

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	4 November 2020
Subject:	Internal Audit Annual Report 2019/20
Report of:	Chief Audit Executive (Head of Corporate Services)
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	None

Executive Summary:

The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used to inform the Annual Governance Statement. The opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This report provides Members with a summary of internal audit work undertaken during 2019/20 to support that opinion.

Recommendation:

To CONSIDER the internal audit annual opinion and the assurance from the work undertaken during the year that, overall, the Council's governance, risk management and control environment is generally effective. Where areas of concern have been identified there has been a positive management response to recommendations made. This opinion will inform the Council's Annual Governance Statement.

Reasons for Recommendation:

The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE) reports functionally to the board. For the purposes of the Council, the CAE is defined as the Head of Corporate Services and the board is the Audit and Governance Committee. These roles are defined in the approved Internal Audit Charter.

One example of functional reporting is the internal audit annual report. PSIAS also requires that the CAE delivers an annual audit opinion and report that can be used to inform the Annual Governance Statement.

Resource Implications:

None.

Legal Implications:

None.

Risk Management Implications:

If the CAE does not report functionally to the board then this does not comply with PSIAS.

If the Council does not have in place a framework of sound governance, risk management and control then there is a risk it will not achieve its objectives.

Performance Management Follow-up:

All recommendations made from individual audits are followed up during the year to ascertain if they have been implemented or not. Any audit where a limited or unsatisfactory opinion has been concluded requires the relevant manager to report back to the Committee to give assurance that issues identified have been resolved.

Environmental Implications:

None.

1.0 INTRODUCTION

- 1.1** Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2** The Public Sector Internal Audit Standards (PSIAS) requires that the Chief Audit Executive (CAE) delivers an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. For Tewkesbury Borough Council, the CAE is defined as the Head of Corporate Services.
- 1.3** Internal audit work is informed by a six-monthly internal audit plan. Each plan is approved by Audit and Governance Committee. These were approved on 28 March 2019 (April-September 2019) and 18 September 2019 (October 2019 – March 2020) respectively. For each individual audit assignment an opinion is given on various elements of the control environment and these opinions are reported to Committee.
- 1.4** From the work undertaken in the year an overall opinion should be concluded on the adequacy and effectiveness of the Council's framework of governance, risk management and control. It should be noted that internal audit is only part of the Council's assurance framework and therefore the annual audit opinion is only reflective and restricted to the areas audited during the year.

2.0 SUMMARY OF 2019/20 AUDIT WORK

- 2.1** The audit plan is informed by a number of activities, namely: governance related work, corporate risks, financial related systems, service related work, corporate improvement days, follow up work of previous recommendations and general consultancy and advice. This approach results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the control environment.

2.2 In compliance with PSIAS, monitoring reports of internal audit activity are presented at each Audit and Governance Committee. Audit work undertaken in the year consisted of the following:

<ul style="list-style-type: none"> • Emergency Planning. • Debtors (finance recovery). • Fraud and corruption. • Serious and Organised Crime Framework – Licensing. • Procurement Cards. • Disabled Facility Grants. • Website project (corporate improvement). • Health & Safety risk assessment (corporate improvement). 	<ul style="list-style-type: none"> • General Data Protection Regulation. • Risk Management. • Discretionary Housing Payments. • Complaints. • Debtors (service related debt). • Digital platform (corporate improvement). • Planning scanning project (corporate improvement).
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There is one audit outstanding which relates to a corporate risk around the effectiveness of the Growth Hub. Work commenced on this audit in the latter part of 2019/20 but remains outstanding at the time of writing this report. This is a result of the internal audit team being deployed to the Council’s response to COVID-19.

2.3 A key area of assurance work and one that is of particular importance to management and Members is the follow up of internal audit recommendations. Days are allocated within the plan for this work and the status of recommendations followed up during each quarter are reported to Committee. Apart from a handful of recommendations, all recommendations that were due to be followed up during the year were followed up and reported upon. The outstanding recommendations were those assigned to the Head of Community which were due to be followed up in the final quarter of 2019/20. Due to the Council’s emergency response to severe flooding it was agreed to follow these up at a later stage.

