

Allerdale Borough Council

Audit Committee – 20 March 2023

Draft Annual Head of Internal Audit Opinion 2022/23

Portfolio holder	Councillor Colin Sharp PH Finance & Legal
Report from	Michael Roper - Strategic Advisor: Assurance, Risk & Audit
Wards affected	All
Is this a key decision	No

1.0 The reason for the decision

- 1.1 To inform the Committee of the Head of Internal Audit's draft opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal.

2.0 Recommendations

- 2.1 That Members are requested to note:
- (i) The progress achieved in 2022/23 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at Appendix 1;
 - (ii) The Designated Head of Internal Audit's draft opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2023;
 - (iii) The Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;
 - (iv) The Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;
 - (v) The performance of the Internal Audit service.

3.0 Background and Introduction

- 3.1 Local Authorities are required to make proper provision for internal audit in line with the Local Government Act 1972. The Accounts and Audit Regulations 2015 require that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS).
- 3.2 Internal Audit is responsible for providing independent assurance to the Council's Senior Management and to the Audit Committee on the systems of governance, risk management and internal control.
- 3.3 It is the responsibility of management to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls operate effectively.

4.0 Progress

- 4.1 Due to the impending demise of Allerdale Borough Council on 31 March, this opinion at this stage is draft based upon work undertaken by internal audit to date. A final opinion will be reported to the Cumberland Council Audit Committee.
- 4.2 The purpose of this report is to give my draft opinion as Head of Internal Audit on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2023. This annual opinion is a requirement of the PSIAS.
- 4.3 This report is a key contributor to the Council's Annual Governance Statement.
- 4.4 In giving this opinion it should be noted that assurance can never be absolute and it is not possible to give complete assurance. My opinion is based on the work undertaken by Internal Audit during the year, including the outcomes of any follow up work undertaken.
- 4.5 I am satisfied that sufficient internal audit work has been undertaken to allow me to give a conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also confirm that in making this opinion I do not see any reason, based upon the completed audit work in year, that I need to report any limitation in scope.
- 4.6 In my opinion, based on the completed audit work, the overall framework of governance, risk and internal control is **reasonable** and audit testing has confirmed that controls are generally working effectively in practice.
- 4.7 All reports issued in the period contained reasonable or above assurances and action has been taken to implement agreed actions on a timely basis.
- 4.8 Risks around recruitment and retention has been an overarching issue for the Council during the year, with a number of key positions either vacant or vacated during the year. However, I am satisfied the Council is taking every effort to appropriately mitigate against the associated risks.

4.9 Local Government Re-Organisation has had a significant pull on senior and service manager's time. There is a risk that managers are required to prioritise workloads, resulting in the potential for established controls to be missed or circumvented. However, the assurances obtained during the year indicate this risk is being managed well by the Council. Client engagement has been excellent throughout the period and no significant control concerns were identified during the year.

5.0 Independence

5.1 I can confirm that Internal Audit has maintained its independence during the year.

6.0 Internal Audit Coverage and Outcomes

6.1 The Internal Audit Plan was approved by the Audit Committee at its meeting on 25 July 2023 and included 9 reviews. The plan was devised to be delivered between July 2022 and March 2023, to allow for recruitment of auditors to the in-house team.

6.2 Following a review of resources a revised plan was approved by the Audit Committee on 28 November 2022, with four additional audit assignments and one additional consultancy exercise, taking the total number of planned reviews to 14.

6.3 The team have completed 10 of the 14 (71%) proposed reviews with 3 further audits expected to be completed by 31st March, taking estimated completion to 92%. An alternative form of assurance was obtained for the one review that could not be undertaken.

6.4 It is my opinion that sufficient audit work has been completed that I may provide an overall audit opinion.

6.5 Of the completed audits, the overall assurances are as follows:

- 3 reviews completed with substantial assurances
- 6 reviews completed with reasonable assurances
- 1 review completed that did not include an assurance opinion.

6.6 The table at Appendix 1, provides the detail of the Audit work completed and shows when reports were considered by the Audit Committee.

