

Internal Audit Annual Report 2023/24 and Progress Report 2024/25

Report of the Internal Audit Manager (Portfolio: Finance and Resources)

Recommended:

1. That the Internal Audit Annual Report 2023/24, shown in Annex 1 to the report, which provides the assurance opinion at 31 March 2024 on the system of internal control and the conclusion that the Council employs an effective Internal Audit, be endorsed.
2. That the Internal Audit Progress report to 31 May 2024, 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 internal control environment and a summary of the audit work from which the opinion is derived for the financial year ending 31 March 2024.
- Internal Audit coverage, findings and performance for audit work undertaken in 2024/25 to 31 May 2024 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 2023/24 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). An external independent assessment of the internal audit function’s conformance with these standards was carried out in March 2024. 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 The assessment concluded that the relevant structures, policies, and procedures as well as the processes by which these are applied, comply with the requirements of the individual standard or Code of Ethics. The key matters arising from the assessment and good practice identified are summarised in section 6 of the Internal Audit Annual Report in Annex 1.

2.4 A series of specific recommendations were made in the report to reflect building on the existing strengths in relation to resources, competency, and delivery in order to enhance future services. This includes the development and consolidation of all aspects of the quality assurance processes into a single Quality Assurance Improvement Programme (QAIP) policy. This will be developed and brought to the next meeting of the Audit Committee together with a detailed development plan arising from the assessment and progress update on its implementation.

2.5 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/led by the Senior Auditor and the outcomes reported to the Head of Finance & Revenues.

4 Internal Audit Performance 2023/24:

4.1 The Internal Audit Annual Report (attached in Annex 1) summarises the work carried out by Internal Audit against the Audit Plan during the period 1 April 2023 up to and including 31 March 2024.

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 2024/25 Audit Plan - Progress and performance report to 31/05/24

5.1 The Annual Audit Plan for 2024/25 was approved by the Audit Committee on 18 March 2024. Progress against the plan to 31 May 2024 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 strategic aims for supporting our communities to thrive, 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 2024/25 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 2024/25 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 2024/25 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 2023 to 31 March 2024 and the overall performance in delivery of the 2023/24 Audit Plan. It also provides progress on the 2024/25 Audit Plan to 31 May 2024.

<u>Background Papers (Local Government Act 1972 Section 100D)</u> None			
<u>Confidentiality</u> It is considered that this report 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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File Ref:	N/A		
Report to:	Audit Committee	Date:	17 June 2024