2.4 The team was also represented on key corporate groups such as Corporate Governance Group, Keep Healthy - Stay Safe Group, Project Programme Board, Information Board, Community Infrastructure Levy Working Group and the pool car project. This provides the team with the opportunity to provide advice on key governance frameworks, individual projects and keep abreast of emerging issues. The team is also contacted on a regular basis to provide ad-hoc advice on a range of activities, for example compliance with the Council’s contract procedure and financial procedure rules, general policy issues and proposed changes to systems and processes.

3.0 TEAM STRUCTURE AND INDEPENDENCE

3.1 Management of the internal audit team is overseen by the Chief Audit Executive (Head of Corporate Services). Delivery of the audit plan is carried out by two full time employees. The team comprises two part time employees (2 x 18.5 hrs) and one full time employee. One employee undertakes a Senior Auditor role. One member of team is also studying for a Master’s degree in internal auditing. This resource is deemed appropriate, sufficient and is effectively deployed to achieve the plan. Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan.

3.2 As defined in the Internal Audit Charter, the team has remained organisationally independent during 2019/20. Internal audit sits independently within the Council and the Head of Corporate Services reports direct to the Chief Executive so has free and unfettered access. If the need was to arise, it is also stipulated within the Charter that the Head of Corporate Services will also have access to the Chair of the Audit and Governance Committee. To build a more formal relationship, quarterly briefings on internal audit activity were held between the team and the Chair, Vice-Chair and Lead Member for Corporate Governance.

3.3 With regard to the independence of the Head of Corporate Services, it is not uncommon within a small district Council for the internal audit strategic lead to also have operational responsibility for service areas. The Head of Corporate Services has a wide managerial remit including ICT, Customer Services, Human Resources, Policy and Communications and Revenues and Benefits. In cases where an audit was undertaken in any of these areas, the Head of Corporate Services can give assurance that all audit opinions are exercised objectively and with integrity so that the opinions issued are open, transparent and accurate. Additional processes have been put in place to safeguard this independence, particularly through an independent oversight by the Head of Finance and Asset Management.

4.0 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

4.1 In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The QAIP was reported to Audit and Governance Committee on 24 July 2019. All audit work undertaken during 2019/20 was in accordance with the QAIP. An update on the QAIP and associated action plan will be provided to Committee in March 2021. The review of the QAIP action plan is an action within the team's operational COVID-19 recovery plan.

5.0 RISK MANAGEMENT

5.1 During the previous financial year (2018/19), a new risk management strategy was approved and supported by the implementation of a new corporate risk register. The register was presented at each Committee meeting (except March 2020) and gives Members and management assurance that the key risks facing the Council are being effectively managed. The implementation of the new risk register was a positive outcome for internal audit as it provided the opportunity for a more strategic focus. Days were allocated within the 2019/20 internal audit plan to review the integrity of the register. This includes the testing of mitigating controls to ensure they are actually deployed and that actions to reduce the risk further are progressing.

6.0 OPINION ON THE OVERALL ADEQUACY OF THE CONTROL ENVIRONMENT

6.1 The opinion is based upon, and limited to, the activities audited during the year. The opinion does not imply that internal audit has reviewed the whole control environment of the Council during the year. As well as the internal audit opinion, the Council relies upon other aspects of its assurance framework to help inform the completeness of the Annual Governance Statement. For example, the performance management framework, risk management framework, standards and codes of conduct and external audit reports help inform the adequacy of the Council's overall governance arrangements.

