

OPEN

## **Audit and Governance Committee**

**30 May 2024**

### **Internal Audit Update - Progress against Internal Audit Plan 2023-24**

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**Report of: David Brown, Director of Governance and Compliance  
(Monitoring Officer)**

**Report Reference No: AG/16/24-25**

**Ward(s) Affected: All**

#### **Purpose of Report**

- 1 The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between April 2023 and March 2024 and how this, along with work being completed during April 2024 will contribute to the Annual Internal Audit Opinion for 2023/24.

#### **Executive Summary**

- 2 The report details work undertaken by Internal Audit 2023/24 along with details of performance against the audit plan and other indicators. It also sets out work underway at the end of the period which will contribute to the Annual Internal Audit Opinion 2023/24, which the Committee will receive in July 2024.

#### **RECOMMENDATIONS**

The Audit and Governance Committee is recommended to:

1. Note and consider the contents of the Internal Audit Update Report 2023/24 (Appendix A).

#### **Background**

- 3 The Public Sector Internal Audit Standards (PSIAS) Local Government Application Note states that, “in addition to the annual report, the Chief Audit Executive should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report and hence support a ‘no surprises’ approach, as well as assist management in drafting the Annual Governance Statement”.
- 4 The interim report contains the following:
  - (a) a summary of the audit work carried out in 2023/24.
  - (b) A comparison of the work undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets.
  - (c) a summary of work that is currently ongoing along with work planned to be undertaken by the end of the financial year.
- 5 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council, via the Audit and Governance Committee, that these arrangements are in place and operating properly. The annual internal audit opinion informs the Annual Governance Statement. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the Council’s objectives.
- 6 A report summarising the work undertaken, the issues identified, and the actions required is produced for each review undertaken. The process of reviewing the report from draft to final ensures that the findings are confirmed to be factually accurate, and that the management actions will result in improvements to the control environment. Draft reports are agreed with the appropriate managers, and the Final reports are shared with the relevant member of the Corporate Leadership Team and the Chief Executive. The implementation of agreed actions is monitored through the follow up process, and performance in this area is reported regularly to the Risk and Assurance Board, the Corporate Leadership Team, and the Committee.
- 7 It should be noted that Internal Audit’s risk-based approach includes focussing on areas where issues are known or expected to exist. Clearly this approach adds value to the organisation, but, by its nature, may also result in lower overall assurance levels. Therefore, it is

important that the Internal Audit opinion is also informed by additional sources of assurance.

- 8 As such, it will be necessary to take account of external reports on the operation of the Council, and whilst the final internal opinion cannot be confirmed at this point, this sets a far more challenging context in which to provide an adequate opinion on the Council's arrangements for governance, risk management and internal control and some form of limitation on the opinion seems likely to be required.

### **Consultation and Engagement**

- 9 In addition to being provided to the relevant service management, individual assurance reports are shared with the relevant member of the Corporate Leadership Team and the Chief Executive. Progress against the internal audit plan, along with individual areas for escalation will be reported regularly to the Risk and Assurance Board.

### **Reasons for Recommendations**

- 10 The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Audit Executive (Head of Audit and Risk) to regularly report on emerging issues in respect of the whole range of areas to be covered in the annual report.
- 11 In order to meet this requirement, the Committee receives regular reports on Internal Audit's performance to support the effectiveness of the internal audit process.

### **Other Options Considered**

- 12 None applicable.

<b>Option</b>	<b>Impact</b>	<b>Risk</b>
Do nothing	Failure to provide Audit and Governance Committee with an update on the performance of Internal Audit.	Failure to comply with the Public Sector Internal Audit Standards.

### **Implications and Comments**

*Monitoring Officer/Legal*

- 13 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities "must undertake an

effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

- 14 The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.

#### *Section 151 Officer/Finance*

- 15 In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 16 The Internal Audit Plan 2023/24 was prepared, based on known resources, to cover the core areas of work required to deliver an annual audit opinion. Resource availability is subject to regular review as part of monitoring progress against the plan.
- 17 If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed, and reported to the Committee.

#### *Policy*

- 18 There are no direct implications for policy. The delivery of the internal audit plan provides assurance on the Council’s effectiveness in delivering aspects of the Corporate Plan and overall governance.

<b>An open and enabling organisation</b>	<b>A council which empowers and cares about people</b>	<b>A thriving and sustainable place</b>
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#### *Equality, Diversity and Inclusion*

- 19 There are no direct implications for equality.

#### *Human Resources*

- 20 There are no direct implications for human resources.

#### *Risk Management*

21 Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council’s ability to effectively and efficiently identify and manage its risks, with the implementation of recommended actions designed to deliver improvements in governance and the control environment.

*Rural Communities*

22 There are no direct implications for rural communities.

*Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

23 There are no direct implications for children and young people.

*Public Health*

There are no direct implications for public health.

*Climate Change*

24 There are no direct implications for climate change.

<b>Access to Information</b>	
Contact Officer:	Josie Griffiths, Head of Audit and Risk Email: <a href="mailto:Josie.griffiths@cheshireast.gov.uk">Josie.griffiths@cheshireast.gov.uk</a>
Appendices:	Appendix 1 – Internal Audit Update Report 2023/24
Background Papers:	N/A