

**Head of Internal Audit's Annual Report and Presentation of  
Audit Opinion 2021/22**

**Introduction**

This report is produced to satisfy the Public Sector Internal Audit Standards which requires that:

*The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.*

*The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.*

*The annual report must incorporate:*

- *the opinion;*
- *a summary of the work that supports the opinion; and*
- *a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.*

**Opinion on the overall adequacy and effectiveness of the Council's control environment**

The Public Sector Internal Audit Standards state that "*The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory.*"

Based on internal audit assignments undertaken as part of the Audit Plan, together with the general views of the Internal Audit team gained from ancillary exposure to the Council's operations, it must be concluded that the Council has an adequate and effective governance, risk management and control framework to address relevant risks with controls being applied consistently.

This, however, must be qualified by the non-completion of three IT audits caused by the stated unavailability of the Head of ICT to facilitate and assist the audits. These are intended to be completed by May 2022 so there is hope that these can inform positively the Annual Governance Statement for 2021/22.

Inevitably, there were some instances of non-compliance that were identified by Internal Audit, as detailed in reports that were issued during the year. These were reported to Finance & Audit Scrutiny Committee each quarter. Action to address these issues has been confirmed by management in all cases, with urgent action being taken where those issues were regarded as major.

Although not expressed as a further qualification, it must be confirmed that the internal audit opinion can only be based on the audits undertaken during that year and on information garnered more informally by the Internal Audit team; thus it has to be acknowledged that not everything is subject to an audit within a 12-month time frame. The Council's external auditors form their own opinion based on their own work and the Annual Governance Statement provides an overall

judgement on the control environment, derived from many sources, one of which is this Internal Audit Annual Report.

The Public Sector Internal Audit Standards states that *"Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board."*

The Audit and Risk Manager can confirm that that the level of agreed resources has not impacted adversely on the provision of the annual internal audit opinion.

### **Summary of the internal work undertaken during 2021/22 from which the opinion on the internal control environment is derived**

The audits which form the basis of the opinion are listed in Appendix 1A. The results of these audits have been communicated to the Finance and Audit Scrutiny Committee in quarterly reports and are therefore not reproduced here. Each audit report, however, gives an overall opinion on the level of assurance provided by the controls within the area audited and this is set out in the table. The bands of assurance are set out at the bottom of Appendix 1A.

Appendix 1A indicates that internal controls were in the main found to be operating satisfactorily, giving an overall confidence in the internal control system operating in relation to these systems. Although most reports that were issued during the year contained recommendations to rectify control deficiencies it is important to stress that the issues raised in respect of these audits have since been addressed or, in the case of more recent audits, are in the process of being addressed. As part of Internal Audit's quarterly reporting, Members receive scheduled updates on the state of implementation of recommendations in order to provide assurance that recommendations are actioned.

The ongoing Covid Pandemic impacted on Internal Audit's work in that excessive working from home created sub-optimal working conditions – for Internal Audit staff and for the staff being audited. Arguably the impact of this lessened as the year progressed and staff adapted and working arrangements improved.

In addition, a member of the team resigned three-quarters of the way through the year. This led to a revised Plan comprising slightly fewer audits – approval of which was obtained from Finance and Audit Scrutiny Committee. The scope of the audits that were carried out was not affected significantly. (The post has since been filled.)

Just five audits undertaken during the year were awarded a less than substantial level of assurance – all receiving a moderate level of assurance, the middle ranking assurance opinion.

The list of audits in Appendix 1A comprises audit reviews and consultancy-based reviews.

### **Issues particularly relevant to the Annual Governance Statement**

Issues particularly relevant to the Annual Governance Statement (AGS) have been identified from the process involved in its production. This includes compilation of the Service Assurance Assessments by services and the review of the draft AGS by the Senior Management Team and by the Leader of the Council and the chairs of

the Scrutiny and Standards Committees. Some of these issues had been highlighted by Internal Audit during the year.

### **Comparison of the work undertaken with the work that was planned and summary of the performance of the internal audit function against its performance measures and targets**

This is set out as Appendix 1B.

### **Compliance with the Public Sector Internal Audit Standards**

The Public Sector Internal Audit Standards state that:

*"Chief audit executives are expected to report conformance on the Public Sector Internal Audit Standards in their annual report."*

*"To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance."*

A review by an external consultant, undertaken towards the end of the previous year, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require such external reviews to be undertaken at least once in a five-year period. (The previous review was completed in 2016.) An action plan was produced to address those areas of non-compliance and this was reported to Finance & Audit Scrutiny Committee in March 2021, together with the full results of the review. An update in addressing the areas of non-compliance was reported to Finance & Audit Scrutiny Committee in December 2021. This reported that all areas of non-compliance had at that time been addressed.

Periodic internal assessments form part of the Quality Assurance and Improvement Programme, as described below. The results of internal assessments undertaken during 2021/22 are set out as Appendix 1C to this Annual Report.

