

Joint Audit and Governance Committee



Report of Internal Audit and Risk Manager

Author: Victoria Dorman-Smith

Mobile: 07766 780835

E-mail: victoria.dorman-smith@southandvale.gov.uk

South cabinet member responsible:

Councillor Pieter-Paul Barker

Tel: 01844 212438

E-mail: pieter-paul.barker@southoxon.gov.uk

To: Joint Audit & Governance Committee

DATE: 9 July 2024

Vale cabinet member responsible:

Councillor Andy Crawford

Telephone: 01235 772134

E-mail: andy.crawford@whitehorsedc.gov.uk

To: Joint Audit & Governance Committee

DATE: 9 July 2024

Internal audit annual report 2023/24

Recommendation

Members are asked to consider the annual internal audit opinion and report

Implications (further detail within the report)	Financial	Legal	Climate and Ecological	Equality and diversity
	No	No	No	No
Signing off officer	NA	NA	NA	NA

Purpose of Report

1. The Public Sector Internal Audit Standards (PSIAS) require the chief audit executive to provide an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. This report provides that opinion for South Oxfordshire District Council (South) and Vale of White Horse District Council (Vale).
2. The contact officer is Victoria Dorman-Smith, Internal Audit and Risk Manager for South and Vale, email victoria.dorman-smith@southandvale.gov.uk.

Strategic Objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Why an Overall Opinion is Required

4. The Public Sector Internal Audit Standards (PSIAS) (Standard 2450) states:

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from 'Public Sector Internal Audit Standards Updated March 2017 – 2450 Overall Opinions'.

5. Standard 2450 also states that the overall opinion must be supported by sufficient, reliable, relevant, and useful information, and will include:

- the scope including the period to which the opinion pertains,
- scope limitations,
- consideration of all related projects including the reliance on other assurance providers,
- a summary of the information that supports the opinion,
- the risk or control framework or other criteria used as a basis for the overall opinion,
- the overall opinion, judgment or conclusion reached,
- the reasons for an unfavourable overall opinion must be stated.

How an Overall Opinion is Formed

6. Internal audit's risk-based plan must consider the requirement to produce an annual internal audit opinion. Accordingly, the internal audit plan must incorporate sufficient work to enable the internal audit and risk manager to give an opinion on the overall adequacy and effectiveness of South and Vale's framework of governance, risk management and control. Internal audit must therefore have sufficient resources to deliver the plan.

Quality Assurance and Improvement Programme

7. A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. PSIAS states:

Public sector requirement

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from 'Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme'.

Overall Opinion 2023/24

8. Based on the work undertaken during the year, the internal audit and risk manager has reached the overall opinion that there is a satisfactory system of governance, risk,

internal control. Findings indicate that overall, arrangements are satisfactory, although some enhancements have been recommended. In forming this opinion, the internal audit and risk manager has considered the following:

- The level of coverage provided by internal audit work was considered adequate to support the opinion,
 - The 2023/24 internal audit plan, approved by Joint Audit and Governance Committee (JAGC), was informed by internal audit's own assessment of risk in addition to consultation with the senior management team, to ensure it aligned to key risks and objectives of South and Vale,
 - The changing risk environment within the councils has been considered during the year,
 - There have been changes to statutory officer roles during the year; however monthly meetings have still taken place throughout the year,
 - Work has been planned and performed to obtain sufficient information and explanation to give reasonable assurance that South and Vale control environments are operating effectively,
 - Internal audit independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way,
 - A risk management framework exists that informs the internal audit plan,
 - Insight gained from internal audit interactions with the senior management team and JAGC,
 - The number of audits that have resulted in assurance ratings of either “limited” or “nil” assurance. One audit received limited assurance (report lifecycle process). To reach the overall opinion, the findings of audits at draft report stage have also been considered,
 - The degree to which recommended actions have been implemented to address concerns over risk and control weaknesses within the councils,
 - Although some audits were not deemed as “assurance audits” (i.e., advisory work) this work is included in the assessment of the governance, risk, and control framework.
9. The South and Vale internal audit plan is a 12-month plan, with a formal mid-year reassessment, although in practice the plan remains responsive to the changing risks and priorities of the councils throughout the year. The annual opinion is based on internal audit work completed in the 12 months from 1 April 2023 to 31 March 2024. The outcomes of this work start on page 4 of this report.
10. The opinion is provided on the understanding that:
- The opinion does not imply that internal audit has reviewed all risks, controls, and governance arrangements at South and Vale. The opinion is substantially derived from risk-based internal audit work and as such, it is only one component that is considered when producing the South and Vale annual governance statements.
 - No system of control can provide absolute assurance against material misstatement or loss, nor can internal audit give absolute assurance.
 - Implementation of agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.
11. Overall, management is making sufficient progress with the implementation of actions to address the risks and weaknesses that internal audit has identified during 2023/24. In total 100 joint management actions to improve controls and procedures within the councils were made in 2023/24. Of the 100, 2 (2%) were priority 1, 53 (53%) were priority 2, and 45 (45%) were priority 3. As of 21st June 2024, there are 210 open

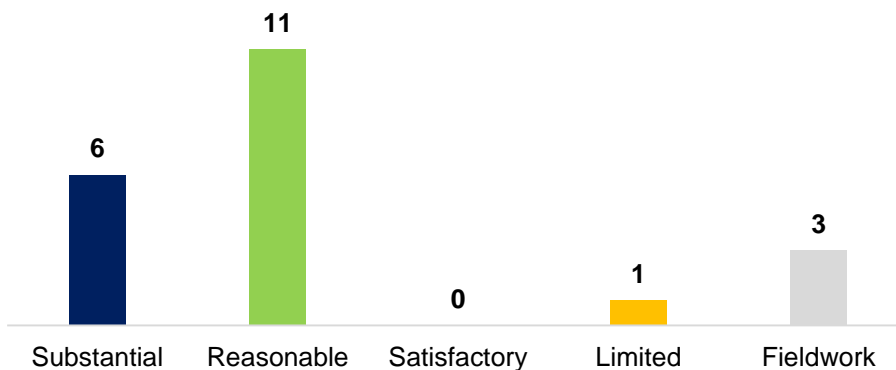
actions, of which 150 are past due. 136 actions remain open from prior years (9 2019/20, 11 2021/22 and 116 2022/23); however, through quarterly monitoring we are assured that progress against these actions is being made. We also have a formal escalation process, which we can enforce should this be required.

Information to Support the Overall Opinion

Audit Coverage and Performance Against Plan

12. Table 1 below summarises the assurances provided from the internal audit coverage in 2023/24. These assurance ratings inform the annual opinion.

Table 1 - Assurances Provided in 2023/24



13. The control environment within the key financial systems has improved since 2021/22. In 2023/24, all key financial audits received either a substantial or reasonable assurance rating. No limited ratings were issued in either the current or previous years. Analysis of the key financial assurance ratings since 2021/22 is summarised in table 2:

Table 2 - Key Financial Assurance Ratings

No.	Audit	Assurance Ratings		
		2021/22	2022/23	2023/24
1	HB&CTRS	Satisfactory	Substantial	Substantial
2	Treasury Management	Full	Substantial	Substantial
3	Accounts Payable	Satisfactory	Satisfactory	Substantial
4	Accounts Receivable	Full	Satisfactory	Substantial
5	General Ledger	Satisfactory	Satisfactory	Substantial
6	NNDR	Satisfactory	Satisfactory	Substantial
7	Council Tax	Satisfactory	Satisfactory	Reasonable
8	Payroll	Not Performed	Substantial	Reasonable
9	Capital Mgt & Accounting	Satisfactory	Satisfactory	Not Performed

