

# Cotswold District Council

## Internal Audit Annual Opinion Report 2022/23

# Internal Audit Annual Opinion – 2022/23: ‘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

	<p><b>Significant risks were identified in respect of the administration of Procurement Cards and within the Revenues and Benefits Audit</b> Progress is being made on the implementation of the agreed actions, which Internal Audit are monitoring.</p>
	<p><b>39 reviews delivered as part of the 2022/23 Internal Audit Plan.</b> Includes assurance, advisory, follow up reviews and other involvement. 2 reviews are at draft report stage and 5 are in progress. Furthermore, we continue to support the Council with ongoing projects and attend corporate meetings.</p>
	<p><b>Internal Audit staff supporting the Council.</b> Auditors continue to support the Council, by attending project meetings and when necessary conducting specific tasks for the Councils e.g. business grant bad debt review and reconciliation.</p>
	<p><b>A number of historic agreed actions remain outstanding, along with actions agreed during 2022/23.</b> We will continue to follow-up all agreed actions.</p>
	<p><b>Chief Internal Auditor Grant Certification</b> Five reviews were undertaken by the Chief Internal Auditor to sign off on grant monies received by the Council. Work undertaken in these areas is also used to inform our annual opinion.</p>

Assurance Opinions	2021/22	2022/23
Substantial	5	4
Reasonable	10	5
Limited	0	3
No	0	0
Support to the Council	6	6
Grant Certification	2	4
Advisory	7	8
Follow-Up	2	1
Agreed Actions	2021/22	2022/23
Priority 1	0	3
Priority 2	13	11
Priority 3	8	8
<b>Total</b>	<b>21</b>	<b>22</b>

## 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.

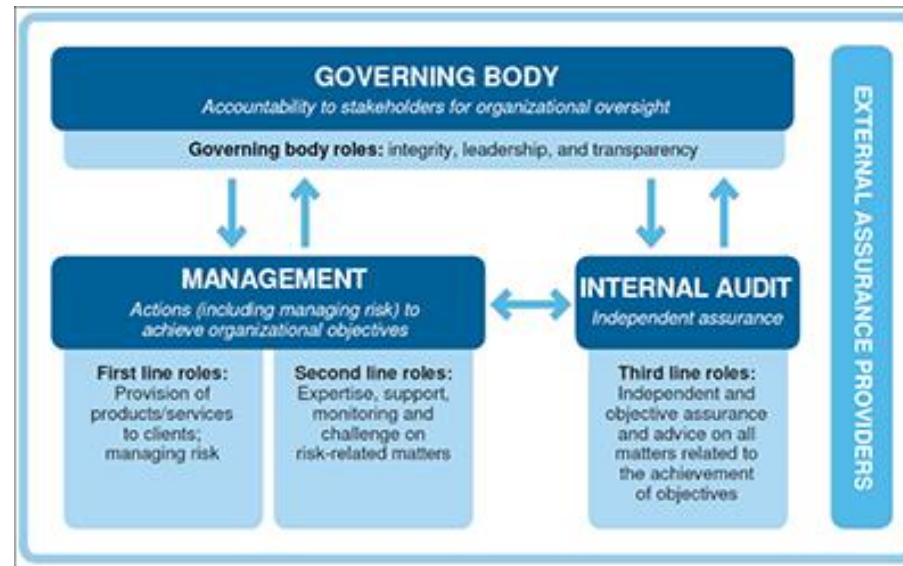


## Background

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 2022/23 year.

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



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 2022/23 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 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 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.*

Additional work performed to carry out assurance work on risks associated with the continued pandemic were:

- *Completed the Business Grant Post Payment review with the Head of Service, CFEU*
- *Supported the Council in respect of the recovery of Business Grant Overpayments and data to be submitted to BEIS*
- *Reconciliation of Business Grant Recovery data to the ledger*

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 2022/23*



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*
- *Environmental Services Improvement Programme*
- *Corporate Governance Group*



## Summary of Audit Work 2022/23

### 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 identified significant weaknesses in the administration of procurement cards and six actions were agreed.

We also identified significant weaknesses within Revenues and Benefits audits whereby overpayment of Housing Benefits was not being recovered and a significant value of credits were being held on Council Tax Accounts.

Audit reviews completed during the year identified weaknesses in process / systems that should be addressed, including Climate Change, Treasury Management and Business Continuity.

