



Test Valley Borough Council Annual Audit Report 2023/24

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Contents

1. Background
2. Annual Opinion for 2023/24
3. Risk Exceptions - Actions
4. Contingencies and Ongoing Activities
5. Public Sector Internal Audit Standards (PSIAS)
6. Quality Assurance (QAIP)

1. Background

Public Sector Internal Audit Standards

- 1.1** On 1st April 2013 the *Public Sector Internal Audit Standards (PSIAS, the Standards)* were formally adopted in respect of local government across the United Kingdom. The *PSIAS* apply to all internal audit providers, whether in-house, shared services or outsourced. The *PSIAS* were revised from 1st April 2016, to incorporate the *Mission of Internal Audit and Core Principles for the Professional Practice of internal Auditing*.
- 1.2** The *Accounts and Audit Regulations 2015 Section 5*, define the requirement for an internal audit function within local government, stating that:
- A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance*
- 1.3** The responsibility for maintaining an adequate and effective system of internal audit within Test Valley Borough Council lies with the Head of Finance & Revenues (Section 151 Officer).
- 1.4** The Internal Audit Manager is responsible for effectively managing the internal audit activity, in accordance with the definition of internal auditing, the *Code of Ethics* and the *Standards*.
- 1.5** In accordance with the *PSIAS* the definition of internal auditing is:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- 1.6** In addition the Internal Audit Manager will provide an Annual Internal Audit Opinion, based on an objective assessment of the Authority's framework of governance, risk management and control.
- 1.7** The Annual Internal Audit Opinion must incorporate:
- The Opinion.
 - A summary of the work that supports the Opinion; and
 - A statement on conformance with PSIAS and the results of the quality assurance and improvement programme.
- 1.8** An annual self-assessment is carried out, as part of PSIAS with an external assessment every 5 years. The assessment for 2023/24, an external assessment confirmed that Test Valley Borough Council's, Internal Audit Service is compliant with requirements.

Statement of Organisational Independence

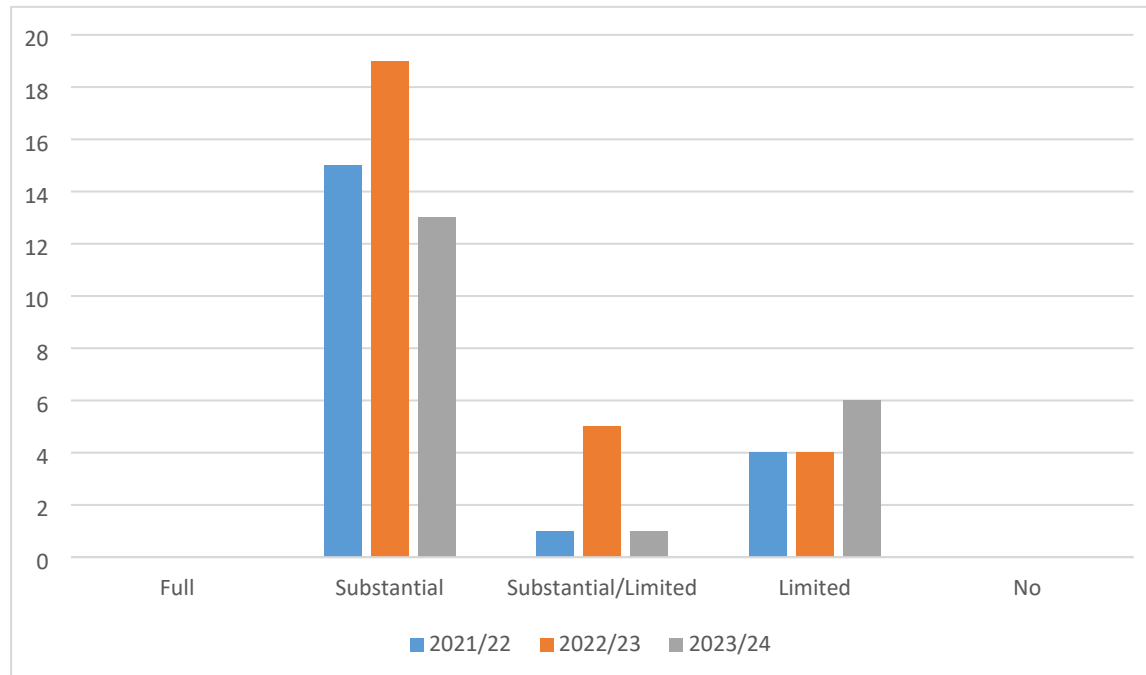
- 1.9** The Internal Audit Team has no operational responsibilities for any financial systems, including system development and installation. The Internal Audit Manager does however facilitate the Council's risk management arrangements and the team provides advice on control implementation and risk mitigation for major projects.
- 1.10** The Internal Audit Manager is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example, in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.
- 1.11** The Internal Audit Section has free and unfettered access to the Section 151 Officer, Chief Executive, Monitoring Officer, Leader of the Council, and the Chair of the Audit Committee.

