



OPEN REPORT GOVERNANCE AND RESOURCES COMMITTEE

Governance and Resources 20 July 2023

INTERNAL AUDIT ANNUAL REPORT 2022/23

Report of the Director of Resources

Report Author and Contact Details

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Wards Affected

District Wide

Report Summary

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 Internal Audit against the current Internal Audit Charter.

Recommendation

That the Internal Audit Annual Report for 2022/23 be accepted.

List of Appendices

Appendix 1 Internal Audit Reports Issued 2022/23

Appendix 2 Comparison of planned work to actual work undertaken

Appendix 3 Internal Audit Quality Assurance Programme

Background Papers

None

Consideration of report by Council or other committee

N/A

Council Approval Required

No

Exempt from Press or Public

No

Internal Audit Annual Report 2022/23

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. Key Issues

2.1 The 2022/23 Operational Audit Plan was approved by the Governance and Resources Committee on the 17 March 2022.

2.2 In June 2022 both the Senior Auditor and Auditor tendered their resignations leaving the Council without any audit staff. Several recruitment attempts were made however the Council has only recently been able to appoint a Senior Auditor (starting 29th May 2023). This has had a large impact on the completion of the 2022/23 plan.

2.3 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. Report opinions for the last few years is summarised in the table below.

Table 1 – Audit report opinions 2019/20 to 2022/23

	Number of reports 2019/20	Number of reports 2020/21	Number of Reports 2021/22	Number of Reports 2022/23
Substantial	9	3	6	2
Reasonable	9	2	4	1
Limited	1	1	1	0
Inadequate	0	0	0	0
Total	19	6	11	3

A definition of the above assurance levels is shown at the foot of Appendix 1.

2.4 No fraud was identified in respect of the audits completed in 2022/23.

2.5 As only 3 audits were completed, the performance indicators for internal audit have not been calculated for the 2022/23 financial year as they would be meaningless.

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 The results of the work carried out by internal audit are not sufficient to support a Head of Internal Audit annual opinion on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. This opinion is a requirement of the Public Sector Internal Audit Standards.
- 2.8 This limitation of scope has arisen because the Council has not had any internal audit staff for the majority of the year. This has meant that only 3 audits have been completed and it has also not been possible to assess what other assurances are in place. As can be seen in the table above, a reduced number of audits were also completed in 2020/21 and 2021/22 so sufficient reliance cannot be drawn from previous audit work.
- 2.9 A Senior Auditor has now been appointed and therefore the recruitment process will begin for the vacant Auditor post. If both of these posts are filled for the majority of the 2023/24 financial year then this should prevent the same situation occurring again.

Issues for inclusion within the Annual Governance Statement

- 2.10 The internal control issues arising detailed above will be considered by the Director of Resources during the preparation of the Annual Governance Statement namely: -
- Lack of an audit opinion on the organisation's governance, risk management and control arrangements due to there being no audit staff in post for most of the year.

Comparison of planned work to actual work undertaken

- 2.11 Appendix 2 provides full details of the audits completed and those deferred in respect the 2022/23 internal audit plan.

Compliance with the Public Sector Internal Audit Standards/ Code of Ethics and other quality assurance results

- 2.12 Quality control procedures have been established within the Internal Audit Section 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.

3 Options Considered and Recommended Proposal

- 3.1 The report is presented for information in accordance with the Public Sector Internal Audit Standards. There is no alternative proposal to consider, although the Committee may determine to add other decisions on matters pertaining to this report.

4 Consultation

4.1 The Corporate Leadership Team were consulted in the preparation of this report.

5 Timetable for Implementation

5.1 If the recommendation before the Committee were to be approved, there would be no decision to be implemented.

6 Policy Implications

6.1 Audit reviews help to ensure that the Council's resources and priorities are focused on achieving the objectives within the corporate plan and that there are appropriate governance, risk and control arrangements in place.

7 Financial and Resource Implications

7.1 There are no financial implications arising from this report.

8 Legal Advice and Implications

8.1 Internal Audit provides a valuable service in reviewing procedures and processes against high standards of governance. Recommendations arising from specific reports help the organisation to learn, improve and mitigate risk. The legal risk associated with the recommended decision has been assess as low.

9 Equalities Implications

9.1 There are no equalities implications arising from this report.

10 Climate Change Implications

10.1 There are no climate change implications arising from this report.

11. Risk Management

11.1 There is a risk that the lack of independent assurance means that weaknesses in governance, risk and control may go undetected.

Report Authorisation

Approvals obtained from Statutory Officers:-

	Named Officer	Date
Chief Executive	Paul Wilson	03/07/2023
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	03/07/2023
Monitoring Officer (or Legal Services Manager)	James McLaughlin	11/07/2023

