

Internal Audit Annual Report & Opinion 2022-23

Audit & Scrutiny Committee – Tuesday 26 September 2023

Report of: Neil Pitman – Head of Southern Internal Audit Partnership
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Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary:

The purpose of this paper is to provide the Audit & Scrutiny Committee with the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the financial year 2022/23.

This report supports the Council's priority of: Building a better Council

Contact officer Mark Hak-Sanders - Chief Finance Officer (Section 151)
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Recommendation to Committee:

That the Committee notes the Internal Audit Annual Report & Opinion 2022/23

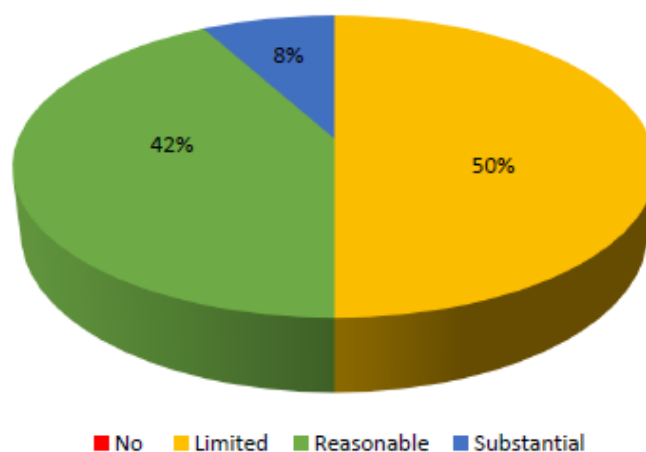
Reason for recommendation:

In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the framework of governance, risk and control and to assist in producing the Annual Governance Statement.

Introduction and background

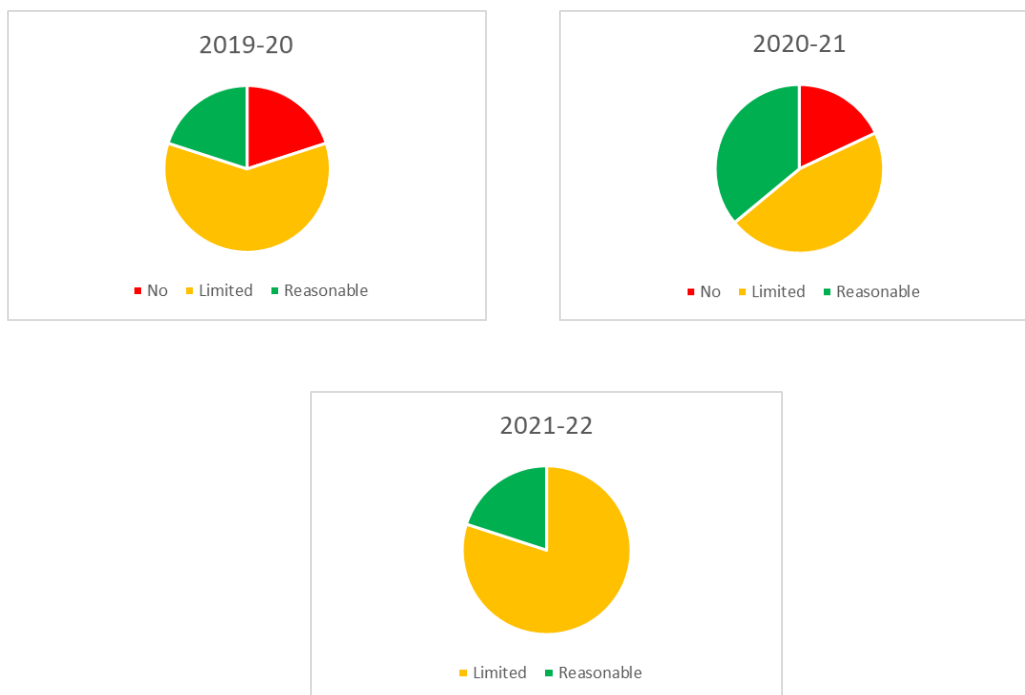
- 1 The Annual Report for 2022/23 (attached at Appendix A) provides the Chief Internal Auditor's opinion on the effectiveness of the framework of governance, risk and control and summarises audit work from which that opinion is derived for the year 2022/23.
- 2 The Audit & Scrutiny Committee's attention is drawn to the following points:
 - Internal audit was compliant with the Public Sector Internal Audit Standards during 2022/23;
 - The internal audit plan for 2022/23 has been substantially delivered; and
 - The Council's framework of governance, risk management and management control are considered to be 'Limited'.
- 3 Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, corrective actions and a timescale for improvement were agreed with the responsible managers.
- 4 It is positive to note that whilst our annual assurance opinion on the Council's framework of governance, risk and control over the last three years has been limited the direction of travel has demonstrably improved which is evident in the assurance outcomes at an individual audit assignment level (see graphical representation below). This positive trajectory has continued from outcomes of our 2022-23 work.

2022/23:



**None of our audit reviews culminated in a 'No Assurance' opinion*

Prior Years:



Key implications

Comments of the Chief Finance Officer

The Annual Report & Opinion provides the Council an important insight into areas of risk for the Council where its key processes are not functioning effectively, and their improvement must be prioritised.

For the 'Limited Assurance' audits, in most cases the Council was aware of the need to rapidly improve and has already put in place action plans to do so. Although it is disappointing that the overall assurance opinion remains 'Limited', it is reassuring to note that the number of 'Limited' opinion audits has reduced to 50% (from 80% in 2021/22) and for the second year running there are no 'No Assurance' audits.

Improvement so far has necessarily been targeted in key areas, particularly including (but not limited to) Accounts Payable, Accounts Receivable and Savings Realisation and must now turn to wider aspects of governance. A recently launched Management Restructure consultation will make absolutely clear the accountability for these areas and where possible increase the capacity to focus on them. However, the Council is operating with significantly less resource following the delivery of £5.4m of unavoidable savings over a 3-year period, and so is forced to prioritise and make difficult choices on where to focus attention.

Officers will update Audit & Scrutiny Committee on progress in addressing management actions through established mechanisms.

Comments of the Head of Legal Services

There are no direct legal implications of the report. The Accounts and Audit Regulations (England) 2015 require that the findings of the audit review be considered by Council or one of its committees. The Audit and Scrutiny Committee is the designated committee for this purpose.

The Council has set out in the annual governance statement how it plans to address any areas for improvement.

Equality

There are no equality implications associated within this report.

Climate change

There are no environmental / sustainability implications associated with this report.

Appendices

Appendix 'A' – Internal Audit Annual Report & Opinion 2022/23

Background papers

None.