2. Annual Opinion for 2023/24

- 2.1 Four audit opinion levels are used to measure the effectiveness of the control environment, these are: no assurance, limited assurance, substantial assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be substantial or full assurance. **Substantial Assurance** is provided for this year.

No Assurance	Limited Assurance	Substantial Assurance	Full Assurance
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- 2.2 During 2023-24 Internal Audit undertook 27 full audits including 2 follow up reviews. The results, as displayed in the table below show that, for those audits given an opinion there were no audited areas given a 'No Assurance' opinion. There were 7 audited areas given a 'Limited' or split "Limited/Substantial opinion" and 13 audits received a "Substantial" assurance opinion. As a whole 'Substantial Assurance' has been attributed indicating that the governance framework is effective. The previous 2 years are provided as an overall comparison but although the scope of core financial work remained the same some different service areas were reviewed.



- 2.3** Any significant corporate weaknesses and agreed actions are considered for inclusion in the Annual Governance Statement and reflected in its action plan. Where the impact of Internal Audit work may affect that year's work for External Audit i.e. where they consider there are weaknesses in control that could materially affect the accounts, they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.
- 2.4** The following table summarises the 2023/24 audits, their completion as at the end of the year and the assurance opinion assigned to each:

Audit Plan 2023/24 Summary:

	Audit Assignment:	Planned Days:	Progress/Completion as at 31/03/24:	Assurance Opinion:
	CORE AUDITS			
1.	Accounting	10	Complete. See Annex 2 Progress Report as at 31/05/24	Substantial
2.	Treasury Management	8	Complete. Reported to December Audit Committee.	Substantial
3.	Benefits	11	Complete. See Section 8 below.	Substantial/Limited
4.	Revenues System	10	Complete. Reported to September Audit Committee.	Substantial
5.	Income Collection	10	Complete. See Annex 2 Progress Report as at 31/05/24	Substantial
6.	Council Tax and NDR	15	Complete. See Section 8 below.	Substantial
7.	Creditors	10	Complete. See Annex 2 Progress Report as at 31/05/24	Substantial
8.	Debtors	10	Complete. See Annex 2 Progress Report as at 31/05/24	Limited
9.	Payroll	15	Complete. See Annex 2 Progress Report as at 31/05/24	Substantial
10.	Follow up 1	7	Complete. Reported to June Audit Committee	
11.	Follow up 2	7	Complete. Reported to December Audit Committee.	
	CORPORATE/CROSS SERVICE AUDITS			
12.	Procurement > £100k	10	Complete. Reported to September Audit Committee.	Limited
13.	Valley Housing	10	Complete. Reported to December Audit Committee.	Substantial
14.	Chantry Centre	10	Draft Report stage. Completed in 2024/25. See Annex 2 Progress Report as at 31/05/24	Limited
15.	Estate Management Contract	5	No report – Moved to Project Assurance	
16.	Corporate Governance	8	Complete. No report. Formed part of development of Annual Governance Statement.	
17.	Risk Management	10	Deferred to 2024/25 Annual Audit Plan	
18.	Grants	10	Deferred to 2014/25 Annual Audit Plan	
19.	Floats & End of Year	5	Complete. Reported to September Audit Committee.	Substantial

