

Cotswold District Council

Internal Audit Annual Opinion Report 2023/24

Internal Audit Annual Opinion – 2023/24: ‘At a Glance’

Annual Opinion



There is generally a 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.

The Headlines

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|--|--|
| | <p>Significant risks were identified in The Property and Estates Audits, Taxi Licensing Safeguarding and Climate Change – Operational. Progress is being made on the implementation of the agreed actions, which Internal Audit are monitoring.</p> |
| | <p>30 reviews delivered as part of the 2023/24 Internal Audit Plan. Includes assurance, advisory and follow up reviews, and specific audit support. We have 4 reviews at draft report stage and 7 audits are in progress.</p> |
| | <p>Internal Audit staff supporting the Council. Auditors continue to support the Council, by attending meetings, supporting projects and when necessary, conducting specific tasks for the Council.</p> |
| | <p>Agreed Actions One agreed action reported in 2022/23 remains open. Of the 23 actions agreed in 2023/24, 14 remain open.</p> |
| | |

| Assurance Opinions | 2022/23 | 2023/24 |
|------------------------|-----------|-----------|
| Substantial | 4 | 7 |
| Reasonable | 5 | 4 |
| Limited | 3 | 1 |
| No | 0 | 0 |
| Support to the Council | 6 | 6 |
| Grant Certification | 4 | 1 |
| Advisory | 8 | 6 |
| Follow-Up | 1 | 1 |
| Agreed Actions | 2022/23 | 2023/24 |
| Priority 1 | 3 | 1 |
| Priority 2 | 11 | 10 |
| Priority 3 | 8 | 12 |
| Total | 22 | 23 |

Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

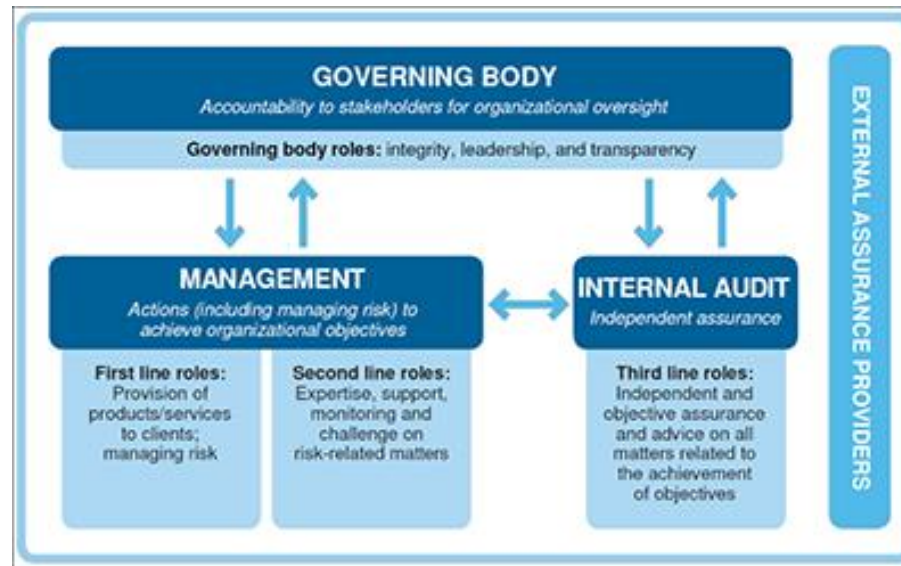


Background

The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2023/24 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



Internal Audit Opinion 2023/24

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2023/24 audit work for Cotswold District Council, enhanced by the work of external agencies, I am able to offer a **Low Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Audit work is planned to ensure that sufficient assurance will be available to inform the annual opinion as well as supporting the key priorities that underpin CDC's Corporate Plan (2024 – 2028):

- Deliver Good Services
- Responding to the Climate Emergency
- Delivering Housing
- Supporting Communities
- Supporting the Economy

Our audit work supports each of these priorities, and the actions that underpin the priorities, whether as an assurance audit, an advisory piece of work, ad hoc requests or support to the council.