14. Table 3 summarises the 2023/24 internal audit plan and outcomes, including audits in progress (either fieldwork or draft report stage) and progress of recommendations raised:

Table 3 - Assurances Provided in 2023/24

No.	Audit	Status	Assurance Rating	Recommended Actions			
				Total	Priority 1	Priority 2	Priority 3
Key Financial Audits							
1	Payroll	Completed	Reasonable	1	0	1	0
2	Council Tax	Completed	Reasonable	2	0	1	1
3	HB&CTRS	Completed	Substantial	1	0	0	1
4	Accounts Payable	Completed	Substantial	1	0	1	0
5	Accounts Receivable	Completed	Substantial	2	0	1	1
6	General Ledger	Completed	Substantial	3	0	1	2
7	Treasury Management	Completed	Substantial	1	0	1	0
8	NNDR	Completed	Substantial	1	0	0	1
9	Capital Mgt & Accounting	Deferred	N/A	0	0	0	0
Operational Audits							
10	Report Lifecycle Process	Completed	Limited	8	2	5	1
11	Workplace Premises	Completed	Reasonable	2	0	1	1
12	Credit Card Usage	Completed	Reasonable	2	0	2	0
13	HR Data Management	Completed	Reasonable	9	0	4	5
14	Elections and Election Payments	Completed	Reasonable	8	0	4	4
15	Risk Management	Fieldwork	Fieldwork				
16	IT Asset Management*	Draft Report	Reasonable	4	0	3	1
17	Travel & Subsistence	Completed	Reasonable	8	0	3	5
18	Recruitment, Selection, and Onboarding*	Draft Report	Reasonable	4	0	2	2
19	Complaints	Completed	Reasonable	10	0	5	5
20	Appeals	Completed	Reasonable	4	0	4	0
21	Business Continuity (NEW)	Fieldwork	Fieldwork				
22	Procurement	Fieldwork	Fieldwork				
23	Insurance*	Draft Report	Substantial	8	0	1	7
24	Cash Management	Deferred	N/A	0	0	0	0
25	Community Centres	Deferred	N/A	0	0	0	0
26	Safeguarding	Deferred	N/A	0	0	0	0
27	Corporate Delivery Framework	Deferred	N/A	0	0	0	0
28	South & Vale Climate Action	Deferred	N/A	0	0	0	0
29	Diversity & Inclusion	Deferred	N/A	0	0	0	0
30	Central Government Support Schemes	Deferred	N/A	0	0	0	0
31	Information Security	Deferred	N/A	0	0	0	0
Totals				79	2	40	37

*Fieldwork complete/draft report issued. Where overall assurance ratings are quoted, they are subject to change.

Value Added Work

15. In addition to the planned internal audit work, the team have provided support in several other areas including review and/or signoff of government returns (Biodiversity Net Gain, UKSPF), review of grounds maintenance recharging schedules and handling FOI requests in relation to internal and external reviews of the audit committee. The internal audit team sits on the housing response, waste depot, and transformation programme boards. We also work closely with our risk management and health and safety teams, and the internal audit and risk manager attends monthly meetings of statutory officers. Internally, we have refreshed the scope and frequency of the key financial audits, and we are supporting the risk management team in developing a South and Vale assurance map and maintaining the annual governance statement.

Performance Measures

16. The performance of internal audit is measured against several indicators. The outturn for 2023/24 is as follows:

Performance Targets	2023/24 performance
PT1 To issue 90% of final audit reports within 5 working days of receipt of management comments.	95% of audits met this target
PT2 To complete the audit fieldwork and issue draft reports on 100% of key financial audits.	100% of audits met this target
PT3 To complete the audit fieldwork and issue draft reports on 80% of operational audits.	80% of audits met this target

17. **Performance targets:** as of 21st June 2024, there are three operational audits which have been issued in draft, awaiting management responses. In addition, three operational audits are at the fieldwork stage. The internal audit team have successfully met all three performance targets, which is an improvement on the prior year.