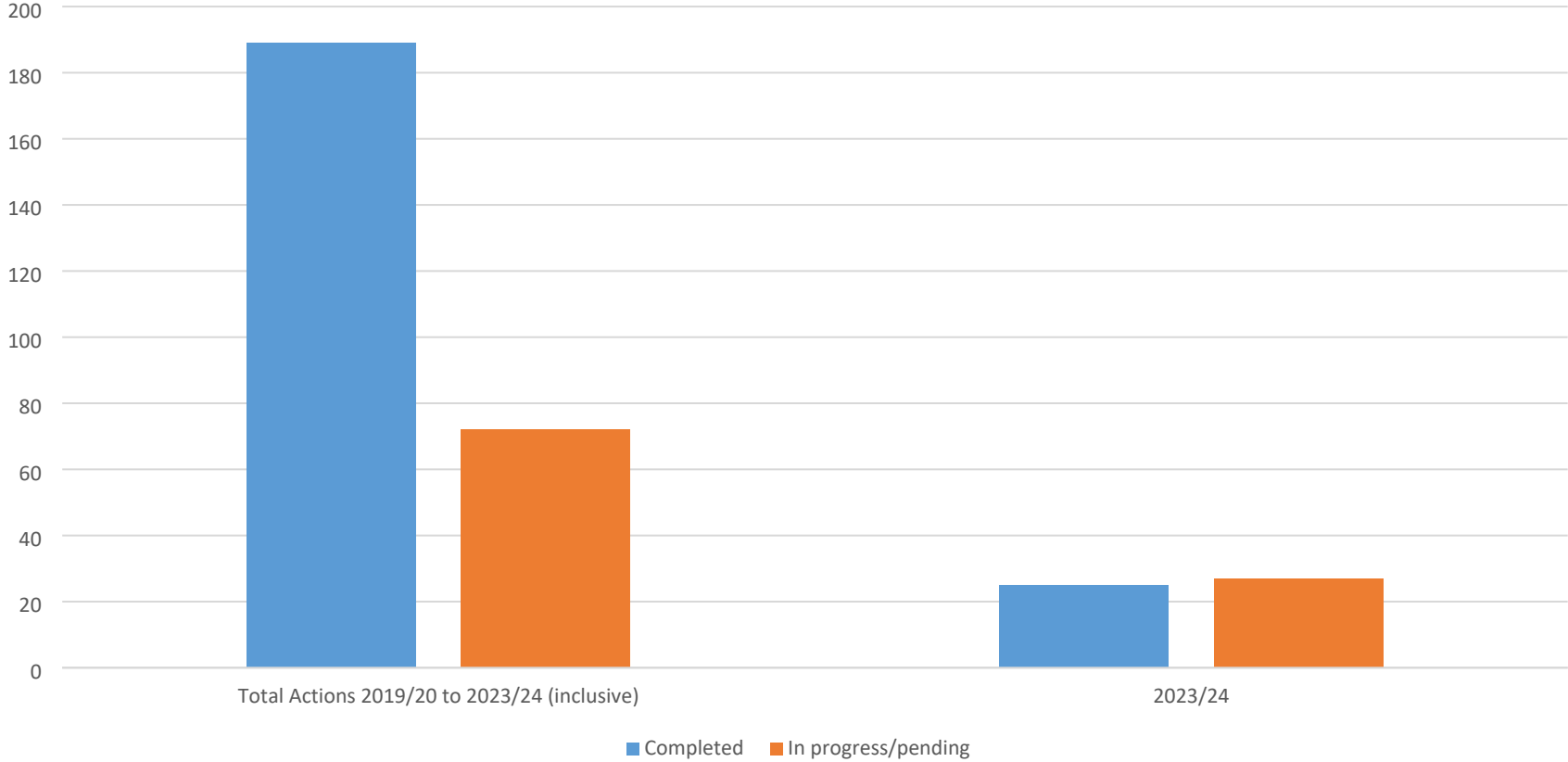
	Audit Assignment:	Planned Days:	Progress/Completion as at 31/03/24:	Assurance Opinion:
	IT AUDITS			
20.	IT Virtualisation (VMWare)	10	Complete. Reported to December Audit Committee.	Substantial
21.	Mobile Devices	10	Complete. Reported to December Audit Committee.	Limited
	SERVICE AUDITS			
	Building Maintenance	0	Reserve audit. Not undertaken. Included in 2024/25 Annual Audit Plan under "Procurement"	
	Food Safety	0	Reserve audit. Not undertaken. Included in 2024/25 Annual Audit Plan	
22.	Fuel Usage	8	Complete. Reported to December Audit Committee.	Limited
23.	CIL/S106	10	Complete. See Section 8 below.	Substantial
24.	Events and Public Hall Bookings	8	Complete. Reported to September Audit Committee.	Substantial
25.	Portway Business Park	10	Deferred to 2024/25 Annual Audit Plan	
26.	Housing Support Grants (S151)	15	Complete. Reported to December Audit Committee.	Substantial
27.	Community Grants (S151)		Complete. Reported to December Audit Committee.	Limited

