

Cotswold District Council

Internal Audit Annual Opinion Report 2021/22

Internal Audit Annual Opinion – 2021/22: ‘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

	No Significant Risks were identified during the year.
	34 reviews delivered as part of the 2021/22 Internal Audit Plan. Includes assurance, advisory and follow up reviews. 3 reviews are at draft report stage and 3 are in progress. Furthermore, we continue to support the Council with ongoing projects and attend corporate meetings.
	Internal Audit staff redeployed directly into Council areas to assist with the COVID response. COVID 19 Business Grant processing and post payment checks.
	A number of agreed actions from 2020/21 remain outstanding, along with actions agreed during 2021/22 (some agreed actions have had time extensions due to Covid-19). We will continue to follow-up all agreed actions.

Internal Audit Assurance Opinions 2021/22

Substantial	5
Reasonable	10
Limited	0
No	0
Internal Audit Agreed Actions 2021/22	
Priority 1	0
Priority 2	13
Priority 3	8
Total	21

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 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.

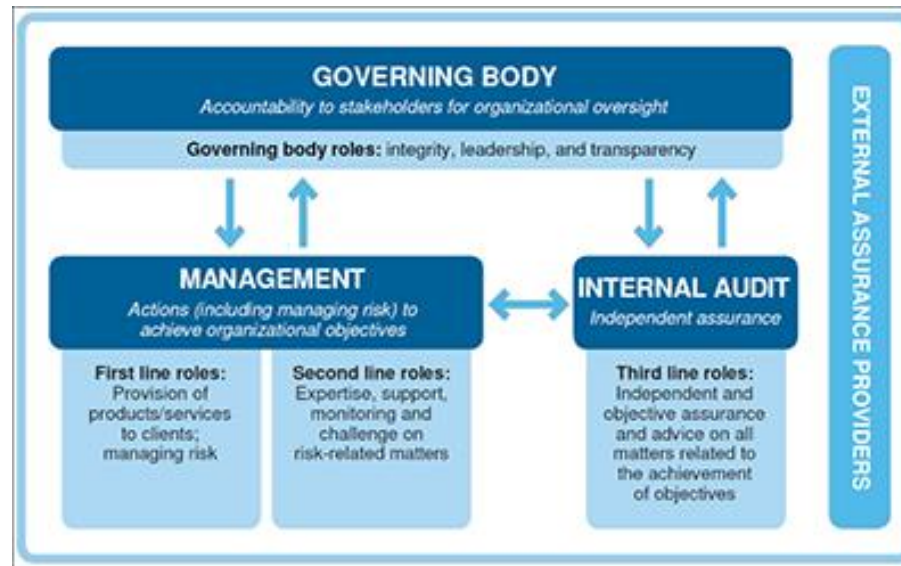


Background

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 2021/22 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 2021/22

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 2021/22 audit work for Cotswold District Council, enhanced by the work of external agencies, I am able to offer a **High Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Just as in more normal times, audit work has been planned to ensure that sufficient assurance will be available to inform the annual opinion as well as supporting the three key principles:

- Rebuilding trust and confidence in the Council
- Providing value for money for our residents and businesses
- Listening to the needs of our community, and acting on what we hear

And the six key priorities:

- Deliver the Highest Standards of Services
- Respond to the Climate Crisis
- Provide Socially Rented Homes
- Make our Local Plan Green to the Core
- Support Health and Well-being
- Enable a Vibrant Economy

That are defined, and underpin, CDC's Corporate Plan 2020/2024 (updated Spring 2022)

Our audit work supports each of these principles, and 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 additional work performed to carry out assurance work on risks associated with the continued pandemic were:

- *Supported the Council on data input for further rounds of Business Grants (ARG Schemes, Omicron)*
- *Support to the Council in respect of post payments reviews on all Mandatory Business Grant Applications*
- *Responding to queries and complaints in respect of Covid Grants*
- *Audit of Covid grants*

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 Audit and Compliance Manager*
- *Review undertaken by Business Manager – Corporate Responsibility on Mangers' Assurance Statements 2021/22*

As we are working to a more agile / rolling audit plan the following audits have been agreed with Management to be carried forward to 2022/23.

