

Internal Audit Annual Report 2022/2023

OFFICIAL

1. Executive Summary

Internal Audit Opinion on the Council's control environment

The Council's framework of risk management, control and governance is assessed as Adequate for 2022/23.

The Internal Audit work carried out this year provides reasonable assurance that the Council has in place a satisfactory framework of governance and internal control designed to meet the Council's objectives and that key controls are generally being applied consistently.

Where weaknesses in the design and inconsistent application of controls have been identified, it is pleasing to note the positive engagement with Management in agreeing recommendations. Action plans are in place to address all weaknesses identified during the year.

This opinion is based upon:

- the programme of internal audit reviews - including opinion-based work undertaken during the year
- assurance derived from the significant consultancy work undertaken throughout the year
- Management's response to advice and recommendations
- the process of reviewing the Council's annual governance statement
- and regular reports to Committees on the Council's Risk Management arrangements, including the Strategic Risk Register.

2. Background to the 2022/23 Annual Audit Opinion

- 2.1. The recovery from the impact of the Covid-19 pandemic, and the wider cost of living crisis has had a significant impact on the public sector as a whole. Local authorities are at the forefront of the response and though to a lesser degree than the previous years, there has been a continued need for flexibility of internal audit resource and approach to ensure we are responsive to new and changing demands on the organisation.
- 2.2. Throughout 2022/23, we have carefully monitored and reviewed the impact on the Internal Audit team resource to ensure sufficient assurance work could be undertaken to enable the annual opinion to be formed.
- 2.3. In common with the previous two years, and in line with guidance issued by CIPFA in December 2020, we have again seen an increase in a consultancy role for Internal Audit This allows interaction with services at the beginning of new developments and processes and provides the

OFFICIAL

- opportunity for Internal Audit to provide advice and guidance on risks and controls before systems and processes become established.
- 2.4. This 'up front' approach to assurance coupled with a continued focus on high-risk areas for assurance reviews has ensured that Internal Audit has targeted its resource at those areas where it can add the most value to the Council.
- 2.5. In common with all other public bodies, the Council continues to face increasing financial and service delivery challenges, the scale of which are illustrated within the Medium Term Financial Strategy approved at February 2023 Council.
- 2.6. The Council's 2022/23 audit plan, originally approved by Committee in March 2022, reflected the challenges through the areas selected for review and the changes made during the year to ensure resources were focused in the right areas.
- 2.7. In preparing, reviewing, and updating the plan during the year, the following were taken into account:
- Adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
 - Internal Audit's own risk assessment.
 - Cheshire East Council's Corporate Plan 2021-2025
 - Consultation with key stakeholders e.g. Corporate Leadership Team (CLT), Senior Management including Strategic Risk Owners/Managers, External Audit, Internal Audit staff, Cheshire West and Chester Internal Audit.
 - The impact of unplanned investigation work undertaken during the year.
- 2.8. Staffing resource for Internal Audit has again been limited during 2022/23 as a result of ongoing vacancies although this has been successfully mitigated through the use of an agency member of staff, and recruitment of a permanent Auditor role in the last quarter of 2022/23.
- 2.9. Despite these challenges, the team has delivered sufficient coverage against the plan, and to the appropriate standard, to enable an informed opinion to be provided on the control environment.

3. Context – Legislative Requirements and Standards

- 3.1. Local Government Internal Audit sections must comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) (2017) and the accompanying Local Government Application Note.

- 3.2. As set out in the PSIAS, the Council's Chief Audit Executive (Head of Audit and Risk) must provide an annual report to the Audit and Governance Committee - timed to support the Annual Governance Statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk, and control framework (i.e. the control environment)
 - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies), and
 - a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme (QAIP).
- 3.3. It should also include:
- disclosure of any qualifications to that opinion, together with the reasons for the qualification
 - disclosure of any impairments ('in fact or appearance') or restriction in scope
 - a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and target
 - any issues judged particularly relevant to the annual governance statement; and
 - progress against any improvement plans resulting from QAIP external assessment.

