



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

**ARUN DISTRICT COUNCIL
ANNUAL INTERNAL AUDIT REPORT & OPINION 2023-2024**

Prepared by: Neil Pitman, Head of Partnership

May 2024

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to:

‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

The role of internal audit is best summarised through its definition within the Standards, as 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’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.



2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



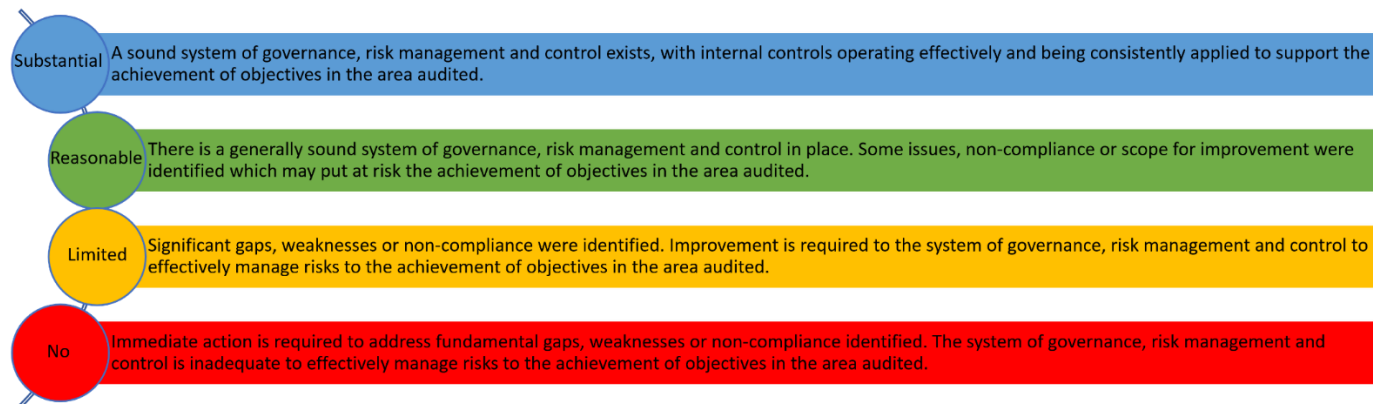
The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council's activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2023-24 internal audit plan was considered by the Audit and Governance Committee in February 2023. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Senior Management Team and reported in detail to the Audit and Governance Committee in the internal audit progress reports which were reviewed at each meeting.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

Annual Internal Audit Opinion 2023-24

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

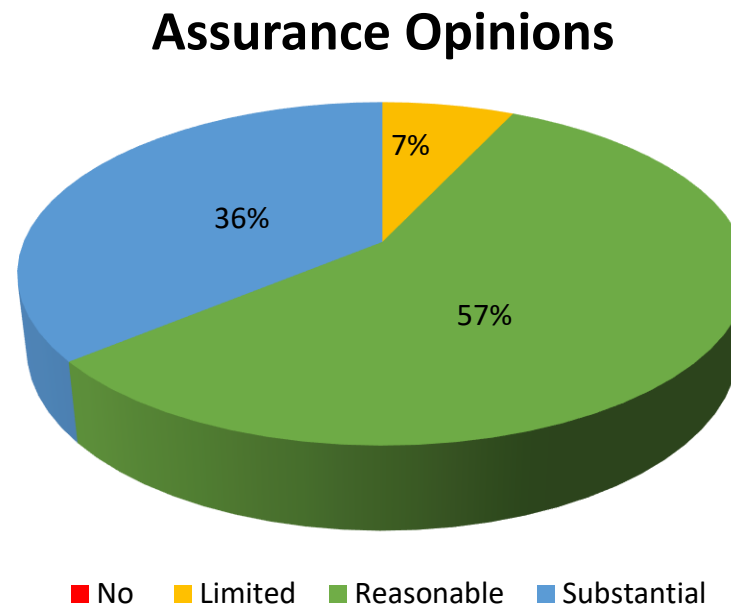
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2023-24 reviews

The outcomes from our reviews have been reported to the Audit and Governance Committee throughout the year and a summary of the assurance opinions is outlined below.