Separately, the Public Sector Internal Audit Standards requires that *"The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity."*

The Audit & Risk Manager can confirm that Internal Audit is organisationally independent.

### **Communication of the results of the internal audit quality assurance & improvement programme**

The Public Sector Internal Audit Standards states that *"The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report."*

The Quality Assurance and Improvement Programme comprises cyclical self-reviews against all element of the Public Sector Internal Audit Standards such that,

over a 5-year period (i.e. up to when the next external review is due) all elements of the Standards have been assessed.

The results of the self-review in respect of Year One of the current Quality and assurance programme are set out in Appendix 1C to this Annual Report.

The Internal Audit quality assurance and Improvement programme also includes ongoing reviews of audit files by the Audit and Risk Manager before issue of final reports and external audit reviews of Internal Audit's work as well as ongoing monitoring by the Section 151 Officer and scrutiny of its work by Finance & Audit Scrutiny Committee. It also comprises completion by auditees, post audit, of questionnaires for audits. In terms of the post audit questionnaires, no auditees awarded a "score" of less than four "marks" out of five in their assessment of the audit that they had received. Clearly this indicates very broad satisfaction with the audits undertaken. Appendix 1D sets out the questionnaire that is used.

The results of the Internal Audit quality assurance programme, in whatever form, are used to improve the service provided by Internal Audit.

**Summary of Audits Undertaken 2021/22**

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Corporate Governance	Law and Governance	Substantial	2 + 1 advisory
Insurances	Financial Services	Substantial	1
Housing Benefit & Council Tax Reduction	Revenues and Customer Services	Substantial	1
Housing Repairs & Maintenance	Housing	Moderate	7 + 5 advisories
Test and Trace Scheme	Revenues and Customer Services	Substantial	2 + 3 advisories
Statutory Monitoring Functions	Community Protection	Substantial	3 + 3 advisories
Refuse Collection and Recycling	Environment and Operations	Substantial	0
Street Cleansing	Environment and Operations	Substantial	0
Housing Investment & Maintenance Programmes	Housing	Substantial	4 + 1 advisory
Asbestos Management	Assets	Substantial	0
Utilities Management	Assets	Substantial	1
Responding to Complaints & FOI Requests	Law and Governance	Moderate	4
Estate Management	Housing	Substantial	3 advisories
Leaseholder Service Charges	Housing	Substantial	1
Car Parking	Environment and Operations	Moderate	6 + 4 advisories
Performance Management	Law and Governance	Moderate	8 + 9 advisories
Corporate Property and Portfolio Management	Assets	Substantial	1
Civic and Committee Services	Law and Governance	Substantial	0
Building Control	Development	Moderate	3 + 4 advisories
Enterprise Facilities	Place and Economy	Substantial	0
New FMS – Balance Transfers	Financial Services	Substantial	0
Health and Safety Enforcement in the District	Community Protection	Substantial	2 + 3 advisories
Licensing Services	Community Protection	Substantial	1 + 1 advisory

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Independent Living (previously, Housing Related Support Services)	Housing	Substantial	2 advisories
Private Sector Housing Regulations	Housing	Substantial	0
Media Services	People and Communications	Substantial	2 + 5 advisories

**Key to Level of Assurance:**

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, where there are controls, these are often not complied with.

**Summary of Internal Audit Performance 2021/22**

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	26	3	29
Number of planned audits completed	26	0	26
% assigned audits completed	100%	0%	89.7%
Number of audits completed within time allocation	7	N/A	N/A
% audits completed within time allocation	35.0	N/A	N/A
Number of audit days – planned	197.0	N/A	N/A
Number of audit days – actual	187.2	N/A	N/A
Productive time as % of available time – target	71.2%	N/A	N/A
Productive time as % of available time – actual	61.3%	N/A	N/A
Number of audit recommendations issued	52	0	52
Number of audit recommendations agreed	49	0	49
% audit recommendations agreed	94.2	0	94.2
Number of High Priority audit recommendations issued	0	0	0
Number of High Priority audit recommendations implemented	0	0	0
% High Priority audit recommendations implemented	N/A	N/A	N/A

## Results of Internal Assessments

# Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

## Review Programme: Core Principles

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

GC – General Conformance

PC – Partial Conformance

DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
<b>1</b>	<b>Core Principles</b>				The Audit Manual sets out examples of how the service meets the core principles. A copy of the manual with relevant highlighted paragraphs can be found within the supporting documents.
<b>1.1</b>	<b>Demonstrates Integrity</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?	✓			Declarations of interest are completed by auditors. Audits findings are factual. Findings and recommendations are honest and support the objectives of the Council.
<b>1.2</b>	<b>Demonstrates competence and due professional care</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?	✓			IT audits carried out by an external provider. Risk based approach when completing audits. Audit manual refers to the expectations of the auditors.



Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					CPD to be completed by auditors to maintain membership status with audit bodies.
<b>1.3</b>	<b>Is objective and free from undue influence (independent)</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?	✓			Audits are rotated amongst the auditors. Working papers and reports are signed off by the Audit and Risk Manager. Reports are issued to the committee with a direct line of contact available between the audit manager and chair of the committee.
<b>1.4</b>	<b>Aligns with Strategies, objectives and risks of the organisation</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?	✓			The plan is shared with Senior Management and agreed at committee to ensure key risks are identified. The risk-based approach reviews the risks identified in the Significant Business Risk Register and reviews risks that could impact the objectives of the service area.
<b>1.5</b>	<b>Is appropriately positioned and adequately resourced</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?	✓			There is a comprehensive system in place and risk assessments completed which allocates audit time to the auditors. Where there is a gap in specialist audit knowledge or a shortage in resource external parties are used.
<b>1.6</b>	<b>Demonstrates quality and continuous improvement</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?	✓			All audit staff attend training sessions and complete CPD requirements to maintain their membership with official bodies.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
<b>1.7</b>	<b>Communicates effectively</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?	✓			The audit plan is communicated and approved annually. Reports are communicated to senior management once completed and committee on a quarterly basis.
<b>1.8</b>	<b>Provides risk-based assurance</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?	✓			The audit process and documents were updated (along with the manual) in 2021. This demonstrates the risk-based approach used and how the risk was identified.
<b>1.9</b>	<b>Is insightful, proactive, and future-focused</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?	✓			The team review committee reports frequently to identify any gaps or upcoming potential risks which could require audit input. Notes are frequently made in existing audit folders to highlight a concern or potential issue to be considered when next audited.
<b>1.10</b>	<b>Promotes organisational improvement</b>				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?	✓			Audit recommends ways to improve a process or reduce risks across the organisation. These recommendations are shared with the relevant team, senior management, and committee and help the Council to achieve its objectives.
	<b>Conclusion: Core Principles</b>	✓			<b>The core principles of audit are carried through the audit process working towards reducing risks and helping the organisation to achieve its goals.</b>

# Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

## Review Programme: Mission of Internal Audit and Definition of Internal Auditing

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

GC – General Conformance

PC – Partial Conformance

DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
<b>1</b>	<b>Mission of Internal Audit</b>				
	Does the Internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS? To enhance and protect organisational value by providing risk based and objective assurance, advice and insight.	✓			The manual sets out the audit process. Updated in May 2021 to show the risk-based approach to auditing in line with the recommendations from the external review. The Charter sets out the objectives of IA including how it can add organisational value. Reports, recommendations, and actions are reported to F&A quarterly and IA activity is reported annually. Auditors are reminded to how to conduct audits within the manual ensuring audits remain risk based and focused on adding value.
<b>2</b>	<b>Definition of Internal Auditing</b>				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity: a) Independent? b) Objective?	✓			a) Independently located within the Council. Adequately resourced, enabling the rotation of audits preventing repetitive auditing. Directly reports to the F&A committee and Senior Management. b) Declarations of interest completed and shared with Audit and Risk Manager. Reports and working papers signed off before issuing.
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓			The manual sets out the approach used when auditing which encourages the auditor to continuously evaluate the risk and controls in place. By reporting quarterly and annually to the Finance and Audit Committee governance obligations are met. The rotation of the audits and consultation with senior management helps to keep the auditor objective and independent.
	<b>Conclusion: Definition of Internal Audit</b>	✓			<b>In conclusion the internal audit function complies with the mission and definition of Internal Auditing in line with the standards and the LGAN.</b>

## Post Audit Questionnaire

**Audit:**

**Date of report:**

**Auditor:**

**Manager:**

***In order to help us improve our service we would be grateful if you would spend a few moments answering the questions below.***

Question	Yes	No	Comments (if applicable)
<b>Pre-audit consultation</b>			
Were you given adequate notification of the audit?			
Were the scope and objectives of the audit discussed with you?			
Was the audit process explained to you adequately?			
<b>The audit</b>			
Was the audit work undertaken at an agreed and convenient time?			
Was the audit conducted in a proficient manner?			
Were the appropriate staff interviewed for the audit areas covered?			
Were interviews conducted in a professional manner?			
Were the findings discussed with the right staff?			
Was the audit completed within a reasonable timescale?			
<b>Audit reporting</b>			
Was the draft report produced within a reasonable timescale?			

Question	Yes	No	Comments (if applicable)
Were you given the opportunity to discuss the report with the auditor?			
If so, did you find the discussion useful?			
Was the discussion conducted in a professional manner?			
Were your views and comments presented adequately in the final report?			
Were the recommendations in the report practical and realistic?			
Was the report produced to a professional standard?			
Did the audit reveal any unknown weakness in the system?			
Do you feel that the audit was worthwhile and has added value to your work?			

On a scale of 1 to 5, 1 being "very dissatisfied" and 5 representing "very satisfied", please score your level of satisfaction with the audit in overall terms:

If you have any other comments that you wish to make about the audit please record them below:

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Manager: \_\_\_\_\_

Date: \_\_\_\_\_

Please return the form to Richard Barr, Audit and Risk Manager, Finance.