4. Opinion on the Control Environment

- 4.1. Internal Audit is required to form an annual opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance issues and control failures that have been identified.
- 4.2. In the context of the PSIAS, 'opinion' does not simply mean 'view', 'comment' or 'observation'. It means that internal audit has done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.
- 4.3. Assurances given by Internal Audit are never absolute. It is impossible to examine every activity and every transaction and, audit reviews are at a point in time. The most Internal Audit can provide is a reasonable assurance that there are no major weaknesses, or that the weaknesses identified have been highlighted, and improvement plans agreed with a timetable for implementation.

4.4. The opinion has been built around the following sources of assurance:

- Internal Audit Assurance Reports completed in accordance with the risk-based audit plan. Whilst this element of the opinion has reduced in previous years due to the increased focus on proactive consultancy and assurance work in the Covid response, we have increased the number and coverage of assurance reports overall by the end of the 2022/23 period.
- Grant sign off. This includes undertaking testing of expenditure to provide the required assurances to the grant funding body on the appropriate use of funds in line with the grant award criteria. In recognition of the amount of specific grant funding which has been made available to the Council during the last two years, the number of grants which have required sign off by the Head of Internal Audit or testing by the Internal Audit to support the sign off by the Chief Executive has significantly increased.
- Advice, guidance, and consultancy work. This has formed a significant part of the opinion and builds upon the positive outcome of the support previously provided to services in designing systems and processes for the delivery of the Council's response to the Covid-19 pandemic. Internal audit has supported various services in developing systems and procedures ensuring that appropriate and proportionate controls are included within the solution.
- Governance arrangements. Ensuring that the organisation has effective and proportionate arrangements for decision making across the whole organisation. Internal Audit has been represented on various groups and boards tasked with ensuring that decisions are taken in accordance with the Constitution, are in the best interests of the Council and are appropriately evidenced.
- Other sources of assurance such as external bodies and confidence in 'first and second lines of defence' arrangements.

4.5. It is important to reference the Report in the Public Interest that was issued to the Council by the former External Auditors, Grant Thornton. The report was issued on 17 January 2023 and was in relation to historic matters considered by Cheshire Police.

- 4.6. Full Council considered the report on 1 February 2023 and agreed the three recommended actions, one of which related to Internal Audit:

The Council should, as planned, return to the other specific matters investigated by Internal Audit (see paragraphs 4.2 and 5.6 of the public interest report), following the Core Fit issue, and determine if there are further actions to be taken particularly in light of this report

- 4.7. In response, Internal Audit completed a piece of assurance work in this area that was reported to Audit and Governance Committee on 8 June 2023. The report provided a Good Assurance opinion, and it was agreed that this area of operation would be subject to periodic review to ensure that the systems of control remain effective.
- 4.8. Following this completion of the actions arising from the Report in the Public Interest, Grant Thornton released the outstanding audit certificates for 2015/16, 2016/17 and 2017/18.
- 4.9. Despite the challenges highlighted above, we are satisfied that there has been appropriate engagement for Internal Audit across the organisation, through assurance work, consultancy and advice, and our understanding of the assurance we can take from other sources to assess the framework of risk management, control, and governance as Adequate for 2022/23.
- 4.10. There are no standard ratings for the annual opinion and the assessment of Adequate reflects the fact that the arrangements in place are deemed to be satisfactory, proportionate, and fit for purpose.
- 4.11. This is supported by the work undertaken by Internal Audit, responses, and engagement with management and that there were no issues arising from the findings of audits carried out in the 2022/23 audit plan that will require inclusion in the Annual Governance Statement.
- 4.12. Finally, it is pleasing to note the positive engagement that Internal Audit has received throughout the year across all services. This has been at all stages of the audit process from planning, to undertaking audit assignments, agreeing actions and supporting the follow up process.

5. Summary of Audit Work 2022/23

- 5.1. 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 organisation that these arrangements are in place and operating properly.

