

**Part B**

Appendix

2022/23 Internal Audit Annual Report



# **INTERNAL AUDIT SHARED SERVICE**

**Charnwood Borough Council**

**Internal Audit Annual Report 2022/23**

## 1. INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Audit Manager) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2022 to 31 March 2023 for Charnwood Borough Council.
- 1.2 This report includes the Audit Manager's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 This report also includes:
- A summary of internal audit work carried out during 2022/23 which supports the opinion.
  - Issues relevant to the preparation of the Annual Governance Statement.
  - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
  - A statement on conformance with the Public Sector Internal Audit Standards.

## 2. CHIEF AUDIT EXECUTIVE (AUDIT MANAGER) OPINION 2022/23

- 2.1 2022/23 has been a particularly difficult year in terms of resources and staff turnover both within the internal audit section and the areas audited. This has reflected in the audit assurance levels for some audits, in particular the housing audits. The audit service has been unable to recruit to a vacant post. However, this has been addressed and a new structure has been agreed to ensure that going forward the audit coverage will be proportionate to the Council's need.

Internal audit has continued to provide the additional support required for assurance on grants, specifically the energy grants and the completion of the benefits subsidy testing.

- 2.2 In line with the Public Sector Internal Audit Standards Internal Audit have worked flexibly throughout the year whilst still ensuring a sufficient level of audit coverage to allow me to give an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control (the control environment). In giving this opinion it should be noted that assurance cannot be absolute.
- 2.3 For the 12 months ended 31 March 2023, I am able to give **reasonable assurance** on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement, were identified which may put at risk the achievement of objectives in the areas audited. This is a positive assurance opinion overall.

2.4 My opinion is based on the following:

- **All** internal audit work undertaken during the year, this includes advisory work as well as assurance audits that resulted in a final report, and supports the view on internal control arrangements. Consideration has been given to findings of audits at the draft report stage.
- Follow up audit work in respect of audit recommendations.
- My knowledge of the Council's governance and risk management structure and processes.

2.5 There have been no impairments to the independence of internal auditors during the year.

### 3. SUMMARY OF INTERNAL AUDIT OPINION REPORTS DURING 2022/23

3.1 The risk based internal audit plan for 2022/23 was presented and approved by the Audit Committee on 15 February 2022. Progress against this plan has been reported to Audit Committee throughout the year as part of the regular Internal Audit progress reports.

3.2 A summary of the final audit opinions given in 2022/23 is detailed in Table 1 below. This includes 2 IT audits which were provided by a specialist auditor. The opinion for individual audits is included in Appendix A for information, along with a comparison of the work delivered against the audit plan.

Table 1

Opinion	Definition	Number
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited	3
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited	9
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	6
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited	-
<b>Total audit reports</b>		<b>18</b>

- 3.3 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit Committee is updated on the Council's progress against the recommendations as part of the Internal Audit progress reports, as well as giving details of ongoing or overdue recommendations. A summary of the recommendation tracking results for 2022/23 is included at Appendix B.

#### **4. ISSUES RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT**

- 4.1 The Internal Audit team have issued 6 audit reports with limited assurance during 2022/23. These should be considered when preparing the Annual Governance Statement:
- **S106 Agreements**  
The main areas identified for improvement were around the storage and retention of documentation, and the reintroduction of the s106 working group with updated terms of reference to ensure accurate management and monitoring of S106 agreements.
  - **Responsive Repairs Q1 – Emergency Repairs**  
The main areas identified for improvement were the updating of systems when work is completed, accurate performance monitoring not being carried out and inaccurate schedules of rates within the system.
  - **Responsive Repairs Q2 – Routine Repairs**  
The main areas identified for improvement the management and monitoring of the times taken to carrying out repairs with an action plan being implemented to reduce the times to meet the targets set, and the accurate recording and follow-up of repairs to ensure that disrepair claims are minimised.
  - **Planned & Cyclical Maintenance Q2 - Heating**  
The main areas identified for improvement were retention of inspection documentation and the review of the process for identifying snagging issues are relevantly resolved.
  - **IT Key Controls Audit**  
The main areas identified for improvement were ensuring network equipment is held securely, ensuring operational business continuity is relevantly tested, policy and management of assets, the changing of application security parameters is carried out, formal reviews of application users and access levels is carried out regularly, and the documenting of various work carried out by ICT.
  - **IT Cyber Security**  
The main areas identified for improvement were penetration testing not being carried out annually, key activities require documenting within policies, the need to ensure configuration documentation for all firewall platforms is maintained and that rules are