3. Risk Exceptions - Actions

3.1 In terms of the number of actions which have reached or passed their original target date for implementation the position as at 31/03/24 is shown in the table below. The overall position for 2023/24 shows that 25 (48%) of actions raised during the year have been closed with 27 (52%) remaining open, pending and or are in progress. An analysis of the total live actions for 2023/24 and previous years shows 189 (72%) having been closed and 72 (28%) remaining open. This position will be monitored to continue to manage risk exposure effectively and retain the overall assurance opinion.

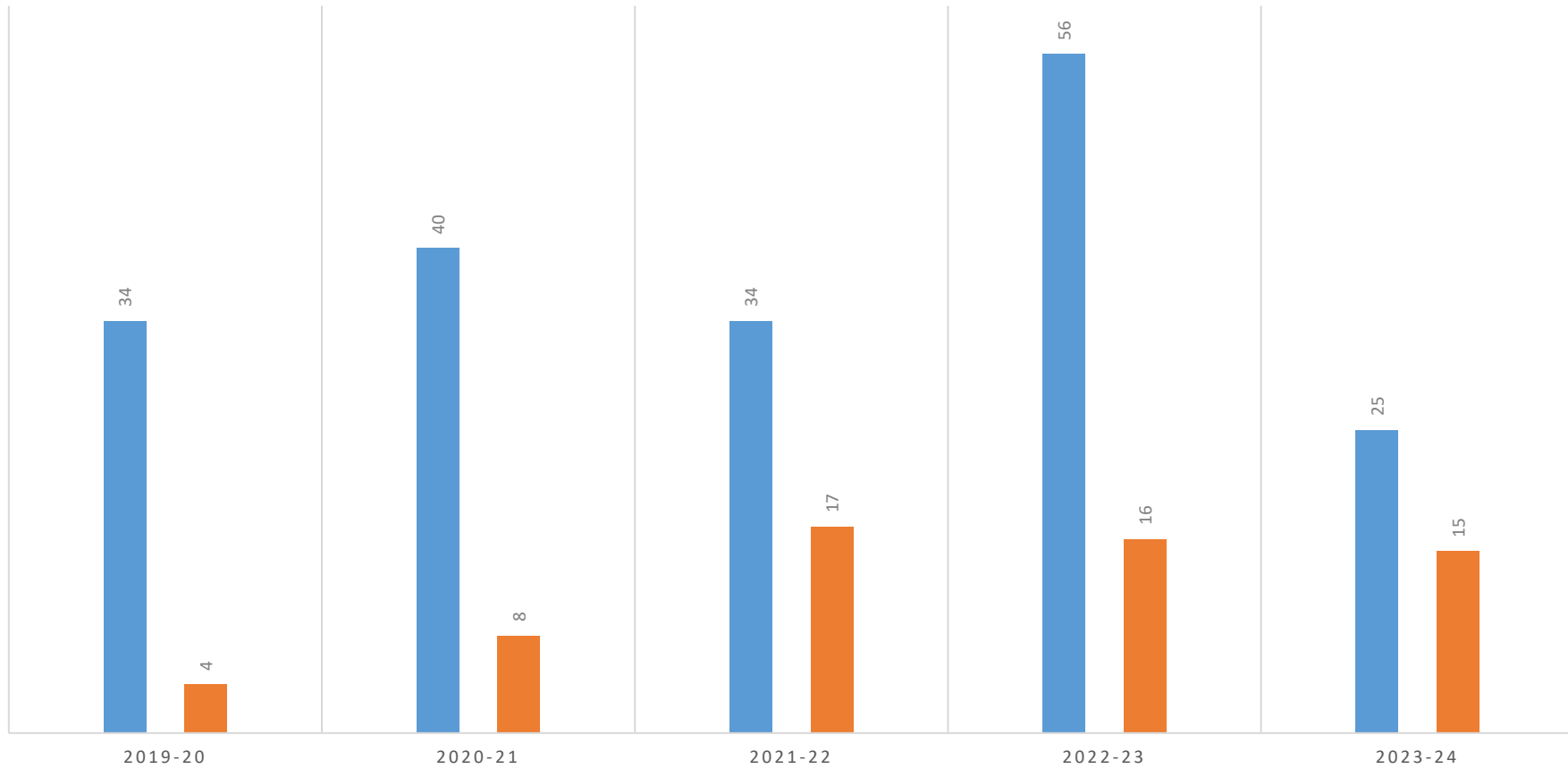
3.2 During 2023/24 Internal Audit carried out 2 six monthly follow-up reviews on all open risk exceptions. While progress implementing actions is maintained there are areas where actions are not fully implemented at the point of follow-up. Consequently, to ensure all actions are fully implemented, Internal Audit will continue the approach established in prior years, with 2 follow-ups reviews.