- 5.2. The provision of assurance is, therefore, the primary role for Internal Audit. This role requires the Chief Audit Executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 5.3. A risk based Internal Audit plan is produced each year to ensure that:
- the scale and breadth of audit activity is sufficient to allow Internal Audit to provide an independent and objective opinion to the Council on the control environment; and
 - audit activity focuses on areas where assurance is most needed i.e. risk based coverage.
- 5.4. In preparing the risk-based plan for 2022/23 Internal Audit consulted with CLT and the Audit and Governance Committee. They also considered:
- the adequacy and outcomes of the Council's risk management, performance management and other assurance processes.
 - their own risk assessment.
 - the Council's Corporate Plan 2021-25 and
 - discussion with key stakeholders including external audit, the internal audit team and the Cheshire West and Chester internal audit team in relation to shared services.
- 5.5. The plan was broadly split into two main areas:
- those audits that deliver an opinion report on the risks and controls of the area under review and will inform the Annual Internal Audit Opinion; and
 - work that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion.
- 5.6. The plan is reviewed and adjusted, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, and controls. Any significant changes are communicated to both CLT and the Audit and Governance Committee.
- 5.7. In line with the approach outlined in the Internal Audit plan our work focuses on areas of higher risk, or where concerns/issues have previously been identified. The recognition of these issues and management's role in implementing the agreed action plans demonstrates the value added and improvements in the control environment achieved by Internal Audit's role.
- 5.8. A summary comparison of the 2022/23 Audit Plan with actuals for the year is shown in Table 1 and a summary of the assurance work carried out in support of the Annual Internal Audit Opinion is shown in Table 2.

- 5.9. Table 3 provides updates details of audit reviews that commenced during 2022/23 but have been carried forward into 2023/24 along with the status of each piece of work. This demonstrates the fluidity of audit work and how assurance is built year on year.
- 5.10. Table 4 provides a breakdown of reports by assurance level with previous years figures as a comparison.
- 5.11. These assurance levels reported include a combination of opinions at a broad level for the Council as a whole and opinions on individual business processes or activities within a single department or location.
- 5.12. Management has responsibility for ensuring that the agreed actions for improvement are implemented. All actions from these audits have been agreed with management and progress on implementation will be monitored through agreed processes.
- 5.13. The issues arising from audit activity and the implementation of associated recommended actions are considered as part of the Annual Governance Statement process; there are no items arising from 2022/23 audit reports which warrant inclusion as new items in the Annual Governance Statement.
- 5.14. In all cases recommendations have been made and agreed with management. These are being progressed and when implemented will address the identified weaknesses and improve the control environment.
- 5.15. All recommendations are subject to follow up in accordance with normal Internal Audit practice and should this identify any concerns relating to the implementation of recommended actions this will be escalated.
- 5.16. Where significant weaknesses are identified detailed follow up audits will be undertaken to ensure that agreed actions have been implemented and that they are effective in mitigating the identified risks and issues.

Table 1: Summary comparison of Audit Plan 2022/23 and actuals

Area of Plan		Original Plan		Actuals (to 31/03/2022)		Comments on coverage
		Days	%	Days	%	
Chargeable Days		1274		1250		
Less: Corporate Work		152		159		
Available Audit Days:		1122	100%	1090	100%	
Corporate Governance and Risk		112	10%	107	9%	Broadly in line with plan
Anti-Fraud and Corruption	Proactive Work	45	4%	26	2%	Reduced to focus on other priority areas
	Reactive Investigations	45	4%	-	-%	
Corporate Services		393	35%	391	36%	Broadly in line with plan
Adults, Health and Integration		112	10%	119	11%	Broadly in line with plan
Children's Services		112	10%	71	7%	Reduced to focus on other priority areas
Place		90	8%	220	20%	Increased due to large pieces of work in this area (s106/CIL/Land Transactions)
Assurance to External Organisations		22	2%	18	2%	Broadly in line with plan
Advice & Guidance		79	7%	60	6%	Broadly in line with plan
Other Chargeable Work		112	10%	78	7%	Reduced to focus on other priority areas
Total Audit Days		1122	100%		100%	

