

# **Internal Audit Annual Report 2022/2023 and Progress Report 2023/24 to 31/05/23**

Report of the Internal Audit Manager

## **Recommended:**

- 1. That the Internal Audit Annual Report 2022/23 (shown in Annex 1 to the report), which provides the assurance opinion as at 31 March 2023 on the system of internal control and the overall conclusion on the effectiveness of Internal Audit be endorsed.**
- 2. That the Internal Audit Progress report to 31 May 2023 (shown in Annex 2 to the report) be noted.**

## **SUMMARY:**

The annexed reports provide:

- An opinion on the overall adequacy and effectiveness of the Council's control environment and a summary of the audit work from which the opinion is derived for the financial year ending 31 March 2023.
- Internal Audit coverage, findings and performance for audit work undertaken in 2023/24 to 31 May 2023 and gives an assurance opinion on the adequacy and effectiveness of the Council's internal control framework for those areas reviewed.

## **1 Introduction**

- 1.1 The Council is required to produce an annual report and opinion under the Public Sector Internal Audit Standards (PSIAS). This forms an integral part of the formulation of the Council's Annual Governance Statement, as required under the Accounts and Audit Regulations 2015 and the CIPFA 'Framework for Delivering Good Governance in Local Government'. This assessment is carried out by the Internal Audit Manager.

## **2 Opinion on the Overall Adequacy and Effectiveness of the Council's Internal Control Environment**

- 2.1 The formulation of the opinion is based on audit work carried out during 2022/23 and undertaken in accordance with the Annual Audit Plan, Audit Charter and Strategy. Based on the audit findings and conclusions and review of other internal governance arrangements, the Internal Audit Manager is able to provide a **Substantial level of assurance** in respect of the Council's risk management, control and governance arrangements.

2.2 The Internal Audit function generally conforms to the International standards for the Professional Practice of Internal Auditing and specifically the Public Sector Internal Audit Standards UK (PSIAS). A self-assessment of the internal audit function's conformance with these standards was carried out in March 2023. The Public Sector Internal Audit Standards are a mandatory requirement, the objectives of which are to:

- Define the nature of internal auditing within the UK public sector,
- Set basic principles for carrying out internal audit in the UK public sector,
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

2.3 No areas of "partial" assurance were highlighted. There are however the following areas which are under development to improve the efficiency and effectiveness of the team going forwards. These areas will continue to be progressed during 2023-24:

- Continuing, where appropriate, to develop the use of CAATS (Computer Assisted Audit Techniques), and other methodologies in testing.
- Developing and embedding fraud awareness processes.

2.4 There is evidence that the work the Internal Audit function has delivered is effective; especially around risk and performance. It contributes to and has influence in the authority on these areas. It is a highly respected service that is engaged with the organisation and which provides on-going support in key areas, as well as effective assurance on controls.

The assurance opinions relating to the individual pieces of audit work undertaken during the year (where an opinion has been reported to the Audit Committee) are summarised in the Internal Audit Annual Report (enclosed in Annex 1).

### **3 Independence and Objectivity**

3.1 The Internal Audit Team's independence and objectivity has been maintained in accordance with the Public Sector Internal Audit Standards. The exception to this has been the Internal Audit Manager's role in facilitating the Council's Risk Management. In order to provide a compensating control, Risk Management Audits are undertaken by the Senior Auditor and the outcomes reported to the Head of Finance & Revenues.

### **4 Internal Audit Performance 2022/23:**

4.1 The Internal Audit Annual Report (enclosed in Annex 1) summarises the work carried out by Internal Audit against the Audit Plan during the period 1 April 2022 up to and including 31 March 2023.

4.2 All actions arising from audit reviews have been accepted by management and programmed for implementation.

4.3 Overall the performance of the team has been good and high standards have continued to be achieved.

## **5 2023/24 Audit Plan - Progress and performance report to 31/05/23**

5.1 The Annual Audit Plan for 2023/24 was approved by the Audit Panel on 27 March 2023. Progress against the plan to 31 May 2023 is shown in Annex 2 of this report.

## **6 Corporate Objectives and Priorities**

6.1 The work of the Internal Audit Function supports the Council's four strategic aims for maintaining and improving quality of life in Test Valley, by ensuring that the Council makes the most of its available resources and transforms the way it works, to provide even better value for money and effective service delivery.

## **7 Consultations/Communications**

7.1 Management have been consulted and have agreed the scope of the audit reviews and the actions arising.

7.2 The Internal Audit Plan for 2023/24 involved full consultation with senior management and the Audit Committee.

## **8 Options**

8.1 In accordance with best professional practice, currently the Public Sector Internal Audit Standards, each year a plan is produced and internal audit resources allocated to the areas of the Council's activity which need to be reviewed during the year.

8.2 The Council has limited options in this matter as without this the Council is at risk of providing inadequate audit coverage on high-risk areas and no assurance on the control environment.

## **9 Risk Management**

9.1 The Annual Audit Plan 2023/24 has been based on the Council's risk registers and Internal Audit contributes towards the overall corporate governance framework of assurance.

## **10 Resource Implications**

10.1 The Audit Plan for 2022/23 was based on 3.0 full time equivalent auditors employed by Test Valley Borough Council.

## 11 Equality Issues

- 11.1 This report is for information purposes, so the Council's EQIA process does not need to be applied.

## 12 Conclusion

- 12.1 This report outlines the work undertaken by Internal Audit from 1 April 2022 to 31 March 2023 and the overall performance in delivery of the 2022/23 Audit Plan. It also provides progress on the 2023/24 Audit Plan to 31 May 2023.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report with the exception of Annex 3 does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2		
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