A new process for planning validation was introduced and although not completely implemented at the time of the audit, a number of observations were made where improvements could be made in the process. Several suggestions were also presented in the Wellbeing Support to Staff Audit to help ensure staff are supported appropriately in the event of a 'public' fallout.

We have also continued to follow-up all agreed actions made in previous years audits. A number of agreed actions remain outstanding, therefore we have introduced a process whereby the CFO receives a monthly report of all agreed actions which can be followed up with Publica.

All audits, and progress against agreed actions, have been reported throughout 2022/23 to the Audit Committee.



# Summary of Audit Work 2022/23

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

## Assurance Definitions

<b>No</b>	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.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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 2022/23

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

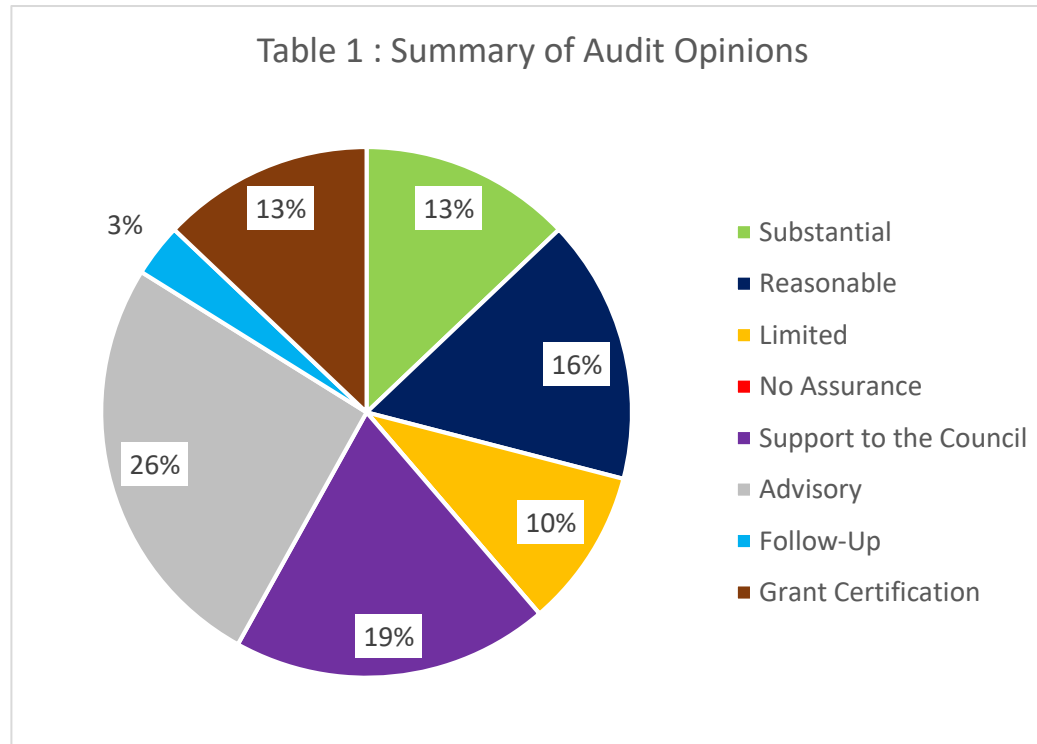
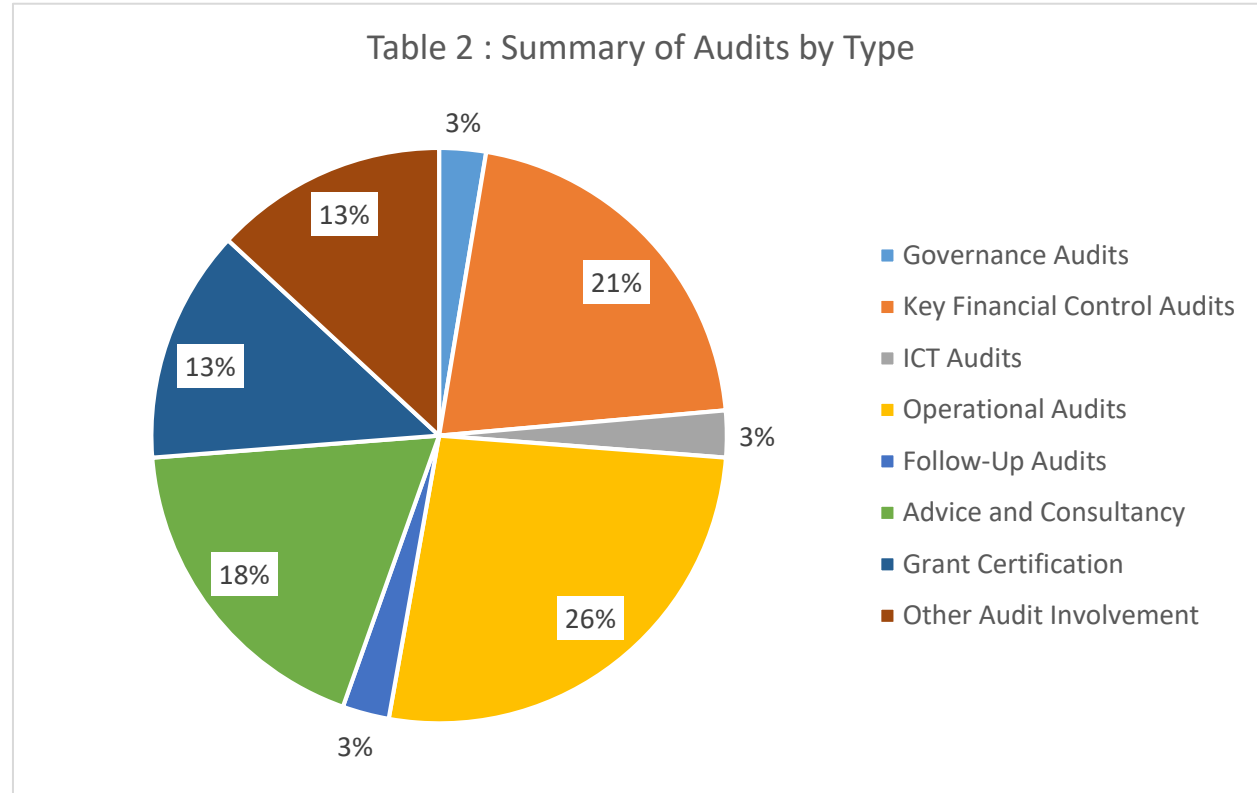


