

Signed off by	Chief Finance Officer
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To	Audit Committee
Date	Wednesday, 7 September 2022

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Internal audit - Q1 2022/23 progress report
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Recommendations
<p>(i) That the Audit Committee note the Q1 2022/23 internal audit progress report available at annex 1; and,</p> <p>(ii) That the Audit Committee make any comments and/or observations on the report to the Council’s Chief Finance Officer.</p>
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 2022/23 internal audit plan as of the end of Q1. The report also provides an update on audits from the 2021/22 audit plan that were still ongoing at the close of 2021/22 reporting.
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). The standards were last updated in 2017.
3. Under Section 151 of the Local Government Act (1972), the Council’s Chief Finance 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 2022/23 internal audit plan in March 2022. 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 Audit 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 opinion	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.

Q1 2022/23 progress update

14. Section 3 of the progress report available at annex 1 details the overall progress in delivering the 2022/23 internal audit plan, whilst section 7 provides an overview of the work programme for the year.
15. Section 5 of the report also provides a summary of the key observations arising from reviews that have concluded with a limited assurance opinion.
16. Full copies of internal audit reports are made available to all members via the ModGov document library.
17. At the time of the agenda publication, no reviews from the 2022/23 audit plan have concluded, though two are at the draft report stage.

2021/22 audit plan update

18. The Q4 2021/22 internal audit progress report noted that two reviews from the 2021/22 audit plan were outstanding. These were: contract management and parking and enforcement.

19. The contract management report has now concluded, with details of this review provided in the progress report available at annex 1.
20. The parking and enforcement review is at draft report stage and is expected to conclude shortly.

Management actions

21. Internal audit's role is to identify potential weaknesses in systems, controls and procedures that may expose the authority to risk. Whilst internal audit highlights these weaknesses, it is the responsibility of management to design and implement actions that address these and, in so doing, control and mitigate risk.
22. Heads of Service are responsible for commissioning and acting on internal audit reviews in their service areas and, as senior officers and members of the management team of the Council, are ultimately responsible for overseeing the implementation of management actions. In so doing, they are able to amend the dates of implementing actions in response, for instance, to competing priorities.
23. The respective priority for individual actions (High, Medium or Low) is assigned by management in consultation with SIAP.
24. SIAP's report – and the part 2 exempt annex – provides detail on two currently overdue high priority actions, as well as the latest management update. The report also provides the total number of overdue low and medium priority actions and their revised implementation dates.
25. In April 2022 the Committee was provided with an update on the implementation of overdue management actions, several of which have now concluded.
26. Two further actions have recently become overdue and therefore would not have been captured in the April 2022 report to the Audit Committee. These two actions relate to the review into IT virtualisation – networking and communications. Implementation of these two actions has been delayed as a consequence of the issues referenced in the part 2 exempt annex accompanying this report.
27. All overdue actions have revised implementation dates and management continues to work on their implementation in a risk-based and proportionate way.

Amendments to the 2022/23 audit plan

28. As noted above, the internal audit plan is risk based and determines the priorities of internal audit activity. The plan should remain fluid and be kept under constant review in order to ensure that it continues to remain relevant to the Council's risk profile and to ensure an appropriate level of audit coverage.
29. Section 8 of SIAP's progress report summarises any amendments made to the audit plan for the year.
30. In Q1 the following amendments were made:
 - Test and Trace Contain Outbreak Management Fund (COMF) and Test and Trace Support Payment Scheme Funding (TTSP) were added to the plan. The grants require an internal audit review and sign off by the Council's Chief Internal Auditor.

- To accommodate the latter in the audit days available, the review into the Corporate Plan has been deferred.

Options

31. The Committee has two options:
32. Option 1: note the report and make any observations on its contents to the Council's Chief Finance Officer.
33. Option 2: note the report and make no observations to the Council's Chief Finance Officer.

Legal Implications

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

Financial Implications

35. Internal audit fees are funded through the Council's annual revenue budget.
36. There are no other financial implications arising from this report.

Equalities Implications

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

Communication Implications

38. There are no communication implications arising from this report.

Environmental Sustainability Implications

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

Risk Management Considerations

40. An effective internal audit function is an important part of effectively managing risk.
41. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.
42. There are no other risk management implications.

Other Implications

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

Consultation

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

Policy Framework

45. 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 Powers

None.