



<b>Signed off by</b>	Chief Finance Officer
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<b>To</b>	Audit Committee
<b>Date</b>	Wednesday, 13 March 2024
<b>Executive Member</b>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Internal audit - Quarter 3 2023/24 progress report
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<b>Recommendations</b>
<ul style="list-style-type: none"> <li>(i) That the Audit Committee note the Q3 2023/24 internal audit progress report available at Annex 1; and</li> <li>(ii) That the Audit Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.</li> </ul>
<b>Reasons for Recommendations</b>
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.
<b>Executive Summary</b>
This report provides an update on the delivery of the 2023/24 internal audit plan at the end of Q3.
<b>The Audit Committee has authority to approve the above recommendations.</b>

<b>Statutory Powers</b>
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1. The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2022, 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. The latter 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 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, objectives 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's internal auditors are the Southern Internal Audit Partnership (SIAP).
7. The Council's Chief Internal Auditor – the Head of the Southern Internal Audit Partnership – is responsible for the management of the Council's internal audit activity.
8. 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.
9. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.
10. Under the Council's Constitution the Audit Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the internal audit plan.
11. Audit Committee approved the 2023/24 internal audit plan at its meeting on 15 March 2023. The plan details the activity to be undertaken during the year.
12. 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.
13. The Committee receives regular quarterly updates on the progress of delivery of the audit plan, including any agreed amendments to the audit plan.

## **Management Actions**

14. 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 propose, design and implement actions that address these and, in so doing, control and mitigate risk.
15. Heads of Service are responsible for 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.
16. The respective priority for individual actions (High, Medium or Low) is assigned by Heads of Service in consultation with SIAP.
17. SIAP's report at Annex 1 and the exempt Annex 2 provides detail on overdue high priority management actions, as well as the latest management update. For additional context, an overview of the number of overdue low and medium priority actions and any revised implementation dates is provided.
18. Additional information from officers on the progress of the management actions regarding procurement is provided at Annex 3.

#### **Audit Committee Responsibilities**

19. In accordance with the Council's Constitution and Internal Audit Charter, the Committee is required to focus on matters of significance arising from internal audit reviews.

#### **Key Information**

#### **Assurance Opinions**

20. 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.
21. SIAP's assurance opinions are categorised as follows:

<b>Assurance</b>	<b>Description</b>
<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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.

### Q3 2023/24 Progress Update

22. SIAP's attached progress report at Annex 1:
- Summarises the status of 'live' audit reports (an audit report is considered to be 'live' if there are outstanding management actions);
  - Provides an update on the delivery of the internal audit plan.
  - Summarises internal audit performance, including assurance opinions give; and
  - Summarises any adjustments made to the internal audit plan.
23. Section 3 of the progress report details the overall progress in delivering the 2023/24 internal audit plan and section 7 provides an overview of the work programme for the year.
24. Section 5 provides a summary of any key observations arising from reviews during the quarter that concludes with a 'limited' or 'no' assurance opinion. There were no internal audit reports published during the quarter which concluded with a 'limited' or 'no' assurance opinion.
25. The following reviews have so far concluded with an assurance opinion during the year:

Review	Opinion
Housing Allocations	Reasonable
Main Accounting	Reasonable
National Non-Domestic Rates (NNDR)	Substantial

26. Copies of all completed internal audit reports are available to Members via the Mod.Gov document library.

### Amendments to the 2023/24 internal audit plan

27. There have been no further amendments to the 2023/24 internal audit plan since the previous progress report.

### Options

28. The Committee has two options:
- Option 1:** Note the Q3 2023/24 internal audit progress report and make any observations on its contents to the Council's Chief Finance Officer.
- Option 2:** Note the Q3 2023/24 internal audit progress report and make no observations on its contents to the Council's Chief Finance Officer.

### Legal Implications

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

30. If the internal audit process identifies any concerns regarding legal matters, these will be addressed through identified management actions.

### **Financial Implications**

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

32. If the internal audit process identifies any concerns regarding financial matters, these will be addressed through identified management actions.

### **Equalities Implications**

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

34. If the internal audit process identifies any concerns regarding equalities matters, these will be addressed through identified management actions.

### **Communication Implications**

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

36. If the internal audit process identifies any concerns regarding communications matters, these will be addressed through identified management actions.

### **Environmental Sustainability Implications**

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

38. If the internal audit process identifies any concerns regarding environmental sustainability matters, these will be addressed through identified management actions.

### **Risk Management Considerations**

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

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

41. There are no other risk management implications arising from this report.

### **Consultation**

42. The internal audit reports have been considered by the Council's Corporate Governance Group as part of its governance role.

### **Policy Framework**

43. 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.

**Annexes**

Annex 1: Q3 2023/24 internal audit progress report

Annex 2: Q3 2023/24 internal audit progress report (part 2 exempt annex)

Annex 3: Q3 2023/24 procurement management actions update