ACTIONS ARISING FROM AUDITS - IMPLEMENTED



RISK EXCEPTIONS - ACTIONS DUE FOR IMPLEMENTATION AS AT 31/03/24

■ Complete ■ In progress/pending



4. Contingencies and Ongoing Activities

- 4.1** The Audit Plan for 2023/24 included time spent on ongoing activities including advice and assurance on internal control processes and major projects and contingency provision for special investigations, specific S151 requests and other fraud awareness and reactive work.

Special Investigations

- 4.2** 1 special investigation was undertaken during 2023/24 relating to an officer's time recording which supported disciplinary action.

There have been no incidents of fraud and/or corruption to report as a result of special investigations.

S151 Requests

- 4.3** Two pieces of work were carried out during 2023/24 under the provision for requests from the S151 Officer, these included a probity review of Community Grants and post assurance review of Housing Support Grants issued.

Fraud Awareness and NFI

- 4.4** The Council does not have a dedicated Counter Fraud Team. Fraud checks are however incorporated into the individual audit reviews. The Council's Anti-Fraud and Corruption Policy was reviewed in 2023/24 and presented to the Audit Committee. Anti-fraud and Anti-bribery awareness training and promotion was continued during 2023/24. There were no allegations or concerns about fraudulent or corrupt activities raised during 2023/24.
- 4.5** Internal Audit facilitate the management and administration of the Council's participation in the National Fraud Initiative (NFI) which is a mandatory scheme run by the Cabinet Office in which multiple data sets are uploaded and analysed. The results are then presented back to the Council for investigation. NFI does not run-in financial years but spans a period of 18 months. Fair processing notices were publicised to ensure that TVBC customers are aware that their data may be used in the

matching exercise. Following the submission of the data for the 2022/23 National exercise the Cabinet Office published the first set of matches on 26th January 2023.

- 4.6 Internal Audit acts as the key contact for the NFI and has been involved in the data submissions process in compliance with the Code of Data Matching Practice and meeting the required deadlines. The Key Contact monitors progress with the relevant officers, provides advice and undertakes administrative duties regarding access to the NFI website.
- 4.7 The Council has taken a view to review as a minimum those matches identified as “high risk” a summary of which is shown in table 1 below. From those reviewed to date 23 errors have been found but no potential frauds. A potential saving of £89,943 has been identified to date where individuals have as a result been removed from the Housing Waiting list (at a cost saving of £4,283 per case, according to Home Office central calculations) and following the identification of duplicate invoices totalling £5,087 (which is being recovered).

Table 1: High Risk Matches:

2022/23:	Total High-Risk Matches identified	Total High-Risk Matches Processed	Total Matches	Total Matches Processed
Council Tax Reduction Scheme	16	16	231	16
Creditors (History & Standing)	0	0	13,319	1,340
Housing Benefit Claimants	18	17*	40	17
Housing Waiting List	63	63	85	85
Payroll	4	4	448	367
VAT & Procurement	0	0	32	32
Total	101	100	14,155	1,857

*One match relating to housing benefit claimants was released on 29/01/24

4.8 In addition to the above, Council Tax Single Person Discount data matching exercises are also undertaken annually. These match Council Tax and Electoral Registration information and highlight any household members reaching 18 years of age. The 2022/23 and 2023/24 matches were released on 03/02/2023 and 02/01/24 respectively. Due to resource challenges and some noted anomalies in the NFI reporting, a different approach is to be adopted for their review during the remainder of 2024/25. This will involve a full case review of all single person discounts as part of a wider timetabled review of all discounts and exemptions. Progress on this will be reported to a later meeting of the Audit Committee.

