

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

22nd September 2021

Internal Audit Consortium Annual Report 2020/21

Report of the Internal Audit Consortium Manager

Classification: This report is public

Report By: Internal Audit Consortium Manager

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PURPOSE / SUMMARY

The purpose of this report is to: -

- Present a summary of the internal audit work undertaken during 2020/21 from which the opinion on the internal control environment is derived.
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement.
- Compare work undertaken with that which was planned and summarise performance.
- Comment on compliance with the Public Sector Internal Audit Standards (PSIAS).
- Comment on the results of the internal quality assurance programme.
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter.

RECOMMENDATION

1. That the Internal Audit Consortium Annual Report for 2020/21 be accepted.

Approved by the Portfolio Holder – Councillor Paul Parkin

IMPLICATIONS

Finance and Risk: Yes No

Details:

Internal audit reviews help to ensure that processes and controls are operating effectively thereby contributing to ensuring that value for money is obtained. Regular audit reviews help to ensure that risk is managed appropriately. Internal audit makes recommendations to reduce the level of risk and improve the control environment.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account the Public Sector Internal Audit Standards or guidance”.

On Behalf of the Solicitor to the Council

Staffing: Yes No

Details:

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On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p>BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input checked="" type="checkbox"/></p> <p>NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> Please indicate which threshold applies</p>	No

Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details: Ward Members

Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.
Audit reviews help to ensure that the council's resources and priorities are focused on achieving the objectives within the Council Plan.

REPORT DETAILS

1 Background

- 1.1 The Public Sector Internal Audit Standards require that the Internal Audit Consortium Manager deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

2. Details

IMPACT OF COVID 19

- 2.1 The advent of COVID- 19 has unsurprisingly had an impact on the extent of completion of the 2020/21 internal audit plan however, enough of the internal audit plan (along with reliance on other assurances) has been completed to be able to give an unlimited audit opinion in respect of the 2020/21 financial year.

SUMMARY OF WORK UNDERTAKEN

- 2.2 Appendix 1 details the audit reports issued in respect of audits included in the 2020/21 internal audit plan. The appendix shows for each report the overall assurance level provided on the reliability of the internal controls and the assurance level given at the last audit. The report opinions can be summarised as follows:

Assurance Level	2019/20 Number	2019/20 %	2020/21 Number	2020/21 %

Substantial	14	58	13	68
Reasonable	10	42	6	32
Limited	0	0	0	0
Inadequate	0	0	0	0
Total	24	100	19	100

2.3 A definition of the above assurance levels is shown in Appendix 1.

2.4 No fraud was identified.

2.5 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2020/21		2021/22
	Plan	Actual	Plan
Cost per Audit Day	£294	£284	£306
Percentage of Plan Completed	75%	73%	75% *
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	0.00	8.0
Customer Satisfaction Score	85%	97%	85%
To issue internal audit reports within 10 days of the close out meeting	90%	100%	90%
Number/proportion of audits completed within time allocation	80%	Not measured	80%
Quarterly reporting to Audit and Corporate Governance Scrutiny Committee	100%	100%	100%

* Although the usual target is 96%, this will not be achievable given the continued impact of COVID-19.

19/26 audits have been completed = 73%. However, work on the 2020/21 plan was completed later than usual and that will have an impact on the completion of the 2021/22 plan.

It should be noted that an additional audit was also undertaken in respect of reviewing the processes in place for the payment of COVID – 19 business grants.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

- 2.6 The Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 2.7 Although COVID-19 has meant that less internal audit work has been undertaken than usual during the year, in my opinion, sufficient work has been completed and assurances ascertained to be able to provide an unlimited opinion on the systems of governance, risk management and control in place.
- 2.8 As well as internal audit work assurance has also been gained from previous years' work, the work of the Risk Management Group, PSN compliance, external audit and compliance with the Code of Corporate Governance.
- 2.9 In my opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the council's framework for governance, risk management and control for the year ended 2020/21.
- 2.10 Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are some areas where improvements are required.
- 2.11 Overall, 100% of the areas audited received Substantial or Reasonable Assurance demonstrating that there are effective systems of governance, risk management and control in place.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 2.12 There are no issues directly arising from internal audit work that need to be included as significant issues on the Annual Governance Statement.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 2.13 The Internal Audit Plan for 2020/2021 was considered and approved by the Strategic Alliance Management Team. Due to COVID-19 and the cancellation of the Audit and Corporate Governance Scrutiny Committee meetings the plan was not formally approved by members. 19/26 audits have now been completed. In respect of the remaining audits the majority of these have been scheduled into the 2021/22 Internal Audit Plan. Appendix 2 details the audits completed and those deferred.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

- 2.14 During 2020/21 a self- assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non- compliance.
- 2.15 An external review of internal audit took place in May 2021 the results of which conclude “Current services are assessed to “generally conform” with the PSIAS and compare favourably with peers, there are no areas where the service does not comply with the Standards”.
- 2.16 An improvement spreadsheet is utilised to identify further areas for improvement. This spreadsheet is discussed at team meetings and actions agreed accordingly. An action plan will be developed from the points arising in the 2021 external review and will be used to further drive improvement.
- 2.17 It can be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Head of Finance but has a direct and unrestricted access to the Strategic Alliance Management Team and the Audit and Corporate Governance Scrutiny Committee.
- 2.18 Quality control procedures have been established within the internal audit consortium as follows:
- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.
 - Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
 - Client Officer Views – A survey form has been issued to the client officer seeking their views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.

- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit Manual has been updated to reflect the requirements of the standards and issued to all staff. The audit manual was reviewed and updated in May 2020.

2.19 The above quality control procedures have ensured conformance with the PSIAS.

2.20 Based on the customer satisfaction survey forms returned, the average score was 97% for customer satisfaction during 2020/21 (2019/20 result 94%).

2.21 The results of the Client Officer survey for North East Derbyshire were a score of 100% (a score of 35/35 over 7 questions).

3 Reasons for Recommendation

3.1 To present to Members the annual report for the Internal Audit Consortium in respect of North East Derbyshire District Council for 2020/21.

3.2 To ensure compliance with the Public Sector Internal Audit Standards.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable

DOCUMENT INFORMATION

Appendix No	Title
Appendix 1	Internal Audit Reports Issued 2020/21
Appendix 2	Comparison of Planned Work to Work Completed 2020/21
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Click here to enter text.	