

**North East Derbyshire District Council**

**Audit Committee**

**4th December 2023**

**Internal Audit Consortium Annual Report 2022/23**

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

**Classification:** This report is public

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

**Contact Officer:** **Jenny.Williams@ne-derbyshire.gov.uk**

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**PURPOSE / SUMMARY**

The purpose of this report is to: -

- Present a summary of the internal audit work undertaken during 2022/23 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. That the Internal Audit Consortium Annual Report for 2022/23 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

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**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

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**Staffing:**            Yes             No

**Details:**

On behalf of the Head of Paid Service

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## DECISION INFORMATION

<b>Decision Information</b>	
<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:  <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>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> <b>Leader / Deputy Leader</b> <input type="checkbox"/> <b>Cabinet / Executive</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"/>	Yes  Details:

### **Links to Council Plan priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.**

Internal audit reviews help to ensure that the Council is continually improving services to deliver excellence and value for money.

## 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 Staff vacancies and the training requirements of new staff has impacted on the extent of completion of the 2022/23 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 2022/23 financial year.

## SUMMARY OF WORK UNDERTAKEN

2.2 Appendix 1 details the audit reports issued in respect of audits included in the 2022/23 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>2021/22 Number</b>	<b>2021/22 %</b>	<b>2022/23 Number</b>	<b>2022/23 %</b>
Substantial	11	68	9	60
Reasonable	7	32	6	10
Limited	0	0	0	0
Inadequate	0	0	0	0
<b>Total</b>	<b>18</b>	<b>100</b>	<b>15</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:

<b>Description</b>	<b>2022/23</b>		<b>2023/24</b>
	<b>Plan</b>	<b>Actual</b>	<b>Plan</b>
Cost per Audit Day	£310	£283	£343
Percentage of Plan Completed (NEDDC and Rykneld Homes)	75%	71%	75%
Sickness Absence (Average Days per Employee)	8.0 (Corporate Trigger)	10.0	8.0
Customer Satisfaction Score (NEDDC)	85%	97%	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%
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## **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 2022/23.
- 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.

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

- 2.11 The internal control issues arising from audits completed in the year and outstanding internal audit recommendations have been considered during the preparation of the Annual Governance Statement. There have been no issues directly arising from internal audit work that require raising in the Annual Governance Statement.

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

- 2.12 The Internal Audit Plan for 2022/23 was approved by the Audit and Corporate Governance Scrutiny Committee on the 11th of May 2022. The majority of audits have been completed with the remaining audits being scheduled into the 2023/24 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**

- 2.13 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**

- 2.14 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 Managing Director and the Audit and Corporate Governance Scrutiny Committee (now Audit Committee).

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

- 2.15 The Audit Charter was last reported to and approved by the Audit and Corporate Governance Scrutiny Committee in September 2022.
- 2.16 Based on the information provided in this report on the completion of the 2022/23 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 2022/23.
- 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**

<b>Appendix No</b>	<b>Title</b>
Appendix 1	Internal Audit Reports Issued 2022/23.
Appendix 2	Comparison of Completed Work to Planned Work
Appendix 3	Quality Assurance Improvement Plan

**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 you must provide copies of the background papers)