- *Human Resources – Following the implementation of a new recruitment process*
- *Procurement – following the adoption of the updated Procurement and Commissioning Strategy*

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*

Throughout another challenging year, we have tried to ensure a balance between providing direct assistance to the Council and maintaining a continuum of audit work. We are pleased to report we have achieved this, although it must be recognised coverage is not comparable to previous or 'normal' years.

Summary of Audit Work 2021/22

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 Committee attention.

We have not identified any significant corporate risks in the areas we have audited this year, but audit reviews completed during the year identified weaknesses in process / systems that should be addressed. Of the thirteen priority 2 agreed actions made during the year, 9 are not complete, these are due to be implemented during 2022/23 and we will follow these up as per our procedure.

We have also continued to follow-up all agreed actions made in previous years audits. Due to on-going worldwide events that continue to affect the Council e.g. Covid and the War in Ukraine and officers supporting these more critical services, some agreed actions haven't been implemented by the target date. Progress is being made on implementation of these actions and we will continue to follow them up.

All audits, and progress against agreed actions, have been reported throughout 2021/22 to the Audit Committee.

Summary of Audit Work 2021/22

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 2021/22

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

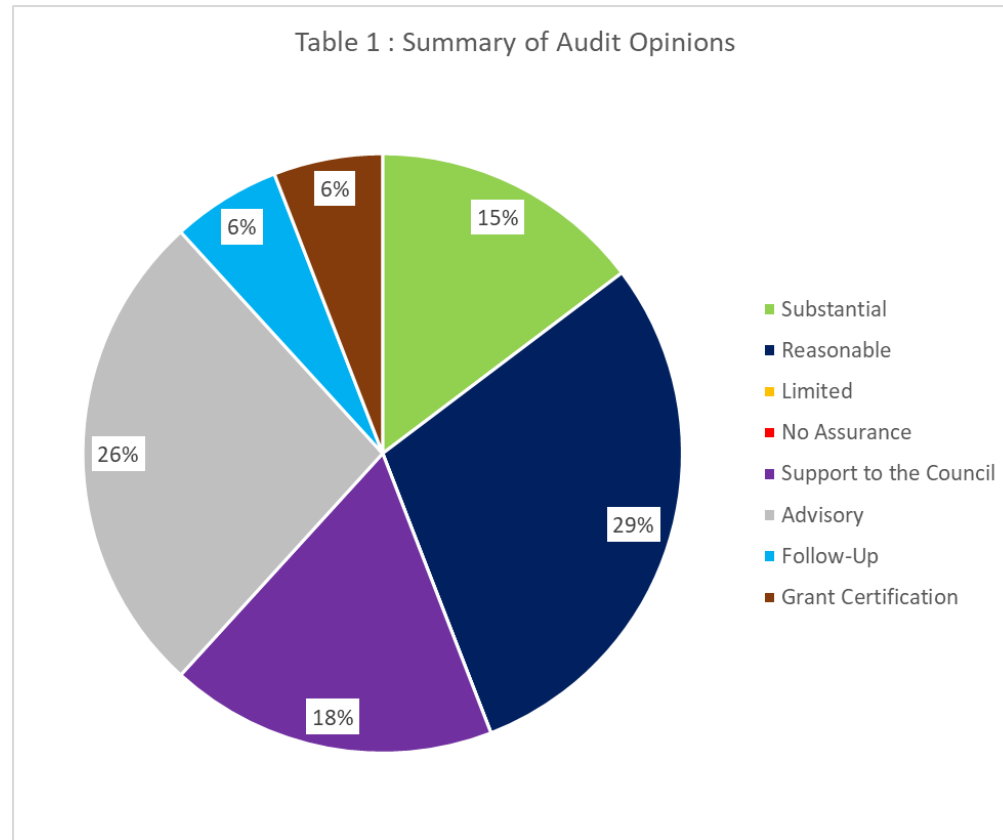
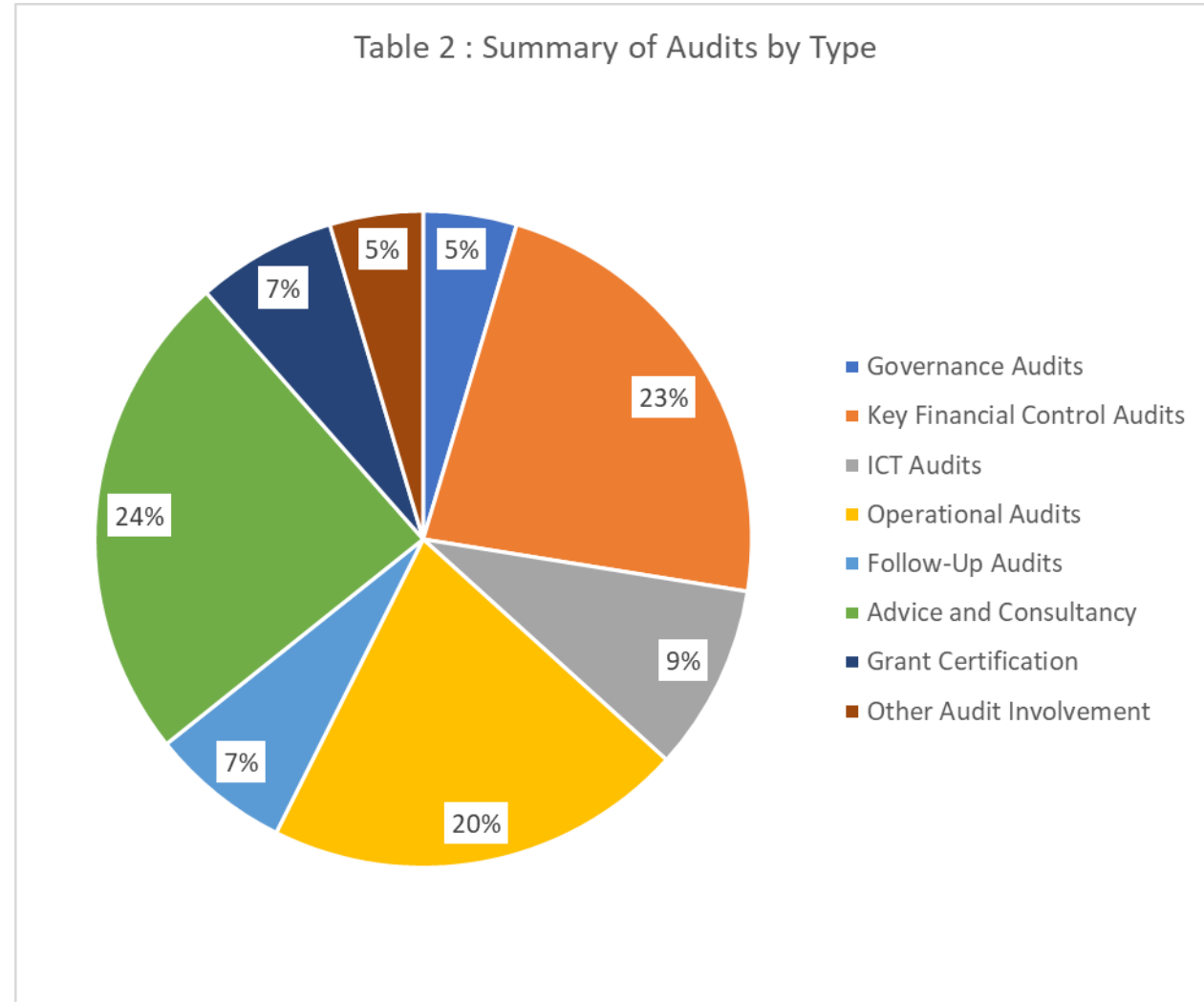


Table 2 indicates the audit work by type.



