

Agenda Item No 5
Audit and Standards Committee
13 June 2023

Title: Internal Audit Progress Report: Qtr. 4 2022/23

Lead Officer: Richard Barr

Portfolio Holder: Councillor Chilvers

Wards of the District directly affected: None directly impacted

Approvals required	Date	Name
Portfolio Holder	23/05/23	Councillor Chilvers
Finance	18/05/23	Andrew Rollins
Legal Services	Not applicable	
Chief Executive	18/05/23	Chris Elliott
Director of Climate Change	Not applicable	
Head of Service(s)	18/05/23	Andrew Rollins
Section 151 Officer	18/05/23	Andrew Rollins
Monitoring Officer	18/05/23	Andrew Jones
Senior Leadership Team	18/05/23	Various
Final decision by this Committee or rec to another Cttee / Council?	Yes/ No – Final Decision by this Committee. Recommendation to: Cabinet / Council Committee	
Contrary to Policy / Budget framework?	No/Yes	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No/Yes, Paragraphs:	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No/Yes, Forward Plan item – scheduled for (date)	
Accessibility Checked?	Yes/No	

Summary

The Report advises on progress in achieving the Internal Audit Plan 2022/23, summarises the audit work completed in the fourth quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

Recommendations

- 1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
 - 1.1 That Appendix 1, containing guidance on the role and responsibilities of audit committees, be noted. (Paragraph 1.2 of this report)
 - 1.2 That Appendix 2, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 3.1 of this report)
 - 1.3 That Appendix 3, setting out the action plan accompanying the Internal Audit report issued in the quarter, be reviewed. (Para. 4.3)
 - 1.4 That Appendix 4, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 5.2)
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1 Reason for the Recommendations

- 1.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

2 Background/Information

- 2.1 The Audit and Standards Committee is operating, in effect, as an audit committee in the context of receiving and acting upon this report. Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.
- 2.2 Essentially, the purpose of an audit committee is:
 - To provide independent assurance of the associated control environment.
 - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 2.3 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
- 2.4 The following sections provide information to satisfy these requirements.

3 Assurance

- 3.1 Management is responsible for the system of internal control and should set in

place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness, and economy of financial and other management controls.

- 3.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

Assurance Levels

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

At the start of each year an Audit Plan is approved that sets out the audit assignments to be undertaken.

4 Progress Against Plan

- 4.1 A detailed analysis of progress in completing the Audit Plan for 2022/23 is set out as Appendix 2. As indicated, the Plan is three audits short of being completed. All three audits are IT reviews where progress for one reason or another has been stilted. This was precisely the same situation at this time last year but fortunately these assignments were completed during the year.

5 Internal Audit Reviews Completed in the Quarter and Management Responses to Recommendations

- 5.1 Twelve audits were completed in the final quarter of 2022/23.
- 5.2 The Internal Audit reports arising from the completed reviews are available for viewing on the online agenda for the meeting. (Due to issues regarding data security in connection with the Microsoft 365 review, certain parts of the report have been redacted.)
- 5.3 The action plans accompanying these reports are set out for separate review as Appendix 3. This appendix details the recommendations arising together with the management responses, including target implementation dates. (Due to issues regarding data security in connection with the Microsoft 365 review, a recommendation and the response to it has been redacted.)
- 5.4 As can be seen in the Appendix, responses to recommendations contained in reports that have been issued in the quarter have been received in all cases and none is outstanding.

6 Implementation of Recommendations Issued Previously

- 6.1 All recommendations are followed up once the agreed implementation date has passed. Officers are able to provide an update as soon as they have completed the agreed action, as opposed to waiting to be chased for a response, although the vast majority still have to be chased.
- 6.2 The state of implementation for all relevant recommendations is set out in Appendix 4. There are no outstanding responses on the state of implementation of recommendations.
- 6.3 Revised target dates have been provided for seven recommendations relating to the audits of **Leaseholder Service Charges, Housing Investment and Maintenance Programmes, Corporate Governance, Community Services, Treasury Management, Planning Policy, and Microsoft 365**. (Due to issues regarding data security in connection with the Microsoft 365 review, a recommendation and the response to it has been removed.) The target date in relation to the recommendations from the audits of **Leaseholder Service Charges** and **Housing Investment and Maintenance Programmes** had been extended previously.
- 6.4 Completion of the action in relation to the **Leaseholder Service Charges** audit recommendation had initially been due to a delay in receipt of information required from an external body. Subsequently, the action was delayed due to the issues at Christine Ledger Square.
- 6.5 Changes in departmental structure and the fallout from the failed merger had impacted the completion of the recommendation from the **Housing Investment and Maintenance Programmes**. The officer that had been given responsibility for completing this action has now left the Council, so the action is awaiting the recruitment of a replacement for this post.
- 6.6 A revised target date had also been provided in respect of a recommendation from the audit of **Open Spaces**. However, the revised date was within the same reporting period as the original target dates and confirmation has been received that this recommended action has now been completed.

7 Review

- 7.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.

8 Alternative Options

- 8.1 The report is not based on 'project appraisal' so this section is not applicable.

9 Legal Implications

- 9.1 Not applicable.

10 Financial Implications

10.1 Not applicable.

11 Business Strategy

11.1 Warwick District Council has adopted a Business Strategy which sets out key areas for service delivery. Each proposed decision should set out how the report contributes to the delivery of these strategic aims. If it does not contribute to these aims or has a negative effect on them the report should explain why that is the case.

11.1.1 External Impacts

People - Health, Homes, Communities
Services - Green, Clean, Safe
Money- Infrastructure, Enterprise, Employment

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

11.1.2 Internal Impacts

People - Effective Staff
Services - Maintain or Improve Services
Money - Firm Financial Footing over the Longer Term

Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

12 Environmental/Climate Change Implications

12.1 An effective internal audit function can assist the Council achieve its environmental and climate emergency objectives.

13 Analysis of the Effects on Equality

13.1 An effective internal audit function can help the Council achieve its equality obligations.

14 Data Protection

14.1 An effective internal audit function can help the Council achieve its data protection objectives.

15 Health and Wellbeing

15.1 An effective internal audit function can help the Council achieve its health and wellbeing objectives.

16 Risk Assessment

16.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

17 Consultation

17.1 Please refer to 'header page' of this report.

Background papers:

All Papers referred to in this report are published documents.

Supporting documents:

Internal Audit Plan

Internal Audit Reports.