As at the time of reporting, two audit reviews remain in progress – housing rents and housing void repairs. The outcome of these will be reported in our next progress report to the Audit Committee and incorporated in the annual opinion for 2024-25.

Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2023-24 we undertook a review of the Annual Governance Statement (for 2022/23) which concluded with a substantial assurance opinion.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit and Governance Committee to provide the opportunity for independent consideration and challenge including the Annual Governance Statement.

Risk Management

During 2023/24 we undertook a review of the corporate risk management process which concluded with a reasonable assurance opinion. The new framework adopted in 2022/23 is more embedded and the monitoring of risk through the Corporate Management Team and the Audit and Governance Committee is well established. Some process improvements still require embedding such as the alignment of operational risk registers and training for relevant staff.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2023-24 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed. The key areas of challenge identified or confirmed through our work are outlined below:

Asset Management - Council Buildings (Limited)

There is no single source of information being used to record all assets along with their statutory compliance / service inspection requirements, therefore, the team rely on the contractors to self-manage or officers to go through individual property folders to identify checks that are due. Additionally, there is no defined schedule of inspections to ensure that every property is inspected and repair requirements are identified in a routine manner with this being reliant upon corporate/ officer knowledge of the assets being managed. In the absence of a clear maintenance schedule, the process to carry out repairs will be reactive rather than proactive.

According to Health and Safety Executive guidance, all asbestos containing materials should be checked at least once a year to ensure they have not deteriorated. From the records we were provided with assurance could not be provided that the annual review had taken place as the list of 63 properties had a last review date of over a year prior in 56 instances. Some dates indicate that the review has been outstanding for several years.

We were advised that four corporate properties have gas and, based upon the certificates we were provided with only one had a valid gas safety certificate. The other three were out of date; two were last checked in 2022 and one in 2021. In respect of fire inspections, although inspection certificates were in place as required, fire risk assessments due on two operational assets which were provided had missed the next review date and the officer confirmed that others were also overdue.

Responsive repairs come via an eform to a shared email address where they are reviewed and allocated to the appropriate teams/contractors by the Administration Support Officer. Although, this email address is accessible by the Property and Estates Team, it is not clear who is accountable in the Administration Support Officer's absence. There is no way to confirm that all reports received via e-forms are recorded on the spreadsheet as it is a manual process. Grounds officers/multi-skills team have access to this spreadsheet, and they update it once the works are completed. However, there are no checks carried out to confirm that the issues reported have been resolved or any evidence of the repair taking place. There are no protected sections of the worksheet which limits the credibility of the spreadsheet as jobs could be inadvertently deleted or amended.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is reported to the Audit and Governance Committee throughout the year through the quarterly internal audit progress reports.

6. Anti-fraud and Anti-corruption

The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image.

The Council maintains a suite of strategies and policies to support the management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy; Whistleblowing Policy and Anti Bribery Policy). During 2023/24 undertook a review of the corporate fraud framework which concluded with a reasonable assurance opinion

The Southern Internal Audit Partnership have not been notified of any reported fraud or irregularities within the Council during the year.

7. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

9. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- A self assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	87%
Positive customer survey response		
● Arun District Council	90%	98%
● SIAP – all Partners	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2024).

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership

May 2024

Summary of Audit Reviews Completed 2023-24

Substantial

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

- Annual Governance Statement
- Environmental Health – Food Safety
- Community Infrastructure Levy
- Environmental Health – Noise
- HR - Recruitment

Reasonable

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

- Fraud Framework
- Risk Management
- Medium Term Financial Planning
- Leisure Facilities – Contract Management
- IT - Cyber Security (Patch Management)
- NNDR
- Disabled Facilities Grants
- IT - System Development (eforms)

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

- Asset Management (Corporate Buildings)