OFFICIAL

Table 2: Summary of Assurance Reports 2022/23

Audit Report	Reason for Review	Audit Assurance Opinion	Report Status	Summary of Findings (Limited and No Assurance only)
Council Tax Billing Rec 23/24	Identified via Audit Plan	Good	Final	
NDR Billing Rec 23/24	Identified via Audit Plan	Good	Final	
NDR Wilmslow BID Billing Rec 23/23	To seek assurance that additional NDR billing was undertaken accurately	Good	Final	
Non-Domestic Rates Discounts and Eligibility	Identified via Audit Plan	Good	Draft	
Land Transactions	In response to Report in the Public Interest as agreed at Council	Good	Final	
Deprivation of Liberty Safeguards - detailed follow up	Identified via Audit Plan	Satisfactory	Final	
Journey First	At request of management to provide assurance on the operation	Satisfactory	Final	

OFFICIAL

	of this ESF funded project.			
Council Tax Discounts and Eligibility	Identified via Audit Plan	Satisfactory	Draft	
C&WLEP Local Assurance Framework	Identified via Audit Plan	Satisfactory	Draft	
Gifts and Hospitality - Members	Identified via Audit Plan	Limited	Final	The review concluded that improvements could be made to the process but acknowledged that the updated Code of Conduct would address most of the issues raised. Included in Q1/Q2 Update to Audit and Governance Committee
Gifts & Hospitality - Officers	Identified via Audit Plan	Limited	Final	The review identified the following areas for improvement: <ul style="list-style-type: none"> • Ensuring gifts and hospitality declarations are made annually • Ensuring declaration limits are in accordance with best practice
Declarations of Interest - Members	Identified via Audit Plan	Limited	Final	The review concluded that improvements could be made to the process but acknowledged that the updated Code of Conduct would address most of the issues raised. Included in Q1/Q2 Update to Audit and Governance Committee
Declaration of Interests - Officers	Identified via Audit Plan	Limited	Final	The review identified the following areas for improvement: <ul style="list-style-type: none"> • Ensuring declarations are consistently recorded and retained • Ensuring all employees make a declaration on an annual basis

OFFICIAL

Schools Consolidated Report 2021/22	Identified via Audit Plan	Limited	Final	The report identified common issues identified during the school audit programme to be shared with all schools
Community Infrastructure Levy	Identified via Audit Plan	Limited	Final	The review identified areas for improvement, including: <ul style="list-style-type: none"> • Ensuring CIL processes are fully documented • Ensuring periodic independent checks on CILs are carried out and documented • Ensuring CIL instalments and charging waivers are appropriate and in accordance with the relevant policies • Regular reporting on CIL activity to ensure strategic oversight and transparency
Management of Commissioned Services - Domiciliary Care Contract	Identified via Audit Plan	Limited	Draft	The review identified areas for improvement, including: <ul style="list-style-type: none"> • Ensuring the use of non-commissioned providers is reported on, • Satisfactory due diligence checks are carried out Appropriate rates are agreed • Ensuring contracts are monitored appropriately
Adult Mental Health Professional Standards	At request of management to seek assurance as to the level of compliance with the standards	Limited	Final	The review identified areas for improvement, including: <ul style="list-style-type: none"> • Ensuring the Service and all relevant policies and procedures are compliant with the AMPH Service Standards • Ensuring all AMHP meetings, forums, training and supervisions are formally and consistently documented
Safeguarding Children Partnership	At request of management to seek	Limited	Final	The review identified significant weaknesses in the governance of the Partnership, particularly in relation to budget setting, defining partner

OFFICIAL

	assurance as to the Partnership's governance arrangements			contributions and the recording and follow up of agreed actions.
ANSA – review of gritting arrangements	At request of management to seek assurance around the arrangements to manage gritting services	No Assurance	All actions agreed	<p>The review identified the following issues:</p> <ul style="list-style-type: none"> • Additional public highway gritting activities were undertaken without seeking advice or approval from the Council • Potential that this activity was not covered by the Council's insurers • Potential for challenge from Town and Parish Councils who have not received this service • Delays in initiating gritting activity due to not having access to real time information • Gritting records did not contain sufficiently detailed information <p>It was recommended that the additional gritting activities on public highways are not continued. Included in Q1/Q2 Update to Audit and Governance Committee</p>

Table 3: Internal Audit Assignments carried forward into 2023/24

Audit	Scope of Review	Status
Section 106	To review the effectiveness of the systems, processes, and controls in place to administer, monitor and report on Section 106 developer contributions.	Draft report agreed with management and responses being formulated prior to issue as final.