The professional requirements of PSIAS have remained unchanged and in line with these, audit priorities have been agreed throughout the year and this work supports the annual opinion.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- *Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.*
- *Observations from consultancy / advisory support.*
- *Follow up of previous audit activity, including agreed actions.*
- *Grant certification work.*
- *Assurances from other key sources and providers, including third parties, regulator reports etc.*
- *Ongoing support and advice relating to the risks associated with payments administered following the pandemic.*

Alongside direct internal audit work, the HIA can also place reliance on:

- *Work and investigations undertaken by the Council's Counter Fraud and Enforcement Unit*
- *Updates and PSN certification undertaken by the Council's ICT Team*
- *Review undertaken by Business Manager – Corporate Responsibility on Mangers' Assurance Statements 2023/24*



The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- *Business Continuity*
- *Continuous assurance*
- *Key financial audits*
- *Information governance and security*
- *Key front line services*

Furthermore the Head of Internal Audit, or member of the Audit Team is an attendee at the following meetings:

- *Procurement and Commissioning Group*
- *Health and Safety Working Group*
- *Corporate Governance Group*



Summary of Audit Work 2023/24

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that relate to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit and Governance Committee's attention.

We identified significant weaknesses in the following audits:

Taxi Licensing Safeguarding

- Lack of evidence to fully support licences issued, no data quality assessment of applications
- Distinction between a complaint and service request has not been defined, no monitoring of data to identify trends / repeat offenders
- Reconciliation between Uniform and General Ledger is not being undertaken, non-compliance with financial rules

Property and Estates

- Lack of an Asset Management Plan / Strategy to guide on Council requirements
- Lack of a central database to record all properties and related data / information
- Risk Assessments not being undertaken, essential compliance checks not always undertaken, Health and Safety concerns
- Annual Landlord inspections have not been regularly undertaken, and no evidence available for ones that had been conducted
- Lease and Rent Reviews not being undertaken in a timely manner
- Insurance terms are not being actively managed

Climate Change – Operational

- Lack of Corporate oversight and direction provided to service areas
- Lack of engagement from Officers

Internal Audit Opinion 2023/24

To ensure control weaknesses are being addressed we have continued to follow-up all agreed actions made in previous years audits as well as current year ones which have passed their implementation dates. We have also introduced a process whereby the CFO receives a monthly report of all agreed actions which can be followed up with Officers and Publica where appropriate. There is currently one historic outstanding agreed action which has passed its implementation date.

All audits, and progress against agreed actions, have been reported throughout 2023/24 to the Audit and Governance Committee.



Summary of Audit Work 2023/24

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

Assurance Definitions

| | |
|--------------------|--|
| No | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |
| 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. |
| 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. |
| 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. |



Summary of Audit Opinion

The following two charts summarise the audit opinions and audit work, and involvement, during 2023/24

Table 1 indicates the spread of assurance opinions across our work during the past year.