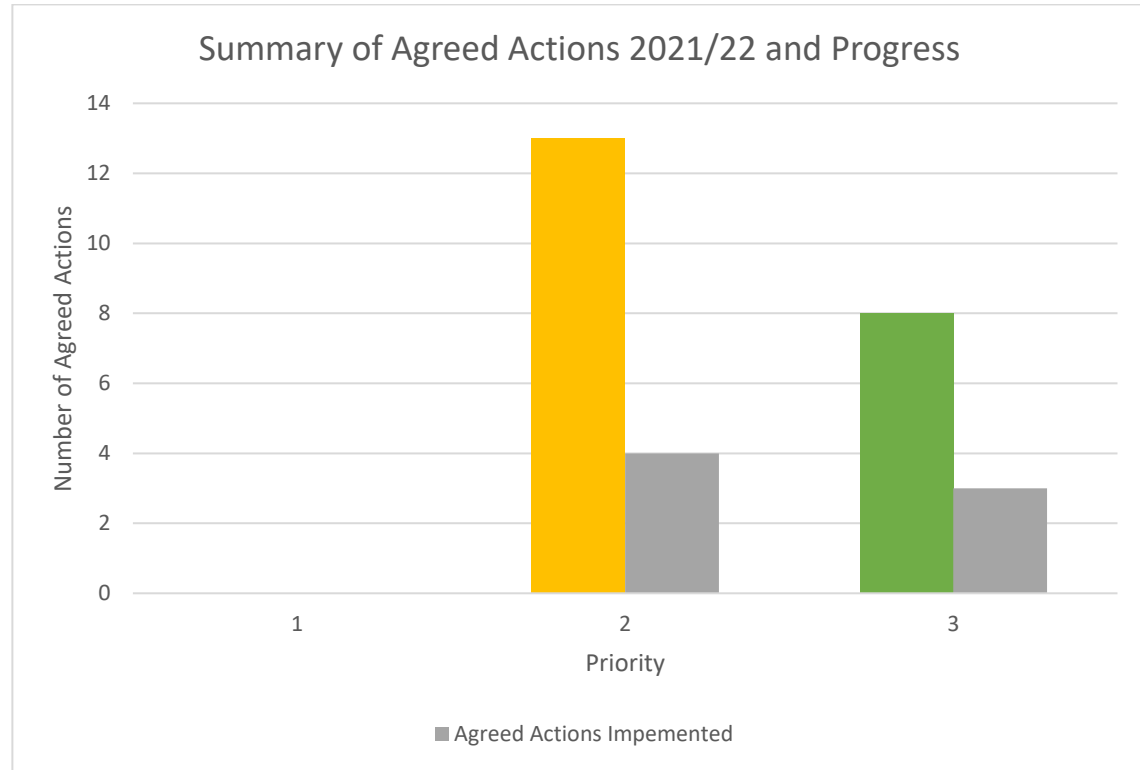
Summary of Audit Work 2021/22

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.

Business Grants

During the year the Head of Internal Audit has continued to support the Business Grant Team. Responsibilities have included:

- *Supervision of the Grant Team*
- *Responding to queries / complaints from Councillors and applicants*
- *Implementation and Administration of the Summer ARG Scheme*
- *Implementation and Administration of the Omicron Schemes*
- *Working with CFEU Head of Service to review all Mandatory Grants paid*

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.