OFFICIAL

Unit 4 Key Financial Control Environment (joint work with CWAC)	To confirm that key financial controls have been built into the Unit 4 system and that they are contributing to mitigating the risk of fraud and/or error. It does not comment on the application or useability of the system which will be covered by planned work during 2023/24.	Draft report undergoing quality assurance checks across both Councils prior to being issued to management.
New Starters, Contractual Changes, and Leavers	To review the effectiveness of the processes and controls in place to manage starters, changes, and leavers via Unit4	Terms of reference being prepared
Debt Management and Recovery	To review the effectiveness of the processes and controls in place to identify, monitor and recover debt.	Terms of reference being prepared
Use of Agency Workers	To ensure that the use of agency workers is subject to approval and that they are subject to the same policies and procedures as CEC employees	Terms of reference have been issued and agreed. Field work is underway.
Accounts Payable – use of exception payments	To review the use of Exception Payment Forms for raising payments and to ensure that this is appropriate and in accordance with policies and procedures	Terms of reference issued and agreed. Field work is underway.
Schools Consolidated Report 2022/23	To identify common issues and control weaknesses identified via the school audit programme	To be drafted upon issue of all school reports

Table 4: Summary of reports by assurance level

Assurance Level	Audit Reports 2022/23		Audit Reports 2021/22		Audit Reports 2020/21	
Good	5	26%	2	13%	6	46%
Satisfactory	4	21%	4	27%	4	31%
Limited	8	42%	8	53%	3	23%
None	2	11%	1	7%	0	0%
Total	19		15		13	

OFFICIAL

- 5.17. These assurance levels reported include a combination of opinions at a broad level for the Council as a whole and opinions on individual business processes or activities within a single department or location.
- 5.18. Management has responsibility for ensuring that the agreed actions for improvement are implemented. All actions from these audits have been agreed with management and progress on implementation will be monitored through agreed processes.
- 5.19. The issues arising from audit activity and the implementation of associated recommended actions are considered as part of the Annual Governance Statement process; there are no items arising from 2022/23 audit reports which warrant inclusion as new items in the Annual Governance Statement.
- 5.20. In all cases recommendations have been made and agreed with management. These are being progressed and when implemented will address the identified weaknesses and improve the control environment.
- 5.21. All recommendations are subject to follow up in accordance with normal Internal Audit practice and should this identify any concerns relating to the implementation of recommended actions this will be escalated.
- 5.22. Where significant weaknesses are identified detailed follow up audits will be undertaken to ensure that agreed actions have been implemented and that they are effective in mitigating the identified risks and issues.

6. Consultancy and Advice

- 6.1. During the year, Internal Audit has continued to support management with the provision of advice - at the specific request of management. The nature and scope of these engagements are generally aimed at improving governance, risk management and control and contribute to the overall audit opinion as well as building good relationships across the Council.
- 6.2. Advice and guidance was provided on matters such as:
- The response to suspected scams and attempted frauds. This included assisting the services in assessing the effectiveness of their controls in identifying and preventing the frauds and whether additional controls were required.
 - The design and application of controls in new/proposed systems. Examples include support to the Adult Social Care Reform trailblazer programme until it was paused by government, and membership of the UK Shared Prosperity Fund programme board.

- Interpretation of Finance and Contract Procedure Rules across various services to ensure compliance.
- 6.3. By providing this service, internal audit can ensure that processes are supported by appropriate controls to mitigate identified risks associated with the particular activity at the outset of change or development, providing far more valuable input to the service and wider control environment overall.