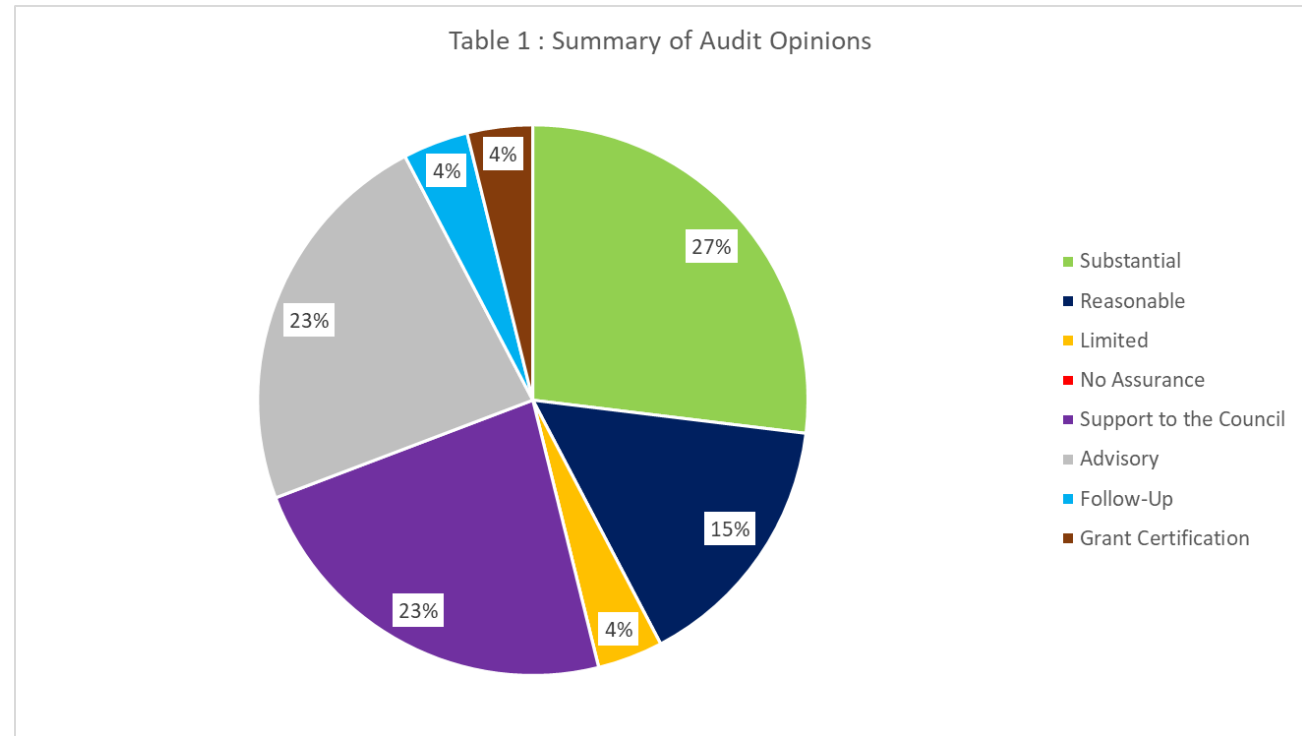
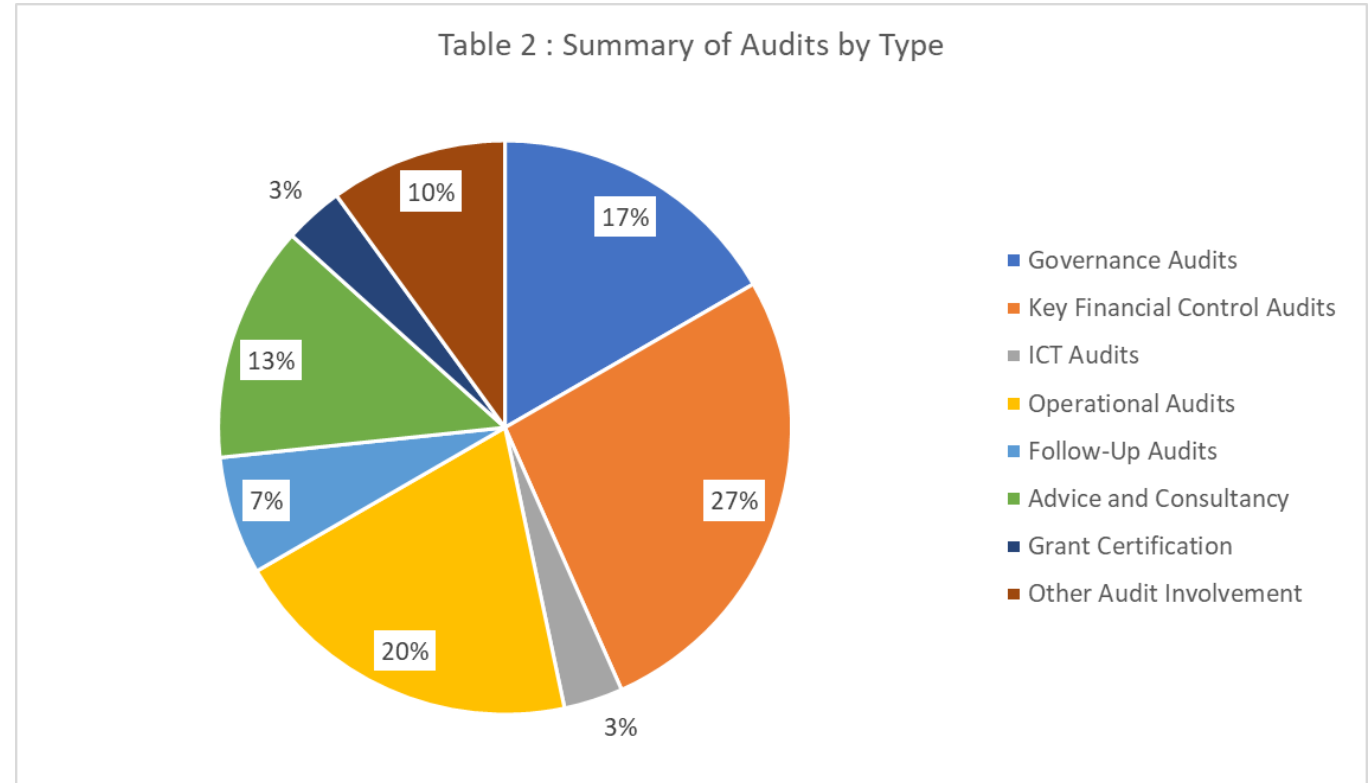


Table 2 indicates the audit work by type.