18. **Feedback:** to assist in monitoring and improving the quality and value of service provided, feedback forms are sent to auditees on all engagements. The feedback form contains 12 questions regarding the internal audit service provided and asks auditees to score each on a scale of 1 to 5 (1=very poor, 2=poor, 3=satisfactory, 4=good, 5=very good). Of the eight completed feedback forms returned, the overall average score is 57 out of 60. Feedback received in 2023/24 is summarised in appendix 1. Feedback received by the internal audit and risk manager is discussed with the team, and where necessary, process improvements are implemented.

19. **Quality assurance:** there is ongoing monitoring of performance and quality of internal audit work, and all work undergoes our internal review process.

Quality Assurance and Improvement Programme

20. **External assessments:** the PSIAS state that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The internal audit and risk manager will investigate independent assessor options in 2024/25.

21. **Internal assessments:** per the PSIAS internal assessments must include ongoing monitoring of the performance of the internal audit activity. In recent year, the internal audit function has seen positive development in some key areas, including more efficient auditing of key financial systems, working closely with the head of legal and democratic services and the risk management function (second line of assurance). There are several improvement areas which are underway, namely: assurance map, recommendations database, reporting templates, and internal audit team training and development.

22. **Conformance with PSIAS:** the internal audit function conforms to the Public Sector Internal Audit Standards (2017). There is no non-conformance to the PSIAS Code of Ethics and Standards to be highlighted for inclusion in the annual governance statement for 2023/24.

Financial Implications

23. The internal plan 2023/24 was delivered from within the approved 2023/24 budget, therefore there are no financial implications attached to this report.

Legal Implications

24. There are no legal implications from this report.

Climate and ecological impact implications

25. This report is for information only and therefore there are no climate and ecological implications.

Equalities implications

26. This report is for information only and therefore there are no equalities implications.

Risks

27. Identification of risk is an integral part of all our internal audit work.

Conclusion

28. This report provides the internal audit and risk manager's annual opinion on the organisation.

Attached

- **Appendix 1** – feedback received in 2023/24

Appendix 1 – Feedback received in 2023/24

A summary of the eight completed feedback forms in 2023/24 (three relating to 2022/23 audits) is detailed below:

FEEDBACK AREA		Very Good 5	Good 4	Satisfactory 3	Poor 2	Very Poor 1
AUDIT PLANNING AND SCOPE OF WORK	1. Consultation on the scope and coverage of the audit	7	1	0	0	0
	2. Minimal disruption to daily activities	4	4	0	0	0
COMMUNICATION	3. Consultation and communication during the audit	6	2	0	0	0
	4. Communication of audit findings and recommendations	6	2	0	0	0
QUALITY OF REPORT	5. Clarity and conciseness of the audit report	8	0	0	0	0
	6. Fulfilment of the audit scope and objectives	8	0	0	0	0
	7. Accuracy, validity, and significance of the audit findings	5	3	0	0	0
	8. Audit recommendations - constructive, practical, and logical	3	4	1	0	0
PROFESSIONAL PROFICIENCY	9. Professionalism of the auditor(s)	8	0	0	0	0
	10. Advice given by the auditor(s)	6	2	0	0	0
GENERAL	11. Usefulness of audit in identifying risks and improving controls	4	4	0	0	0
	12. Overall evaluation of the quality of the audit service provided	7	1	0	0	0
TOTALS		72	23	1	0	0

OTHER COMMENTS RECEIVED:

'The auditor was very thorough and understanding that it was the end of our year and that we had staff changes at the same time.'

'Useful to have 3rd party assurance of the work that we do.'

'I found the new report format much clearer to use.'

'It has been a pleasure working with the auditor on this audit.'

'Thank you for another rigorous piece of work. It's good to see the management responses to the issues identified and the progress already underway.'

'Thank you for sharing this report really pleasing to read such a positive one. Thank you to all who were involved in the audit.'