reviewed, at least annually, and signed off by management, and the training of ICT staff in the operation of firewall platforms.

- 4.2 A number of high priority recommendations were made in respect of other audit reviews undertaken, however as they relate to specific systems and/or service areas, I do not consider it necessary to include them in the Annual Governance Statement. The Section 151 Officer receives all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

## 5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) FOR INTERNAL AUDIT

- 5.1 The Public Sector Internal Audit Standards (PSIAS) require the QAIP to include internal and external assessments (see Appendix C for more detail).
- 5.2 The internal assessments applicable to 2022/23 include the following:
- Monthly performance review meetings attended by the Audit Manager and the Strategic Director of Finance, Governance & Contracts (S151 Officer) and the Head of Governance & Human Resources (Monitoring Officer).
  - Customer satisfaction surveys were sent out to all Heads of Service and Managers who had an audit in their service area. Three returns for 2022/23 all with overall positive feedback.
  - Quarterly progress reports to senior management and Audit Committee which include monitoring of activity and performance.
  - Monthly recommendations update report to senior leadership team for monitoring.
- 5.3 The PSIAS require external assessments to be conducted at least once every five years. In December 2020 the shared internal audit service had an external quality assessment and the full report was presented to Audit Committee on 9 February 2021.
- 5.4 It was the assessor's opinion that internal audit at Blaby, Charnwood and North West Leicestershire Councils **conforms with the PSIAS**.
- 5.5 In addition to delivering the annual audit plan and opinion, Internal Audit have added value in the following ways:
- Co-ordinating the mandatory NFI exercise including data submission and reviewing matches.
  - Delivering pre and post payment assurance checks for the grants.
  - Undertaking the Benefits Subsidy work.
  - Providing ad-hoc advice throughout the year to a wide range of services to help ensure that internal controls are maintained or strengthened.
  - The continued delivery of a successful shared service between Blaby District Council, North West Leicestershire District Council and

Charnwood Borough Council. This adds value to all Councils as the audit team shares learning, expertise and best practice.

6. **CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 6.1 The external assessment conducted in December 2020 concluded that there were no significant gaps in compliance.
- 6.2 I can confirm that during 2022/23 the Internal Audit Shared Service conformed to the Public Sector Internal Audit Standards.

## RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS AGAINST 2022/23 AUDIT PLAN

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
Disabled Facilities Grants	Certification & audit	6	3	Completed	N/A	-	-	-	-	
S106 Agreements	Audit	6	20	Completed	Limited	-	5	4	2	
Open Spaces Contract Management	Audit	7	10	Completed	Substantial	-	-	1	-	
Town Hall	Audit	10	1	Cancelled						Cancelled due to fire
Key Financial Systems										
• Benefits	Audit	3	6	Completed	Reasonable	-	1	1	-	
• Council Tax	Audit	3	5.5	Completed	Reasonable	-	1	3	1	
• NNDR	Audit	8	11.5	Completed	Reasonable	-	1	-	-	
• Income Collection	Audit	3	6	Completed	Substantial	-	-	1	1	
• Creditors	Audit	8	13.5	Completed	Reasonable	-	3	3	-	
• Debtors	Audit	3	5.5	Completed	Substantial	-	-	2	1	
• Main Accounting/ Budgetary Control	Audit	8	7	Completed	Reasonable	-	3	-	1	
• Payroll	Audit	3	3	Completed	Reasonable	-	1	-	-	
• Rent Accounting	Audit	3	3	Draft						
• Treasury Management	Audit	3	3	Completed	Reasonable	-	-	4	1	
Capital Programmes	Audit	10	10	Completed	Reasonable	-	1	5	1	
Covid-19 & Grant related assurance work	Assurance	20	18	As required						
Benefits Subsidy	Assurance	60	45	Completed	N/A	-	-	-	-	
Planned & Cyclical Maintenance Q1	Audit	8	8	Completed	Reasonable	-	-	2	-	
Planned & Cyclical Maintenance Q2	Audit	8	10	Completed	Limited	-	1	4	1	
Planned & Cyclical Maintenance Q3	Audit	8	-	Q3						Moved to 23/24 due to the timing of the mobilisation of the contractors



Planned & Cyclical Maintenance Q4	Audit	6	-	Q4						Moved to 23/24 due to the timing of the mobilisation of the contractors
Responsive Repairs Q1	Audit	8	12	Completed	Limited	-	8	2	-	
Responsive Repairs Q2	Audit	8	13	Completed	Limited	-	3	4	1	
Responsive Repairs Q3	Audit	8	5	Draft						
Responsive Repairs Q4	Audit	6	-	Q4						Moved to 23/24 due to the timing of the mobilisation of the contractors
Workforce Planning	Audit	10	1	In progress						
National Fraud Initiative	Non audit	20	2	As required						
IT Key Controls Audit	Audit	10	-	IT Audit Contractor	Limited	-	7	6	2	
IT Cyber Security	Audit	10	-	IT Audit Contactor	Limited	-	1	9	3	

**Recommendations Key – see Appendix B**

**SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP 2022/23**

Internal Audit follow up progress against critical, high and medium priority recommendations in line with the timescales agreed at the time of issuing reports. Any overdue recommendations are highlighted to Audit Committee. The table below shows the progress against recommendations made by Internal Audit during 2022/23.

Recommendation Priority	Recommendations Made	Recommendations Implemented	Recommendations Outstanding (In Progress, Extended or Not Yet Due)	Recommendations Overdue
High	36	15	21	0
Medium	51	18	33	0
Total	87	33	54	0

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Low/Advisory	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## Appendix C

### QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2022-23

Activity	PSIAS	Result/comments	Frequency
External Quality Assessment	1310	December 2020 Assessment - no significant gaps in compliance.	Every 5 years.
Annual Declaration of Interests	1130	Forms completed in April 2022, this includes Code of Ethics and Principles.	Annual
Customer satisfaction surveys	1311	Three for 2022/23. All positive overall.	After each audit
Performance indicators reported in progress reports	1311	Performance indicators included in all quarterly reports to senior management and Audit Committees.	Quarterly
Improvement actions/continuous improvement	1311	An internal action plan produced for 2022/23 detailing improvement actions which included rolling review of the internal audit service to ensure compliance with standards.	Ongoing
Review of all audit engagements and reports	1311, 2340	All audit engagements and reports are reviewed by the audit manager to ensure compliance with PSIAS in terms of meeting audit objectives and quality.	Every audit
Monthly performance reporting and meetings	1311	Monthly performance meetings with Strategic Director of Finance, Governance & Contracts (S151 Officer) and the Head of Governance & Human Resources (Monitoring Officer)	Monthly
Annual review of internal audit charter	1000	Shared Service Charter updated with only minor amendments and reported to Audit Committee in October 2022. Annual review takes place in September each year.	Annual
Performance and development review process for staff and training and development records.	1200	All review meetings with team have taken place and the training and development recorded within system for all training and development identified and completed. Officers recording their CPD in line with their professional body requirements do not need to duplicate records.	Bi- annual review meetings