



GOVERNANCE AND AUDIT COMMITTEE

Date Written	28 th May 2024
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Exempt/Non Exempt	Non Exempt
Committee Date	3 rd June 2024

ANNUAL INTERNAL AUDIT REPORT 2023-24

1.0 SUMMARY OF THE REPORT

- 1.1 This report provides the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control. It also informs the Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2023-24. This information is provided to comply with the Public Sector Internal Audit Standards.
- 1.2 **Appendix A** contains the Annual Internal Audit Report 2023-24 which details Internal Audit's performance, opinions and recommendations made during the year which assist in forming the Head of Internal Audit's Annual Opinion on the Council's overall control environment.
- 1.3 From the work undertaken during the financial year 2023-24 and considering other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2023-24 is of **Reasonable Assurance**.
- 1.4 Those audits issued with an audit opinion during the year are listed in **Annex 1**, the detailed position against the audit plan is **Annex 2** and **Annex 3** is the recommendation monitoring position statement.

2.0 RECOMMENDATION that

- 2.1 The Governance and Audit Committee is requested to consider and note the Annual Internal Audit Report for the 2023-24 financial year including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:
- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
 - Present a summary of the audit work undertaken;
 - Draw attention to any issues that may impact on the level of assurance provided;
 - Provide a summary of the performance for the service;
 - Comment on conformance with the Public Sector Internal Audit Standards.
- 3.2 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is responsible for developing a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 3.3 The Internal Audit Plan for 2023-24 was submitted to the Governance and Audit Committee for consideration and approval on 12th June 2023. The approved plan was flexible to be able to respond to changing circumstances and events that may occur during the year. The assurance gained from the audit work undertaken during the year assists the Head of Audit in providing an overall annual opinion.

4.0 KEY ISSUES FOR CONSIDERATION

- 4.1 The Annual Internal Audit Report is at **Appendix A** which summaries the reviews undertaken during 2023-24, the recommendations made and any control issues identified. A total of 29 reviews were completed with an audit opinion and a total of 208 recommendations made (25 High, 136 Medium, 47 Low). A breakdown is included at **Annex 1** of this Appendix. The annual report also discusses the performance of the internal audit service during the year and highlights individual staff development and training that has taken place.
- 4.2 Progress against the 2023-24 Risk Based Plan is attached at **Annex 2**. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion, for example Annual Governance Statement (AGS), update of Counter Fraud Policies and National Fraud Initiative data matching work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.

- 4.3 **Annex 2** illustrates the status of the 57 audit assignments included in the audit plan, 43 of which were opinion related, of these 29 were concluded during 2023-24 with an audit opinion. Four audits are ongoing and have been carried forward into the 2024/25 plan whilst 10 audits have not started and are also included in the 2024/25 plan. It should be noted that 14 audit reviews listed have no audit opinion, this includes a data gathering exercise for School Cyber Security. The majority of these are routine internal audit work, for example advice and guidance, external audit liaison, fraud and irregularity work, audit planning and recommendation monitoring.
- 4.4 Based on the testing of the effectiveness of the internal control environment an audit opinion of *Substantial Assurance* has been given to 4 audit reviews (14%) and an opinion of *Reasonable* to 19 audit reviews (65%). The remaining 6 audit reviews (21%) have been given an audit opinion of *Limited*, that is only limited assurance can be placed on the current systems of internal control. Recommendations have been made for improvements and a follow up audit will be undertaken to ensure controls have been improved to mitigate the risks identified. Table 1 below illustrates the number of opinion / assurance audits completed in 2022-23 and 2023-24.

Table 1 – Number of Audit Opinion Reviews Completed

Opinion / Assurance	2022-23	2023-24
Substantial	6	4
Reasonable	18	19
Limited	5	6
No Assurance	1	0
Total	30	29

- 4.5 To ensure that appropriate action is taken on agreed management action plans, High and Medium recommendations are routinely followed up to assess the implementation progress. **Annex 3** provides a summary of the status of all High and Medium audit recommendations made.
- 4.6 Taking into account the results of the internal audit reviews completed during 2023-24, the recommendations made and considering other sources of assurance, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2023-24 is of:

'Reasonable Assurance'.

No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.

- 4.7 In providing this annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2023-24 and are not

necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

5.0 FINANCIAL IMPLICATION(S)

- 5.1 There are no direct financial implications arising from this report however effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

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SERVICE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
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BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Internal Audit Annual Report	May 2024	Audit Service
Various internal audit reports	Various	Audit Service
Does the report contain any issue that may impact the Council's Constitution?		No