7. Schools

- 7.1. The Department for Education requires the Council's Section 151 Officer to sign off an Annual Assurance Statement. That statement confirms:
- the number of School's Financial Value Standard (SFVS) self-assessment returns received; and
 - that an appropriate audit programme is in place to provide adequate assurance over the standard of financial management, and the regularity and propriety of spending in schools.
- 7.2. The School's Audit Programme for 2022/23 was agreed by both the Director of Finance and Customer Services (Section 151 Officer) and the Director of Education & 14-19 Skills.
- 7.3. In recent years, thematic reviews have been undertaken at schools targeting specific areas of the SFVS. For 2022/23, it was agreed that Internal Audit would undertake a thematic review of procurement, including the use of purchase cards, and HR arrangements including payroll. The review covered the use of the Unit4 system but not the controls contained within it as they were subject to separate audits.
- 7.4. The work was completed during quarter 4 of the year and into quarter 1 of 2023/24 to enable the review to consider up to date activities. This also provided assurance to the Section 151 Officer and facilitated the signing of the Annual Assurance Statement in May 2023.
- 7.5. Individual reports are produced and issued to schools detailing any areas of weakness identified and any actions required to address these weaknesses and improve the control environment. School reports include an assurance opinion on the arrangements, in line with other audit reports.
- 7.6. Consolidated findings and recommended actions and improvements are shared with all maintained schools through the "Schools Bulletin" and the "Director's Report".

- 7.7. Findings from all areas inform a consolidated schools report which provides assurance to the Director of Finance and Customer Services (Section 151 Officer) and the Director of Education & 14-19 Skills.

Table 5: Summary of reports by assurance level

Assurance Level	School Audit Reports 2022/23
Good	0
Satisfactory	2
Limited	7
None	0
Total	0

- 7.8. The timing of the reviews has resulted in a delay in the production of the consolidated report which draws together the common findings from the audit work. This will be produced and issued during 2023/24.
- 7.9. Common issues identified include timeliness of sickness absence recording, lack of consistency in raising of purchase orders resulting in duplicate payments being made, and failure to comply with purchase card review and approval procedures.
- 7.10. In addition to the completion of the School's Audit Programme as detailed above, Internal Audit provide input to the Vulnerable Schools Group which is responsible for categorising all Cheshire East schools at the start of each academic year to identify the type and level of support required from the Council during the forthcoming year; the group meets regularly to review progress and address any emerging issues.
- 7.11. Involvement with this group facilitates the early identification of risks and issues that require input or consideration for inclusion in future years audit programmes.

8. Other work undertaken by Internal Audit

- 8.1. Since 2013, Cheshire East Council has been the host authority for the PATROL (Parking and Traffic Regulations Outside London) Adjudication Joint Committee and Bus Lane Adjudication Joint Committee, and as part of this, we provide an Internal Audit service.
- 8.2. The outcome of the internal audit work is reported to the PATROL Committees directly and does not inform the annual internal audit opinion for Cheshire East Council.

9. Supporting Corporate Governance

OFFICIAL

- 9.1. In accordance with the Accounts and Audit Regulations the Council is required to conduct a review at least once a year of the effectiveness of its governance arrangements and publish an Annual Governance Statement (AGS).
- 9.2. The Statement explains how the Council makes decisions, manages its resources, and promotes its values and high standards of conduct and behaviour. This is an opportunity to reflect clearly and openly on where the Council has, and in some cases, hasn't reached the standards it sets for itself.
- 9.3. Any significant issues that are assessed as falling short of the Council's expected high standards are reported in the AGS. No new areas for inclusion within the AGS have arisen from the work of Internal Audit during 2022/23.
- 9.4. Issues recognised in the Annual Governance Statements are monitored by the appropriate responsible officers and escalated, as necessary, to the Corporate Leadership Team, Audit and Governance Committee and/or Cabinet. Internal Audit actively supports the monitoring of actions to ensure that effective improvements and mitigating actions are implemented.
- 9.5. Internal Audit has assisted Management in the production of the Council's AGS for 2022/23 by:
- Coordinating assurance exercises to inform the AGS
 - Co-production of the draft AGS
 - Contribution to and production of Audit & Governance Committee reports which inform the AGS
 - Representation on and contribution to the Information Governance Group, to advise on control and governance issues in relation to information governance and data handling.
- 9.6. Audit and Governance Committee approved the Final Annual Governance Statement 2020/21 at their January 2022 meeting. This was delayed due to a national issue around the valuation of infrastructure assets that prevented the external auditors from completing their audit of the 2020/21 financial statements.
- 9.7. The 2022/23 Draft Statement will be considered by the Audit and Governance Committee at its July 2023 meeting, with the final AGS scheduled to be presented for approval at a future meeting.

