

## For publication

### Internal Audit Consortium Annual Report 2020/2021

<b>Meeting:</b>	Standards and Audit Committee
<b>Date:</b>	28 <sup>th</sup> July 2021
<b>Cabinet portfolio:</b>	Governance
<b>Directorate:</b>	Finance
<b>For publication</b>	

#### 1.0 Purpose of the report

1.1 The purpose of this report is to: -

- Present a summary of the internal audit work undertaken during 2020/21 from which the opinion on the internal control environment is derived.
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement.
- Compare work undertaken with that which was planned and summarise performance.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS).
- Comment on the results of the internal quality assurance programme.
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter.

#### 2.0 Recommendation

2.1 That the Internal Audit Consortium Annual Report for 2020/21 be accepted.

### **3.0 Reason for recommendation**

- 3.1 To present to Members the annual report for the Internal Audit Consortium in respect of Chesterfield Borough Council for 2020/21.
- 3.2 To ensure compliance with the Public Sector Internal Audit Standards.
- 3.3 To provide an annual opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

### **4 Report details**

#### BACKGROUND

- 4.1 The Public Sector Internal Audit Standards require that the Internal Audit Consortium Manager deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

#### IMPACT OF COVID 19

- 4.2 The advent of COVID- 19 has unsurprisingly had an impact on the extent of completion of the 2020/21 internal audit plan however, enough of the internal audit plan (along with reliance on other assurances) has been completed to be able to give an unlimited audit opinion in respect of the 2020/21 financial year.

#### SUMMARY OF WORK UNDERTAKEN

- 4.3 Appendix 1 details the audit reports issued in respect of audits included in the 2020/21 internal audit plan. The appendix shows for each report the overall assurance level provided on the reliability of the internal controls and the assurance level given at the last audit. The report opinions can be summarised as follows:

<b>Assurance Level</b>	<b>2019/20 Number</b>	<b>2019/20 %</b>	<b>2020/21 Number</b>	<b>2020/21 %</b>
Substantial	11	38	8	40
Reasonable	15	52	12	60
Limited	2	7	0	0
Inadequate	1	3	0	0

Total	<b>29</b>	<b>100</b>	<b>20</b>	<b>100</b>
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4.4 A definition of the above assurance levels is shown in Appendix 1.

4.5 No fraud was identified.

4.6 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2020/21		2021/22
	Plan	Actual	Plan
Cost per Audit Day	£294	£284	£306
Percentage of Plan Completed	75%	67%	75%
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	0.00	8.0
Customer Satisfaction Score	85%	95.5%	85%
To issue internal audit reports within 10 days of the close out meeting	90%	100%	90%
Number/proportion of audits completed within time allocation	80%	Not measured	80%
Quarterly reporting to Standards and Audit Committee	100%	100%	100%

20/30 audits have been completed = 67%. Although not reaching the target this is still considered a major achievement given the circumstances and the redeployment of the team to business grants (Senior Auditor for 3 months and both Auditors for 2 months).

#### OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

4.7 The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

4.8 Although COVID-19 has meant that less internal audit work has been undertaken than usual during the year, in my opinion, sufficient work has been completed and assurances ascertained to be able to provide an

unlimited opinion on the systems of governance, risk management and control in place.

- 4.9 As well as internal audit work assurance has also been gained from previous years' work, the work of the Risk Management Group, PSN compliance, external audit and compliance with the Code of Corporate Governance.
- 4.10 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2020/21.
- 4.11 Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.
- 4.12 Overall, 100% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.
- 4.13 Performance management procedures are in place to ensure that the Corporate Leadership Team receive regular reports in relation to outstanding audit recommendations in order that appropriate action can be taken.
- 4.14 The Standards and Audit Committee also receive a 6-monthly report in relation to outstanding audit recommendations. Where a limited or inadequate assurance audit report is issued, managers are required to attend the Standards and Audit Committee to discuss progress and to provide assurance that recommendations are being implemented in a timely fashion.
- 4.15 Members should also be aware of the high- risk areas that are highlighted within the Council's 2020/21 Annual Governance Statement: -
- Having a sustainable financial plan
  - Workforce capacity
  - Health & Safety
  - Procurement
  - Asset Management
  - Project Management

