

Internal Audit Progress Update

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| Meeting: | Standards and Audit Committee |
| Date: | 15th February 2023 |
| Cabinet portfolio: | Governance |
| Directorate: | Finance |
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1.0 Purpose of the report

- 1.1 To present for members' information a progress report in respect of the 2022/23 Internal Audit Plan.

2.0 Recommendation

- 2.1 That the report be noted.

3.0 Reason for recommendation

- 3.1 To update Members on progress against the 2022/23 Internal Audit Plan and to provide assurance on the governance, risk and control processes in place.

4.0 Report details

- 4.1 The Public Sector Internal Audit Standards require that the Head of the Internal Audit Consortium periodically reports to the Standards and Audit Committee in respect of performance against the audit plan. Significant risk and control issues should also be reported.
- 4.2 The 2022/23 Internal audit plan was approved at the Standards and Audit Committee on the 20th of April 2022.
- 4.3 Attached, as Appendix 1, is a summary of reports issued since this Committee last met in respect of the 2022/23 internal audit plan. This period 2 reports have been issued 1 with Substantial Assurance and 1 with Reasonable Assurance.
- 4.4 The assurance level is awarded in respect of the controls in place and the system's ability to meet its objectives and manage risk in line with the definitions below. The assurance levels have also now been linked to definitions of risk within the risk management strategy.

| Assurance Level | Definition | Risk Strategy Link |
|------------------------------|---|---|
| Substantial Assurance | There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed. | Negligible/ Low impact – regular reviews plus low - cost improvements |
| Reasonable Assurance | The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed. | Low / Medium impact – close monitoring and cost - effective controls required |
| Limited Assurance | Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed. | Medium / High impact Unacceptable Risk – Immediate control improvements required |
| Inadequate Assurance | There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives. | High / Very High impact Unacceptable Risk – immediate control improvements required |

- 4.5 No fraud has been detected.
- 4.6 Appendix 4 shows an up-to-date position in terms of the audits completed so far this year and those in progress. The audit plan for 2023/24 is currently under development and any areas not covered from the 2022/23 plan will be considered for inclusion in this on a risk basis.
- 4.7 In terms of staffing, I can report that we are now fully staffed, the new CBC Auditor started in December 2022, the new Senior Auditor for BDC started on the 23rd January 2023 and the new Auditor for NEDDC is starting in February 2023. There will be a period of settling in and training but being fully staffed will enable a greater completion of the approved audit plans.

5.0 Alternative options

5.1 The report is for information.

6.0 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.

7.0 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 into account public sector internal auditing standards or guidance”.

8.0 Implications for consideration – Human Resources

8.1 None

9.0 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.

10.0 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.

11.0 Implications for consideration – Equality and Diversity

11.1 None

12.0 Implications for consideration – Risk Management

12.1 Regular audit reviews help to ensure that risk is appropriately managed.

Decision information

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| Key decision number | |
| Wards affected | None |

Document information

Report author

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Background documents

None

Appendices to the report

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| Appendix 1 | Reports issued November 2022 to January 2023 |
| Appendix 2 | Progress update on the 2022/23 Internal Audit Plan |