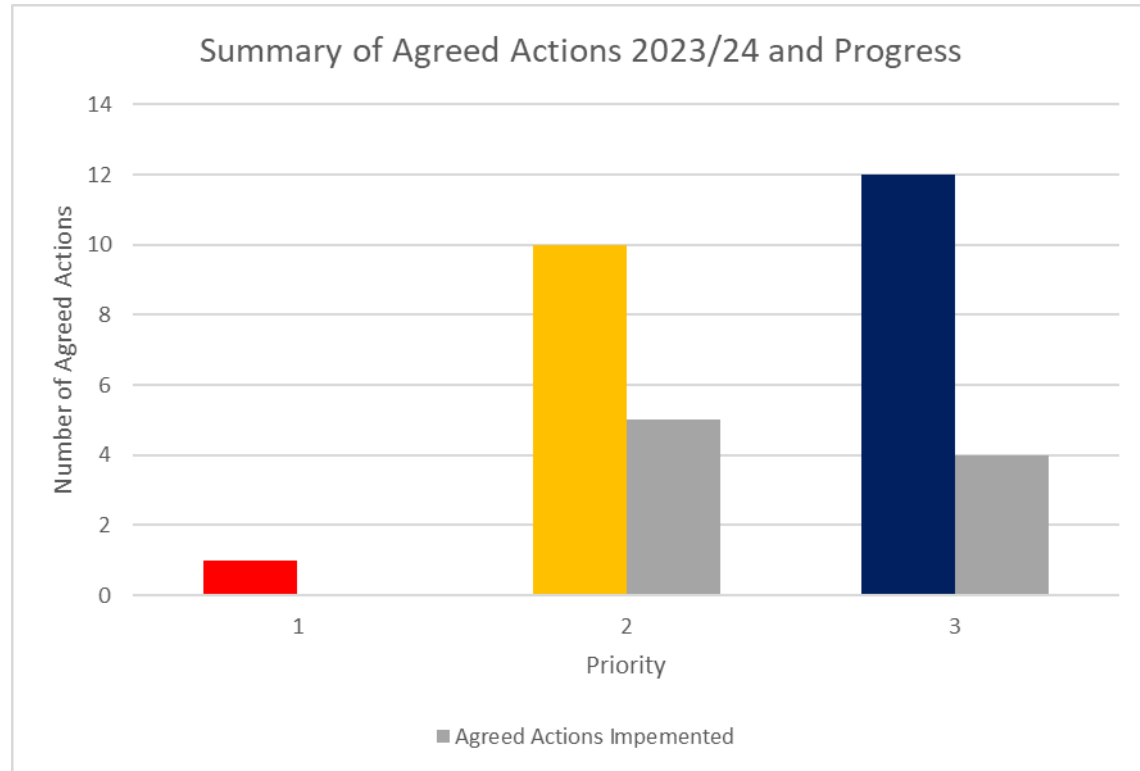
Summary of Audit Work 2023/24

SWAP Performance - Summary of Audit Actions by Priority



Priority Actions

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Corporate Groups

During the year we have attended a number of corporate groups to act as a 'critical friend'.

Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN). This data is useful for services to develop and improve their own systems and processes so that business objectives can be achieved with continually decreasing resources.

News Roundup

We produce a fortnightly newsletter that provides information on topical areas of interest for public sector bodies.

Client Liaison

The Auditors meet regularly with Service Managers to discuss potential operational risks and issues, identify areas for audits and plan up-coming audits.

Audit Protocol

We have an audit protocol which defines the role of the audit team and what is required for an audit. The aim of the protocol is to improve the audit process for our audit clients and to ensure we can deliver an excellent audit in an efficient and effective manner.

