

**North East Derbyshire District Council**

**Audit and Corporate Governance Scrutiny Committee**

**29th June 2022**

**INTERNAL AUDIT CONSORTIUM ANNUAL REPORT 2021/22**

**Report of the Head of the Internal Audit Consortium**

**Classification:** This report is public

**Report By:** Head of the Internal Audit Consortium

**Contact Officer:** Jenny Williams  
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**PURPOSE / SUMMARY**

The purpose of this report is to: -

- Present a summary of the internal audit work undertaken during 2021/22 from which the opinion on governance, risk and internal control is derived.
  - Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control arrangements 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) and Code of Ethics.
  - 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.
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**RECOMMENDATION**

1.1 That the Internal Audit Consortium Annual Report for 2021/22 be accepted.

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**IMPLICATIONS**

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**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 public sector internal auditing standards or guidance”.

On Behalf of the Solicitor to the Council

**Staffing:**                      **Yes**                       **No**

**Details:**

On behalf of the Head of Paid Service

Decision Information	
<p><b>Is the decision a Key Decision?</b>            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><b>NEDDC:</b>  <b>Revenue - £100,000</b> <input type="checkbox"/> <b>Capital - £250,000</b> <input type="checkbox"/>  <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p><b>Is the decision subject to Call-In?</b>            (Only Key Decisions are subject to Call-In)</p>	No
<p><b>District Wards Significantly Affected</b></p>	None
<p><b>Consultation:</b>  <b>Leader / Deputy Leader</b> <input type="checkbox"/> <b>Cabinet</b> <input type="checkbox"/>  <b>SAMT</b> <input type="checkbox"/> <b>Relevant Service Manager</b> <input checked="" type="checkbox"/>  <b>Members</b> <input type="checkbox"/> <b>Public</b> <input type="checkbox"/> <b>Other</b> <input type="checkbox"/></p>	Yes  Details:

**Links to 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 and that there are appropriate governance, risk and control arrangements in place.

## REPORT DETAILS

### 1 Background

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

### 2. Details of Proposal or Information

2.1 COVID- 19 along with staff vacancies and the training requirements of new staff has impacted on the extent of completion of the 2021/22 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 2021/22 financial year.

2.2 Appendix 1 details the audit reports issued in respect of audits included in the 2021/22 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:

<b>Assurance Level</b>	<b>2020/21 Number</b>	<b>2021/22 %</b>	<b>2021/22 Number</b>	<b>2021/22 %</b>
Substantial	13	68	11	61
Reasonable	6	32	7	39
Limited	0	0	0	0
Inadequate	0	0	0	0
<b>Total</b>	<b>19</b>	<b>100</b>	<b>18</b>	<b>100</b>

2.3 A definition of the above assurance levels is shown at the bottom of 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	2021/22		2022/23
	Plan	Actual	Plan
Cost per Audit Day	£306	£288	£310
Percentage of Plan Completed (NEDDC)	75%	70%	75%
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	1.2	8.0
Customer Satisfaction Score (NEDDC)	85%	93%	85%
To issue internal audit reports within 10 days of the close out meeting	90%	100%	90%
Quarterly reporting to Audit and Corporate Governance Scrutiny Committee	100%	100%	100%

#### OPINION ON THE ADEQUACY AND EFFECTIVENESS OF GOVERNANCE, RISK AND CONTROL ARRANGEMENTS

2.6 The Head of the Internal Audit Consortium 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 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 2021/22. 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 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.

- 2.9 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.
- 2.10 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.
- 2.11 The Audit and Corporate Governance Scrutiny Committee receive a 6-monthly report in relation to outstanding audit recommendations. Where a limited or inadequate assurance audit report is issued or where the Committee has concerns, managers are required to attend the Committee to discuss progress and to provide assurance that recommendations are being implemented in a timely fashion.

#### ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 2.12 The internal control issues arising from audits completed in the year and outstanding internal audit recommendations will be considered during the preparation of the Annual Governance Statement. There are no issues arising from internal audit work that require raising in the Annual Governance Statement.

#### COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 2.13 The Internal Audit Plan for 2021/22 was approved by the Audit and Corporate Governance Scrutiny Committee on the 28th of April 2021. The majority of audits have been completed with the remaining audits being scheduled into the 2022/23 Internal Audit Plan. Appendix 2 details the audits completed and those deferred.

#### COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS / CODE OF ETHICS AND OTHER QUALITY ASSURANCE RESULTS

- 2.14 Quality control procedures have been established within the Internal Audit Consortium and these are documented in the Quality and Assurance Improvement Programme at Appendix 3. These procedures are designed to ensure compliance with the PSIAS and Code of Ethics.

#### ORGANISATIONAL INDEPENDENCE

- 2.15 It can be confirmed that the internal audit activity is organisationally independent. Internal audit reports directly to the Director of Finance and Resources but has a direct and unrestricted access to the Senior Management Team and the Audit and Corporate Governance Scrutiny Committee.

## REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

- 2.16 The Internal Audit Charter was last reported to and approved by the Audit and Corporate Governance Scrutiny Committee in September 2021.
- 2.17 Based on the information provided in this report on the completion of the 2021/22 internal audit plan, it is considered that the requirements of the Charter were met during the year.

### **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 2021/22.
- 3.2 To ensure compliance with the Public Sector Internal Audit Standards.
- 3.3 To provide an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control arrangements including any qualifications to that opinion.

### **4 Alternative Options and Reasons for Rejection**

- 4.1 Not Applicable

## DOCUMENT INFORMATION

Appendix No	Title
1	Internal Audit Reports Issued 2021/22
2	Comparison of planned work to work completed 2021/22
3	Quality and Assurance Improvement Programme
<b>Background Papers</b> (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 you must provide copies of the background papers)	