6.2 When reporting, internal audit can provide a ‘split’ opinion. This means individual opinions can be given for different parts of a system being audited. This approach enables internal audit to identify to management, specific areas of control that are operating/not operating as intended. It is not unexpected on occasions to conclude a limited or even unsatisfactory level of control given the variety and complexity of systems, procedures and services operated by the Council. From the activities audited during the year the majority of opinions were positive. There was one limited opinion and one unsatisfactory opinion issued during the year. Succinctly, these relate to:

Area of audit	Overview of issue
General Data Protection Regulation (GDPR) – limited opinion	<ul style="list-style-type: none"> Operational compliance with retention periods – <i>updated GDPR action plan has been developed.</i>
Discretionary Housing Payments – unsatisfactory opinion	<ul style="list-style-type: none"> Payments not being paid in accordance with policy – <i>progress reported to Committee on 23 September 2020. All recommendations will be followed up by internal audit when capacity allows.</i>

6.3 With regards to the number of recommendations made during the year, a total of 40 recommendations were accepted by management. It is positive that only three were categorised as ‘high’. In terms of the follow up work, the majority of recommendations that were due to be followed up, were actually followed up. These are reported at each Committee meeting with the progress of implementation reported through a RAG status. New implementation dates are agreed and reported where the original implementation date has not been met. The Committee has the ability to ‘call in’ any recommendations not implemented and seek an explanation from the relevant manager. Over sixty recommendations were followed up during the year and 86% were either implemented or partially implemented.

7.0 FRAUD/THEFT/CORRUPTION/WHISTLEBLOWING

7.1 The team continue to have an excellent working relationship with the Counter Fraud Unit and meet on a regular basis, together with the Head of Finance and Asset Management. During 2019/20, governance related policies such as Whistleblowing Policy and Fraud and Corruption Policy have been reviewed and updated and supported by staff training. Further joint work has also taken place on the Serious and Organised Crime framework.

8.0 CONCLUSION

8.1 The work of internal audit complies with the Public Sector Internal Audit Standards (PSIAS) and therefore assurance can be given to all relevant parties that the work of internal audit can be relied upon. In terms of the overall internal audit opinion for the year, given the complexities of the Council’s internal control environment there will always be areas identified by internal audit that require improvement. The internal audit opinions issued during the year demonstrate that overall, the Council’s governance, risk management and control environment is generally sound. Where areas of concern have been identified there has been a positive management response. All recommendations are subject to follow up by internal audit and reported to Audit and Governance Committee at the appropriate time. This opinion will inform the Council’s Annual Governance Statement.

9.0 LOOKING FORWARD

9.1 As reported to Audit and Governance Committee on 29 July 2020 and 23 September 2020, the Council's response to COVID-19 has significantly impacted upon the internal audit team. All internal audit work during 2020/21 has been suspended as the team has been deployed to support the administration of business grants. A six-monthly audit plan (October 2020-March 2021) was approved at the last Committee meeting, albeit with a reduced staff resource. At the time of writing this report, minimal, if any work on the plan has commenced. This is due to new grant schemes emerging and internal audit have been pivotal in getting these in place and there may be a necessity for ongoing support.

9.2 The lack of internal audit activity to date, and the uncertainty moving forward, will make it difficult to give a meaningful annual opinion for 2020/21. As this opinion informs the Annual Governance Statement (AGS), then management may need to consider other alternative sources of assurance when producing the AGS next year.

9.3 On a positive note, the internal audit team have reviewed all the suite of recommendations arising from audits. The purpose was to ensure they remain relevant and to look at revised implementation dates as a result of all services being impacted by COVID-19. These will shortly be discussed with officers responsible for their implementation. A piece of work has also just been commissioned jointly with ICT Services, around an external ICT risk assessment. Part of the scope of this work will be to develop an audit plan specifically related to ICT activities. This work is fully funded by means of a successful grant bid to the Local Government Association. The outcome of this work will be reported at a future meeting.

10.0 OTHER OPTIONS CONSIDERED

10.1 None.

11.0 CONSULTATION

11.1 None.

12.0 RELEVANT COUNCIL POLICIES/STRATEGIES

12.1 Internal Audit Charter and Internal Audit Six Monthly Plan.

13.0 RELEVANT GOVERNMENT POLICIES

13.1 None.

14.0 RESOURCE IMPLICATIONS (Human/Property)

14.1 None.

15.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

15.1 None.

16.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

16.1 The work of internal audit supports value for money.

17.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

17.1 None.

Background Papers: None.

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Appendices: None.