- Recovery from COVID-19

#### ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

4.16 The internal control issues arising from audits completed in the year and outstanding internal audit recommendations have been considered during the preparation of the Annual Governance Statement. Significant issues and challenges raised in the Annual Governance Statement because of internal audit work are in relation to procurement, project management, health & safety and asset management, further work is needed to make improvement in these areas.

#### COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

4.17 The Internal Audit Plan for 2020/2021 was approved by the Standards and Audit Committee on the 22nd April 2020. 20/30 audits have been completed. In respect of the remaining audits the majority of these have been scheduled into the 2021/22 Internal Audit Plan. Appendix 2 details the audits completed and those deferred.

#### COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

4.18 During 2020/21 a self- assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non- compliance.

4.19 An external review of internal audit took place in May 2021 the results of which conclude "Current services are assessed to "generally conform" with the PSIAS and compare favourably with peers, there are no areas where the service does not comply with the Standards".

4.20 An improvement spreadsheet is utilised to identify further areas for improvement. This spreadsheet is discussed at team meetings and actions agreed accordingly. An action plan will be developed from the points arising in the 2021 external review and this will be used to further drive improvement.

4.21 It can be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Service Manager - Finance but has a direct and unrestricted access to the Corporate Leadership Team and the Standards and Audit Committee.

4.22 Quality control procedures have been established within the internal audit consortium as follows:

- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.
- Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
- Client Officer Views – A survey form has been issued to the client officer seeking their views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.
- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit Manual has been updated to reflect the requirements of the standards and issued to all staff. The audit manual was reviewed and updated in May 2020.

4.23 The above quality control procedures have ensured conformance with the PSIAS.

4.24 Based on the customer satisfaction survey forms returned, the average score was 95.5% for customer satisfaction during 2020/21 (2019/20 result 94%).

4.25 The results of the Client Officer survey for Chesterfield were a score of 100% (a score of 35/35 over 7 questions).

#### REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

4.26 The Audit Charter was last reported to and approved by the Audit and Standards Committee in September 2020.

4.27 Based on the information provided in this report on the completion of the 2020/21 internal audit plan, it is considered that the requirements of the Charter were met during the year.

## **5 Alternative options**

5.1 Not applicable.

## **6 Implications for consideration – Council Plan**

6.1 Audit reviews help to ensure that the council's resources and priorities are focused on achieving the objectives within the council plan.

## **7 Implications for consideration – Financial and value for money**

7.1 Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained.

## **8 Implications for consideration – Legal**

8.1 The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards or guidance".

## **9 Implications for consideration – Human resources**

9.1 None.

## **10 Implications for consideration – Risk management**

10.1 Regular audit reviews help to ensure that risk is managed appropriately. Internal audit makes recommendations to reduce the level of risk and improve the control environment.

## **11 Implications for consideration – community wellbeing**

11.1 Whilst there are not considered to be any direct community and wellbeing impacts in relation to this report, sound internal control, governance and

risk management arrangements will support the achievement of the Council's objectives.

## **12 Implications for consideration – Economy and skills**

12.1 Whilst there are not considered to be any direct economy and skills impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council's objectives.

## **13 Implications for consideration – Climate Change**

13.1 Whilst there are not considered to be any direct climate change impacts in relation to this report, sound internal control, governance and risk management arrangements will support the achievement of the Council's objectives.

## **14 Implications for consideration – Equality and diversity**

14.1 None.



## Document information

<b>Report author</b>	
Jenny Williams Internal Audit Consortium Manager Finance	
<b>Background documents</b>	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
<b>Appendices to the report</b>	
Appendix 1	Internal Audit Reports Issued 2020/21
Appendix 2	Comparison of planned work to work completed 2020/21