6.7 The following unplanned work was also undertaken and considered as part of internal audit's opinion:

- Regular advice to SMT on Strategic Risk Register content
- Delivery of risk workshop for Allerdale Waste Services Limited.
- Delivery of counter-fraud training (joint exercise with procurement)
- Grant verification work in relation to the Track and Trace Support Payment scheme.
- Grant verification work in relate to the Protect & Vaccination scheme.
- Provided advice to Homelessness Services in relation to appropriate controls over the storage and receipt of food vouchers.

7.0 Other Assurances

7.1 The Council also receives assurance from other sources and during 2022/23 the following assurances to the way the Council operates have been provided:

- Assurances from ICT Services over management of cyber-security risk
- Completion of manager assurance statements for all Council services.
- Attendance at management briefings, regular staff briefings and corporate communications
- Regular liaison with Service Managers and Senior Management
- Regular summary updates of key Council meetings.

8.0 Statement of Conformance with Public Sector Internal Audit Standards

8.1 The Internal Audit manual includes a (QAIP) Quality Assurance and Improvement Plan that details how Internal Audit ensure continuous improvement in line with the Public Sector Internal Audit Standards and a methodology designed to ensure all internal audit work is conducted in accordance with the standards.

8.2 All audit work has been conducted in line with the agreed QAIP and Internal Audit work is subject to quality assurance checks by internal audit management, to ensure the approved methodology is followed.

8.3 A set of performance indicators was established and agreed by the Audit Committee on 26 September 2022 to enhance performance monitoring arrangements. Performance against those indicators is summarised below:

Indicator	Target	Actual	Notes
Planned Audits Completed	90%	71%	Estimated 90% 31 March 23
Timely Draft Reports (within 3 months of fieldwork starting)	80%	66%	New team – learning process
Timely Final Reports (within 8 days of client response)	90%	100%	
Recommendations Agreed	95%	100%	
Assignments completed within 10% of allocated resource.	60%	62%	
Chargeable time	80%	58%	Vacancies
Recommendations implemented first time	80%	58%	LGR Delays

- 8.4 The Internal Audit team at Allerdale was subject to an EQA (External Quality Assessment) of their compliance with the Public Sector Internal Audit Standards in 2017. However, the audit methodology at Allerdale changed in 2022/23. The methodology adopted was subject to an EQA at another Council in April 2018, where it was found to be compliant with the standards.
- 8.5 It is anticipated the next EQA will be procured early in 2024/25 after the four internal audit services have merged and established working methodologies for the new Council as part of Local Government Re-Organisation.
- 8.6 A self-assessment against the PSIAS was reported to the Committee in September 2022 that found processes were in line with the standards, with a further self-assessment to be completed in relation 2022/23, which will form part of the final audit opinion.

9.0 Implications and Impact

9.1 Contribution to Council Strategy Priorities, Outputs and Outcomes

Acceptance of the Assurance, Risk and Audit Team's work provides a direct and indirect contribution to the achievement of the Council's priorities, in accordance with the Assurance, Risk and Audit Service Plan

9.2 Finance/Resource implications

There are no additional finance or resource issues that have not been previously highlighted in this report or previously reported to the Committee.

9.3 Legal and governance implications

There are no additional legal and governance issues that have not been previously highlighted in this report or previously reported to the Committee.

9.4 Risk analysis

Acceptance of this report has no risk management implications other than the consideration of the Corporate Risks and Issues Log by the Committee in terms of oversight of the effectiveness of Risk Management Framework.

9.5 Increasing satisfaction and service

Deliver of Internal Audit assurance activity will ensure an effective Internal Audit service that adds value to the achievement of organisational objectives through reviewing and suggesting improvements to the Governance, Risk Management and Internal Control Framework.

9.6 Equality impacts

Equality impacts Equality is considered during the Assurance, Risk and Audit activities

9.7 Health and Safety impacts

Acceptance of this report has no health and safety impacts

9.8 Health, wellbeing and community safety impacts

Acceptance of this report has no health, wellbeing and community safety impacts

9.9 Environmental/sustainability impacts

Acceptance of this report has no environmental/sustainability impacts

9.10 Other significant implications

None

Appendices attached to this report

Appendix number	Title of appendix
1	Progress against Audit Plan (2022/23)

Background documents available

Name of background document	Where it is available

Report author(s) and contact officer(s):

Michael Roper

Strategic Advisor – Assurance, Risk & Audit

Michael.Roper@allerdale.gov.uk

07518294374