

Thursday, 8 February 2024

Report of the Audit Manager

Internal Audit Quarter 3 Progress Report & External Quality Assessment Action Plan

Exempt Information

None.

Purpose

To provide Audit & Governance Committee with internal audit's progress report for the period to 31st December 2023. In addition, to provide an update on internal audit's progress in implementing the External Quality Assessment Action Plan for 2023/24.

Recommendations

It is recommended that the Committee notes the following reports:

1. Internal Audit's Quarterly Progress Report (**Appendix 1**); and
2. External Quality Assessment Action Plan (**Appendix 2**)

Executive Summary

The Accounts and Audit regulations 2015 require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and guidance.

Progress during Quarter 3 of 2023/24 is contained and detailed in **Appendix 1** to this report. The profiled audit plan completion was expected to be 87% of the audit plan by 31st December 2023. During Quarter 3 of 2023/24 we have completed 31% of the overall plan i.e., 5 out of 16 planned audits. Of the remaining 11 audits; 3 audits are in draft report stage and will be finalised shortly, 2 audits fieldwork was commenced in Quarter 3 but minor work to be completed prior to drafting and 6 audits are fully scoped and allocated with fieldwork starting in January/February 2024.

There were 3 audits which were deferred from 2022/23 and these have been fully completed and are reported accordingly in **Appendix 1** of this report.

The progress report outlines the current position, analysis and detail in respect of outstanding audit recommendations. As of 31st December 2023, there are currently 52 outstanding audit recommendations (12 high priority, 28 medium priority and 12 low priority). There is a continuing overall trend in the reduction of the number of outstanding recommendations from 66 on 31st March 2023 to the current number of 52 as of 31st December 2023. The individual high priority recommendations are shown in the table contained within the Quarterly Progress Report, this includes management comments and progress.

Internal Audit is required to comply with the Public Sector Internal Audit Standards and part of this requirement is for an external quality assessment to be undertaken. The external

assessment was completed in December 2022/January 2023 and the results reported to this committee in March 2023. At the conclusion of the assurance work an agreed action plan was completed and this is detailed as **Appendix 2** of this report.

Of the 12 External Quality Assessment recommendations, 2 are currently outstanding. These relate to mapping the work of Internal Audit to the Code of Governance and a review of Risk Management processes within the Council. Mapping will be completed as part of the Annual Governance Statement work to be undertaken in Quarter 4 of 2023/24. A review of the Council's Risk Management processes is scheduled for Quarter 4 2023/24.

There were 6 suggested improvements made at the conclusion of the assessment and of these 5 have been completed. The remaining improvement relates to consideration of key performance indicators and these will be reviewed and where appropriate implemented for 2024/25.

Audit Opinion

In giving an opinion, contained in **Appendix 1**, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at an opinion, the following matters have been taken into account:

- The outcomes of all audit activity undertaken during the period.
- The effects of any material changes in the organisation's objectives or activities.
- Whether or not any limitations have been placed on the scope of internal audit.
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet full internal audit needs of the organisation.
- What proportion of the organisation's internal audit needs have been covered to date.

Options Considered

Not Applicable

Resource Implications

Not Applicable.

Legal/Risk Implications Background

Failure to report would lead to non-compliance with the requirements of the Annual Governance Statement and the Public Sector Internal Audit Standards.

Equalities Implications

None.

Environment and Sustainability Implications (including climate change)

None.

Background Information

None.

Report Author

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List of Background Papers

Appendices

Appendix 1 – Quarterly Internal Audit Progress Report including progress to 31 December 2023.

Appendix 2 – External Quality Assessment Action Plan

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