OFFICIAL

10. Risk Management

- 10.1. The Committee received the Annual Risk Management Report 2022/23 at their July meeting and received updates on the Council's Risk Management arrangements through the year.
- 10.2. The Annual Risk Management report advised the Committee on the effectiveness of arrangements during 2022/23 and recognises the continuing development of efforts to ensure that risks are recognised, recorded and mitigated to support the effective achievements of the organisation's objectives.
- 10.3. During 2022/23, the Corporate Policy Committee received quarterly updates on the Council's Strategic Risk Register, alongside reports on the financial position of the organisation, and the performance management. The co-ordinated delivery of these updates provides a detailed overall commentary to the Committee. The risk update reports also include the identification of emerging risks and horizon scanning across global and local risk updates to provide useful context and background to the Council's register.
- 10.4. The completion of risk registers is undertaken as part of preparing service plans for 2023/24. These are being collated and the risk registers will be analysed to identify any trends, potential for compound/concurrent threats to be understood and to share ideas and practices within the organisation in terms of risk management and mitigation activity.
- 10.5. To maintain the independence of the Head of Audit and Risk Management, assurance arrangements for reviewing risk management will have to be undertaken via alternative means. These arrangements have been detailed in the Internal Audit Charter and apply to other areas of business for which the Head of Audit and Risk has operational responsibility.

11. Counter Fraud and Investigations

- 11.1. Internal Audit has continued to keep abreast of the latest fraud threats, and where appropriate coordinated awareness raising via the Council's social media streams.
- 11.2. Internal Audit has coordinated the Council's participation in the biennial National Fraud Initiative (NFI) exercise and ensured that services have uploaded the required data sets in accordance with deadlines. Matches were received in January 2023 and services are being supported to investigate matches and record the results on the NFI website.

OFFICIAL

11.3. There have been no reported instances of fraud brought to the attention of IA by management during 22/23.

12. Statutory Returns/Grant Claims

12.1. Internal Audit is often required to certify statutory returns and grant claims. This may be related to funding provisos or similar. In most cases the work required is either an audit or an assurance statement on a specific programme/project.

12.2. During 2022/23 this has included work on the following grants which were signed off and submitted to the appropriate central government department:

Table 6: Grant certifications during 2022/23

Grant Certified	Funding Body	Amount
Family Focus (year to date)	DLUHC	£280,000.00
CWLEP Growth Hub Grant	BEIS	£462,000.00
CWLEP Peer Network Grant	BEIS	£150,000.00
Bus Service Operators Grant	DfT	£347,865.00
Local Transport Capital Block Funding	DfT	£15,051,000.00
Protect and Vaccinate (Covid)	DLUHC	£81,005.00
Disabled Facilities Grant	DLUHC	£2,342,241.00
Energy Efficiency – Green Homes (Phase 1)	BEIS	£2,135,885.00
Energy Efficiency – Green Homes (Phase 2)	BEIS	£1,523,750.00
Contain Outbreak Management (COVID)	DHSC	£11,195,670.48
Test and Trace Service Support (COVID)	DHSC	£1,533,331.15
Self-Isolation Support Payment (COVID)	DHSC	£2,213,620.60
COVID-19 Bus Service Support Grant	DFT	£1,219,984.52
Additional Drug Treatment Crime and Harm Reduction	PHE	£241,000.00
Biodiversity Net Gain	DEFRA	£43,467.00
Total		£38,820,819.75

12.3. It should be noted that the level of work required to complete the sign-off is not always proportionate to the value of the grant. Table 1 only shows the grants which have required certification by the HoIA directly, or where the work was requested by Chief Exec or S151 to inform their sign off. It is not the value of all grants received by the organisation in 22/23.

12.4. Internal Audit has coordinated a grant register that details the nature of each grant and any reporting and sign off details. Lead officers have been identified for each of the grants and work undertaken to ensure that all

returns have been completed within deadlines. Work is continuing in this area to ensure that the Council is aware of all requirements and deadlines associated with the many grants that it receives and administers.