Table 2 indicates the audit work by type.



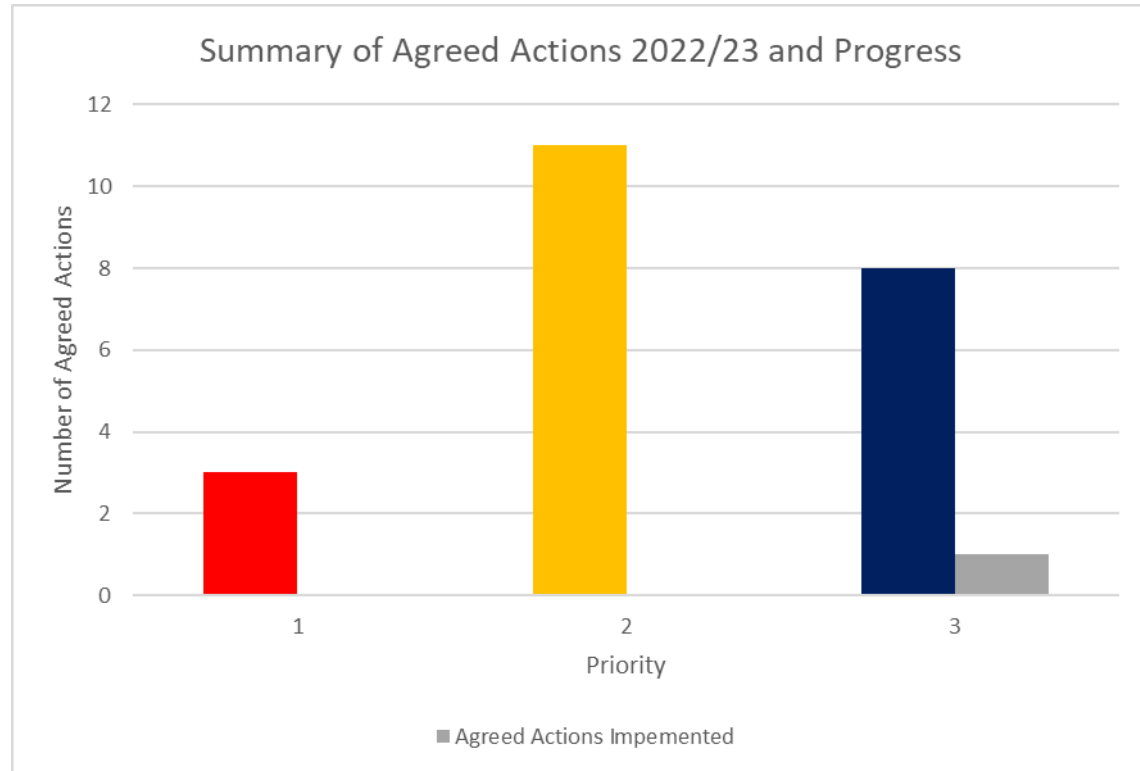
# Summary of Audit Work 2022/23

## 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**

We have recently initiated Client Liaison, whereby the Auditors meet regularly with Business Managers to discuss potential operational risks and issues, identify areas for audits and plan up-coming audits.

#### **Audit Protocol**

We launched 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 contacts and to ensure we can deliver an excellent audit in an efficient and effective manner.

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 2022/23 year are as follows:

Performance Target	Performance
<b>Overall client satisfaction</b> <i>did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence</i>	100%
<b>Value to the organisation</b> <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i>	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 2022/23

Audit Type	Audit Area	Status	Opinion	No of Actions
<b>2022/23 Finalised and Completed Reviews</b>				
Operational	Procurement Cards	Final Report	Low Limited	6
ICT	Vulnerability Management	Final Report	High Reasonable	1
Operational	Business Grant Funding – Post Payment Assurance	Final Report	High Substantial	0
Operational	Election Expenses – Treatment of VAT	Final Report	Medium Substantial	1
Operational	Planning Validation Process	Final Position Statement	N/A	0
Governance	Climate Change (Strategic)	Final Report	Low Reasonable	3
Operational	S106 Agreements and Funds	Final Report	High Reasonable	2
Operational	Accounts Payable – Qtly Review	Continuous	High Substantial	0
Key Financial Control	Council Tax and National Non-Domestic Rates	Final Report	High Limited	2
Key Financial Control	Housing Benefit and Council Tax Support	Final Report	High Limited	1
Key Financial Control	Treasury Management and Cashflow Forecasting	Final Report	Medium Reasonable	2
Key Financial Control	Accounts Receivable	Final Report	Low Substantial	1
Key Control	HR – Wellbeing Support available for Staff	Final Position Statement	N/A	0
