

For publication

Internal Audit Consortium Annual Report 2021/22

Meeting:	Standards and Audit Committee
Date:	27 th July 2022
Cabinet portfolio:	Governance
Directorate:	Finance
For publication	

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 2021/22 from which the opinion on governance, risk and internal control is derived.
- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control arrangements 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) and Code of Ethics.
- 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 2021/22 be accepted.

3.0 Reasons for recommendation

3.1` To present to Members the annual report for the Internal Audit Consortium in respect of Chesterfield Borough Council for 2021/22.

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 governance, risk and control arrangements including any qualifications to that opinion.

4 Report details

BACKGROUND

- 4.1 The Public Sector Internal Audit Standards require that the Head of the Internal Audit Consortium delivers an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- 4.2 COVID- 19 along with staff vacancies and the training requirements of new staff has impacted on the extent of completion of the 2021/22 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 2021/22 financial year.

SUMMARY OF WORK UNDERTAKEN

- 4.3 Appendix 1 details the audit reports issued in respect of audits included in the 2021/22 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:

Assurance Level	2020/21 Number	2021/22 %	2021/22 Number	2021/22 %
Substantial	8	40	10	53
Reasonable	12	60	5	26
Limited	0	0	4	21
Inadequate	0	0	0	0
Total	20	100	19	100

- 4.4 A definition of the above assurance levels is shown at the bottom of 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	2021/22		2022/23
	Plan	Actual	Plan
Cost per Audit Day	£306	£288	£310
Percentage of Plan Completed (CBC)	75%	81%	75%

Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	1.2	8.0
Customer Satisfaction Score (CBC)	85%	97%	85%
To issue internal audit reports within 10 days of the close out meeting	90%	100%	90%
Quarterly reporting to Standards and Audit Committee	100%	100%	100%

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

- 4.7 The Head of the Internal Audit Consortium 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 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 2021/22. 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. This year 4 audits have been issued with limited assurance however managers have reacted promptly to improve the controls in place.
- 4.9 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.
- 4.10 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.
- 4.11 Overall, 79% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.
- 4.12 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.
- 4.13 The Standards and Audit Committee 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.

4.14 Members should also be aware of the high- risk areas that are highlighted within the Council's 2021/22 Annual Governance Statement: -

- Financial Sustainability
- Workforce capacity and Capability
- Health & Safety
- Procurement
- Asset Management
- Project and programme management / decision making / governance processes.
- COVID-19 / Recovery / impact on the community

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

4.15 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

4.16 The Internal Audit Plan for 2021/22 was approved by the Standards and Audit Committee on the 21st of April 2021. The majority of audits have been completed with the remaining audits being scheduled into the 2022/23 Internal Audit Plan. Appendix 2 details the audits completed and those deferred.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS / CODE OF ETHICS AND OTHER QUALITY ASSURANCE RESULTS

4.17 Quality control procedures have been established within the Internal Audit Consortium and these are documented in the Quality and Assurance Improvement Programme at Appendix 3. These procedures are designed to ensure compliance with the PSIAS and Code of Ethics.

ORGANISATIONAL INDEPENDENCE

4.18 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.

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

4.19 The Audit Charter was last reported to and approved by the Audit and Standards Committee in September 2021.

4.20 Based on the information provided in this report on the completion of the 2021/22 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 – Financial and value for money

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

7 Implications for consideration – Legal

7.1 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”.

8 Implications for consideration – Human Resources

8.1 None

9 Implications for consideration – Council Plan

9.1 Audit reviews help to ensure that the council’s resources and priorities are focused on achieving the objectives within the council plan and that there are appropriate governance, risk and control arrangements in place.

10 Implications for consideration – Climate Change

10.1 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.

11 Implications for consideration – Equality and Diversity

11.1 None

12 Implications for consideration – Risk Management

- 12.1 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.

Decision information

Key decision number	<i>N/A</i>
Wards affected	All

Document information

Report author	
Jenny Williams Head of the Internal Audit Consortium Finance	
Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
None	
Appendices to the report	
Appendix 1	Internal Audit Reports Issued 2021/22
Appendix 2	Comparison of planned work to work completed 2021/22
Appendix 3	Quality and Assurance Improvement Programme