Plan Performance 2023/24

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. Post Audit Questionnaires (PAQs) are issued at the completion of assurance audits, 69% of the PAQs were returned. The outturn performance results for CDC for the 2023/24 year are as follows:

| Performance Target | Performance |
|--|-------------|
| Overall Score | 98% |
| Scope of Audit | 100% |
| Professionalism and Conduct | 94% |
| Communication, Timeliness and Findings | 100% |
| Value of Audit (To Client) | 100% |
| Demonstrating our (SWAP) Values | 94% |

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance of PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.



Summary of Internal Audit Work 2023/24

| Audit Type | Audit Area | Status | Opinion | No of Actions |
|--|---|--------------------------|-------------------|---------------|
| 2023/24 Finalised and Completed Reviews | | | | |
| Key Financial Control | Payroll | Final Report | High Substantial | 0 |
| Operational | Climate Change (Operational) | Final Position Statement | N/A | 0 |
| Governance | Freedom of Information | Final Report | Medium Reasonable | 4 |
| Operational | Taxi Licensing Safeguarding | Final Position Statement | N/A | 0 |
| Governance | Transparency Data | Final Report | Medium Reasonable | 4 |
| Key Financial Control | Bank Reconciliation | Final Report | Low Substantial | 1 |
| Key Financial Control | Revs and Bens - Council Tax and NNDR | Final Report | High Reasonable | 2 |
| Key Financial Control | Revs and Bens - Housing Benefit and Council Tax Support | Final Report | High Substantial | 0 |
| ICT | ICT Business Continuity Management | Final Report | Low Substantial | 2 |
| Operational | Estates Services | Final Position Statement | N/A | 0 |
| Operational | Property Services | Final Report | High Limited | 4 |
| Key Financial Control | Contractors - Use of Waivers | Final Report | Low Substantial | 2 |
| Advisory | Revenues and Benefits Service Review | Final Position Statement | N/A | 0 |
| Key Financial Control | Accounts Payable | Final Report | High Substantial | 0 |

Summary of Internal Audit Work 2023/24

| Audit Type | Audit Area | Status | Opinion | No of Actions |
|-------------------------|---|--------------------------|------------------------|---------------|
| Governance | Risk Management | Final Report | Low Reasonable | 4 |
| Operational | Planning Validation | Final Position Statement | Medium Substantial | 0 |
| Operational | Accounts Payable – Qtly Review | Complete | Continuous Reporting | 0 |
| Grant Certification | Carbon Data 2021/22 | Complete | N/A | 0 |
| | | | | |
| Support | Business Grant Funding – Aged Debt | Complete | Support to the Council | N/A |
| | | | | |
| Follow-Up | Follow-Ups of Recommendations made in Substantial and Reasonable Audits | Complete | Follow-Up | N/A |
| Other Audit Involvement | Working with the Counter Fraud and Enforcement Unit | Complete | Support to the Council | N/A |
| Other Audit Involvement | Management of the IA Function and Client Support | Complete | Support to the Council | N/A |
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Summary of Internal Audit Work 2023/24

| Audit Type | Audit Area | Status | Comment |
|---------------------------|---------------------------------------|-------------|---------|
| Draft Reports | | | |
| Governance | Data Breaches | Governance | |
| Operational | S106s | Operational | |
| Operational | Appointment of Consultants | Operational | |
| Operational | Human Resources | Operational | |
| | | | |
| Audits In Progress | | | |
| Operational | Levelling Up Funding – UKSPF and RESF | | |
| Operational | Members Allowances and Expenses | | |
| Key Financial Control | Revenues and Benefits | | |
| Operational | Emergency Planning | | |
| Core Financial | Payroll | | |
| Grant Certification | Carbon Data 2022/23 | | |
| Governance | Audit Committee Effectiveness | | |
| | | | |
| | | | |



Summary of Internal Audit Work 2023/24

| Audit Type | Audit Area | Status | Comment |
|--|---|--------|--|
| Ongoing Audit Support / Involvement | | | |
| Advisory | Procurement and Commissioning Group | | Support complete for 2023/24, will continue into 2024/25 |
| Advisory | Health and Safety Working Group | | Support complete for 2023/24, will continue into 2024/25 |
| Support | Co-Ordination Team / Emergency Planning | | Support complete for 2023/24, will continue into 2024/25 |
| Support | Elections | | Support complete for 2022/23, will continue into 2023/24 |
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