Operational	Business Continuity Management – Services Reviewed Elections and Revenues and Benefits	Final Report	High Reasonable	3

## Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Opinion	No of Actions
Support	Business Grant Funding – Post Payment Review	Complete	Support to the Council	N/A
Support	Business Grant Funding – Aged Debt	Complete	Support to the Council	N/A
Support	Leisure and Culture Contract Procurement	Complete	Support to the Council	N/A
Grant Certification	Disabled Facilities Grants	Complete	Grant Certification	N/A
Grant Certification	Test and Trace Payment Scheme	Complete	Grant Certification	N/A
Grant Certification	Contain Outbreak Management Fund	Complete	Grant Certification	N/A
Grant Certification	Biodiversity Net Gain Grant	Complete	Grant Certification	N/A
Follow-Up	Follow-Up of All Agreed Actions	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

## Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Comment
<b>Draft Reports</b>			
Key Financial Control	Payroll	Draft Report	
Key Financial Control	Accounts Payable	Draft Report	
<b>In Progress</b>			
Operational	Property Services		
Operational	Estates Services		
Key Financial Control	Bank Reconciliation		
Operational	Applicant Tracking System		
Operational	Taxi Licensing Safeguarding		
Grant Certification	Carbon Data 2021/22		
<b>Ongoing Audit Support / Involvement</b>			
Advisory	Support to the Agile Working Project		Support complete for 2022/23
Advisory	Environmental Services Improvement Programme		Support complete for 2022/23, will continue into 2023/24
Advisory	Procurement and Commissioning Group		Support complete for 2022/23, will continue into 2023/24
Advisory	Health and Safety Working Group		Support complete for 2022/23, will continue into 2023/24





## Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Status	Comment
Support	Co-Ordination Team		Support complete for 2022/23, will continue into 2023/24
Support	Active Cotswolds		Support complete for 2022/23, will continue into 2023/24
Support	Elections		Support complete for 2022/23, will continue into 2023/24