Advice and Assurance

4.9 Internal Audit have provided ad hoc advice and assurance across varying Council services on risk and control throughout 2023/24.

Project Assurance

4.10 Internal Audit provided a project assurance role on 6 projects during 2023/24. Those where more than 1 day was spent in total included:

- Andover and Romsey Town Centre Regeneration
- Elections System
- Waste Strategy (Environment Act)
- Bourne House Decarbonisation
- Internal Review
- Replacement BACS system

5. Public Sector Internal Audit Standards

5.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory for all local authorities as updated in 2017. They consist of:

- Mission of Internal Audit
- Definition of Internal Auditing
- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- Standards for the Professional Practice of Internal Auditing.

5.2 The PSIAS aim to promote further improvement in the professionalism, quality, and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent, and objective internal audit arrangements to provide the Audit Committee and Section 151 Officer with the assurances needed in both managing the financial affairs of the Council and producing the Annual Governance Statement.

5.3 *Standard 1310* requires that, as part of a quality assurance and improvement programme (QAIP) internal and external assessments (of conformance with the *PSIAS*) must be undertaken. *Standard 1311* allows for periodic self-assessments, which have been carried out each year and the results reported to the Audit Committee annually alongside the annual audit opinion.

5.4 *Standard 1312* requires that an external assessment must be conducted at least once every five years by a qualified, independent assessor from outside the organisation. An independent assessor means someone not having an actual or perceived conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs.

6. Quality Assurance (QAIP)

- 6.1** As part of the *Public Sector Internal Audit Standards* the Internal Audit Manager is required to maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. This QAIP must include both the internal and external assessments.
- 6.2** An independent external assessment was undertaken in March 2024 by an assessor appropriately qualified in the practice of internal auditing and experienced in carrying out these reviews. Independence for these reviews is critical to ensure an objective external assessment can demonstrate to the Audit Committee compliance with the PSIAS and provides an improvement plan to show recommendations and actions to close any gaps.
- 6.3** The resulting report confirms that Internal Audit is delivering a standard that “generally conforms” with the Public Sector Internal Audit Standards (PSIAS), provides the results of this assessment and demonstrates the continuing effectiveness of the internal audit function. “Generally Conforms” means that the evaluator has concluded that the relevant structures, policies and procedures as well as the processes by which they are applied, comply with the requirements of the individual standard or Code of Ethics. The key matters arising, and good practice identified is summarised below.
- 6.4** Key Matters arising from the review:
- Increasing use and integration of risk-based techniques with the risk appetite of the Council particularly in terms of planning at a strategic and engagement level would be mutually beneficial.
 - Enhancing the focus of individual audits by developing a clear alignment through working papers to concentrate on agreed management objectives, significant risks and relevant key controls that will support the content of the assurance provided in the final audit report.
 - Aligning audit assurance with accepted best practice codes within the sector such as CIPFA SOLACE and the CIPFA Financial Management Code.
- 6.5** Good Practice identified during the review
- An Internal Audit Charter setting out the role and responsibilities of Internal Audit guides the delivery and establishes the basis of the Internal Audit Manager’s Annual Opinion.

- A documented internal audit methodology and supporting templates that delivers a consistent service.
- Self-assessment identifies areas in which future development will be beneficial.
- Routine reporting includes reflection on the direction of travel regarding the assurance opinion and clearly informs clients and the Audit Committee regarding risk and further mitigating actions and therefore completion of the audit plan and follow up of control weaknesses.
- Customer satisfaction feedback provides assurance regarding performance which informs individual performance development and QAIP processes.

6.6 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. An area for development identified as part of the assessment is to consolidate all aspects of the quality assurance processes into a single QAIP policy. This will be developed and brought the next meeting of the Audit committee together with a detailed development plan and progress update on implementation.

6.7 The report concludes that the Council employs an effective internal audit to evaluate its risk management, control and governance processes that complies with the principles of the Public Sector Internal Audit Standards and has planned improvement activities to work towards continuing to ensure full compliance where appropriate.