the above recommendations.

Statutory Powers

1. The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) regulations (2015), which state that authorities must: 'undertake an effective internal audit to evaluate the effectiveness of [their] risk

management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

2. These standards are defined in the Public Sector Internal Audit Standards (PSIAS) which were last updated in 2017.
3. Under Section 151 of the Local Government Act (1972), the Council’s Chief Financial Officer holds the statutory responsibility for the overall financial administration of the Council’s affairs and is therefore responsible for maintaining an adequate and effective internal audit function.

Background

4. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
5. The PSIAS defines internal audit as an ‘independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.
6. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and are operating effectively.
7. The Council’s response to internal audit activity should lead to the strengthening of the control environment and contribute to the achievement of the organisation’s objectives.
8. The Audit Committee endorsed the 2021/22 internal audit plan in March 2021. The plan details the audit activity that takes place during the year.
9. The audit plan is risk based and determines the priorities of internal audit activity. The plan is kept under close review to ensure that it continues to be relevant to the Council’s risk profile and to ensure an appropriate level of audit coverage throughout the year.
10. Under the Council’s Constitution the Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
11. The attached progress report:
 - Summarises the status of ‘live’ audit reports (an audit is considered to be ‘live’ if there are outstanding management actions);
 - Provides an update on the delivery of the annual audit plan;
 - Summarises internal audit performance, including assurance opinions given; and,
 - Summarises any adjustments made to the audit plan.

Key Information

Assurance opinions

12. Internal audit reviews result in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service under review.
13. SIAP's assurance opinions are categorised as follows:

Assurance	Description
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Q4 2021/22 progress update

14. Section 3 of the progress report available at annex 1 details the overall progress in delivering the 2021/22 internal audit plan, whilst section 7 provides an overview of the work programme for the year.
15. The Parking and Enforcement and Contract Management audits are yet to conclude and reporting on the outcome of these reviews will therefore carry over to the next financial year.
16. The quarterly report also includes a summary of key findings from any reviews that conclude with a 'limited' or 'no' assurance opinion.
17. Full copies of internal audit reports are made available to all members via the ModGov document library.
18. At the end of Q4 the following reviews from the 2021/22 audit plan have concluded:

Review	Opinion
Information Governance	Reasonable
Annual Governance Statement	Substantial
IT Governance	Reasonable
Virtualisation (networking and communications)	Reasonable
Accounts Receivable and Debt Management	Substantial
Accounts Payable	Reasonable
Harlequin Centre – Income, Banking and Reconciliation	Limited
Disabled Facilities Grant	Reasonable
Compliance and Enforcement Grant	Reasonable
Non-housing Property Maintenance	Reasonable
HR – Absence Management	Substantial
Capital Programme	Substantial
Financial resilience	Position statement
Local Government Compensation Scheme (Covid-19)	Grant certification
Local Government Compensation Scheme (Covid-19)	Grant certification
Cultural Recovery Fund (Covid-19)	Grant certification

Management actions

19. Section 4 of the report at annex 1 provides a summary of overdue management actions. Following feedback from the Audit Committee, additional information on overdue actions is also provided in SIAP's report available at annex 1.
20. Since the last progress report to the Audit Committee a number of overdue actions have been implemented. No further management actions have become overdue since the last update to the Committee.
21. In April the Committee was sent a detailed update on overdue management actions. The update may therefore be read alongside this quarterly progress report.

22. Outstanding management actions will continue to be reported to the Audit Committee until their full implementation.

Adjustments to the 2021/22 audit plan

23. Section 8 details the amendments made to the audit plan during 2021/22. No amendments to the plan were made in Q4.

Options

24. The Committee has two options:

25. Option 1: note the report and make any observations and comments on its contents to the Council's Chief Finance Officer.

26. Option 2: note the report and make no observations to the Council's Chief Finance Officer.

Legal Implications

27. There are no legal implications arising from this report.

Financial Implications

28. Internal audit fees are funded through the Council's annual revenue budget.

29. There are no other financial implications arising from this report.

Equalities Implications

30. There are no equalities implications arising from this report.

Communication Implications

31. There are no communications implications arising from this report.

Environmental Sustainability Implications

32. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

33. An effective internal audit function is an important part of effectively managing risk.

34. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.

35. There are no other risk management implications.

Other Implications

36. There are no other implications arising from this report.

Consultation

37. This report has been considered by the Council's Corporate Governance Group as part of its governance role.

Policy Framework

38. Internal audit makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Corporate Plan priority areas.

Background Papers

None.