13. Implementation of Audit Recommendations

- 13.1. Throughout 2022/23, Internal Audit has continued to carry out a range of follow up exercises to ensure that agreed recommendations are implemented.
- 13.2. Follow up activity is done in a number of different ways. Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee:
- Major pieces of audit work, such as the AGS have detailed action plans which are monitored and reported separately to the Committee
 - Investigations – follow up work is usually dependent on both the nature of the investigation and any recommendations made e.g., a follow up audit may be done at the request of management; and
 - Formal assurance audits – whilst management are responsible for ensuring that their agreed actions are implemented, they are asked to confirm that this is the case for medium level actions and evidence is sought for high level ones. Follow up audits may be completed at the request of management or where the nature of the actions requires additional assurance that they have been implemented.
- 13.3. However, whilst Internal Audit support the implementation of actions by undertaking a follow up process, management are ultimately responsible for implementing the actions assigned to them within the deadlines that they have agreed.

Table 7: Implementation of Agreed Recommendations

On time	After the agreed date	Total implemented	In progress, or overdue	Agreed actions subsequently not implemented
2020/21				
100%	0%	100%	0%	0%
2021/22				
100%	0%	100%	0%	0%
2022/23				
100%	0%	100%	0%	0%

- 13.4. A Total of 73 audit recommendations were raised and agreed during 2022/23. Of these, all that have fallen due have been implemented.
- 13.5. These high implementation figures over several years have been achieved through significant effort by the Internal Audit team in carrying out follow ups with managers along with support from senior managers in raising the profile of audit actions.
- 13.6. In agreeing implementation dates, managers are encouraged to be realistic with regards to when actions can be completed whilst ensuring that issues are addressed in a timely manner.
- 13.7. It is therefore pleasing to report that during 2022/23 senior management have continued to support Internal Audit by challenging their service managers around implementation of actions, particularly during the challenges of the previous years
- 13.8. The timely implementation of audit recommendations is a good indicator of both the effectiveness of Internal Audit in securing action and the Council's commitment and capacity to improve.

14. Reliance placed on the work of other assurance bodies

- 14.1. Internal Audit place assurance on the work of the Council's external auditors, OFSTED, and other external bodies, where appropriate.
- 14.2. Although internal audit has continued to work closely with external audit colleagues, reliance on other external bodies has been limited when forming the annual opinion for 2022/23

15. Quality Assurance and Improvement Programme (QAIP)

- 15.1. The purpose of Internal Audit's QAIP is to define the practical arrangements in place to provide reasonable assurance to stakeholders that the activity of the Internal Audit section:
 - Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics
 - Operates in an effective and efficient manner
 - Is perceived by stakeholders as adding value and improving Internal Audit's operations.

15.2. Performance against the QAIP is undertaken through ongoing and periodic reviews and includes a series of performance indicators which are detailed below.

Table 8: Performance Indicators

Performance Indicator	2022/23 Actual	2021/22 Target	2021/22 Actual
Percentage of Audits completed to user satisfaction	96%	92%	95%
Percentage of significant recommendations agreed	100%	90%	100%
Chargeable Time (Assurance Work)	87%	80%	78%
Draft report produced promptly (per Client Satisfaction Questionnaire)	95%	95%	90%

15.3. The periodic review of performance for 2022/23 has confirmed that internal audit continues to operate in compliance with the QAIP.

15.4. In undertaking the review, the following two area was identified as requiring further work during 2023/24 to ensure continued compliance:

- Audit Manual – although reviewed and updated to ensure compliance with the PSIAS, a further update will be required to recognise changes to practice within the team and to ensure that it remains a useful tool.

16. Compliance with the Public Sector Internal Audit Standards (PSIAS)

16.1. Regulation 6 of the Accounts and Audit Regulations 2015 requires relevant bodies to conduct an annual review of the effectiveness of its internal audit and for a committee of the body to consider the findings. This review is carried out by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS) The PSIAS require Internal Audit to have in place a quality assurance and improvement programme which must include both internal and external assessments.

16.2. A self-assessment against the Standards is currently underway to ensure that Internal Audit complies fully with the Standards and details of this review will be reported to a future meeting of the Committee as part of the regular Internal Audit update report.

16.3. In addition, the external assessment of compliance with the Standards which is required every 5 years will be completed before the end of 2023. The outcome of this review will also be reported back to Committee.