Plan Performance 2021/22

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. The respective outturn performance results for CDC for the 2021/22 year are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Final, Complete, Draft and Discussion 90%	84%
In progress/Review	7%
Carried Forward	9%
<u>Customer Satisfaction Questionnaire</u>	
Feedback 95%	100%

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 2021/22

Audit Type	Audit Area	Status	Opinion	No of Actions
2021/22 Finalised and Completed Reviews				
Key Financial Control	Payroll	Final Report	High Reasonable	1
ICT	Systems Administration	Final Report	Medium Reasonable	2
Governance	Risk Management	Final Position Statement	Advisory	N/A
ICT	Data Recovery Capabilities	Final Report	Low Substantial	1
Support	Business Grant Funding	Complete	Support to the Council	N/A
Support	Business Grant Funding - Post Payment Reviews – Head of IA working with CFEU Head of Service	Complete	Support to the Council	N/A
Support	Business Grant Funding – Omicron Grants (January) (NEW)	Complete	Support to the Council	N/A
Support	Ubico – New Shareholder	Complete	Advisory	N/A
Operational	Fire Risk Assessments	Final Report	High Reasonable	1
Support	Civica – Merge of 3 Systems	Complete	Advisory	N/A
Operational	Emergency Planning	Final Report	High Reasonable	4
Operational	Procurement (Contract Management and Monitoring)	Final Report	High Substantial	-
Governance	Governance of Programmes and Projects	Final Report	Medium Reasonable	2
Governance	Monitoring the Performance of Strategic Commissioned Services	Final Report	High Reasonable	2

Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Opinion	No of Actions
Operational	S106 Contributions to Tetbury Town Council	Final Position Statement	Advisory	-
Key Financial Control	Council Tax and National Non-Domestic Rates	Final Report	Low Reasonable	1
Key Financial Control	Housing Benefit and Council Tax Support	Final Report	Low Reasonable	2
Key Financial Control	Accounts Receivable	Final Report	Low Reasonable	2
Key Financial Control	Payroll	Final Report	High Substantial	-
Key Financial Control	Accounts Payable	Final Report	High Substantial	-
Key Financial Control	Treasury Management and Bank Reconciliation	Final Report	High Substantial	-
Follow-Up	Risk Management	Final Report	Follow-Up	N/A
ICT	Control of Accounts with Administration Privileges	Final Report	High Reasonable	3
Grant Certification	Disabled Facilities Grants	Complete	Grant Certification	N/A
Grant Certification	Restart Grants	Complete	Grant Certification	N/A
Follow-Up	Follow-Up of All Agreed Actions	Completed	Follow-Up	N/A
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	Completed	Support to the Council	N/A
Other Audit Involvement	Management of the IA Function and Client Support	Completed	Support to the Council	N/A

Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Comment
Draft Reports			
Operational	Procurement Cards	Draft Report	
Operational	Election Expenses – Treatment of VAT	Draft Report	
ICT	Vulnerability Management	Draft Report	
In Progress			
Operational	Business Grant Funding – Post Payment Assurance	In progress	
Operational	Mechanism for Charging Council	In progress	
Follow-Up	Asset Management and Commercial Property	In Progress	
Ongoing Audit Support / Involvement			
Advisory	Support to the Agile Working Project		Support complete for 2021/22, will continue into 2022/23
Advisory	Environmental Services Improvement Programme		Support complete for 2021/22, will continue into 2022/23
Advisory	Procurement and Commissioning Group		Support complete for 2021/22, will continue into 2022/23
Advisory	Health and Safety Working Group		Support complete for 2021/22, will continue into 2022/23
Support	Co-Ordination Team		Support complete for 2021/22, will continue into 2022/23
Support	Active Cotswolds		Support complete for 2021/22, will continue into 2022/23



Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Comment
Audits Carried Forward			
Grant Certification	Carbon Data	Carried Forward	Review commenced during 2021/22, but not all data available
Governance	Human Resources	Carried Forward	Rolling Audit. Planned for 2022/23 following the introduction of a new recruitment process
Operational	Other Support Service provided by Publica Procurement (Compliance with Strategy)	Carried Forward	Rolling Audit. Planned for 2022/23 following the adoption of the Updated Procurement and Commissioning Strategy
Operational	Publica Performance Information	Carried Forward	Review Commenced during 2021/22 but IA advised of change to service. Consultancy review now planned to support service

