

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY 27
JULY 2022**



Title of Report	INTERNAL AUDIT ANNUAL OPINION REPORT 2021-22	
Presented by	Kerry Beavis Audit Manager	
Background Papers	Public Sector Internal Audit Standards	Public Report: Yes
Purpose of Report	<p>To present the annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control.</p> <p>This is required by the Public Sector Internal Audit Standards and should be used to inform the Annual Governance Statement.</p>	
Recommendations	THAT THE COMMITTEE NOTES THIS REPORT AND COMMENTS AS APPROPRIATE.	

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service and risk based audit plan supports all council priorities.
Safeguarding:	No specific safeguarding considerations identified during our 2021-22 audit work.
Equalities/Diversity:	No specific equalities or diversity considerations identified during our 2021-22 audit work.
Customer Impact:	No specific customer impact however improvements to the overall control environment would potentially benefit all customers.
Economic and Social Impact:	No specific economic and social impact identified during our 2021-22 audit work.
Environment and Climate Change:	No specific environment and climate change impact identified during our 2021-22 audit work.
Consultation/Community Engagement:	The Head of Legal and Commercial Services has been consulted.

Risks:	Not presenting this report to Committee would mean that we have not complied with the Public Sector Internal Audit Standards.
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INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Annual Report 2021/22

1. INTRODUCTION

- 1.1 This is the annual report of the Chief Audit Executive (Audit Manager) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2021 to 31 March 2022 for North West Leicestershire District Council.
- 1.2 This report includes the Audit Manager's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 This report also includes:
- A summary of internal audit work carried out during 2021/22 which supports the opinion.
 - Issues relevant to the preparation of the Annual Governance Statement.
 - Internal Audit's Quality Assurance and Improvement Programme (QAIP).
 - A statement on conformance with the Public Sector Internal Audit Standards.

2. CHIEF AUDIT EXECUTIVE (AUDIT MANAGER) OPINION 2021/22

- 2.1 2021/22 has been a difficult and unusual year for everyone, including Internal Audit, with the restrictions changing due to the ongoing pandemic. Home working arrangements are more settled, and internal audit has continued to provide the additional support required for assurance on Covid-19 Business Grants.
- 2.2 In line with the Public Sector Internal Audit Standards Internal Audit have worked flexibly throughout the year whilst still ensuring a sufficient level of audit coverage to allow me to give an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control (the control environment). In giving this opinion it should be noted that assurance cannot be absolute.
- 2.3 For the 12 months ended 31 March 2022, I am able to give **reasonable assurance** on the overall control environment. To be consistent with our Internal Audit opinion definitions, this means that 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 areas audited. This is a positive assurance opinion overall.
- 2.4 My opinion is based on the following:
- All internal audit work undertaken during the year, this includes advisory work as well as assurance, and supports the view on internal control arrangements.

- Follow up audit work in respect of audit recommendations.
 - My knowledge of the Council's governance and risk management structure and processes.
- 2.5 There have been no impairments to the independence of internal auditors during the year.

3. SUMMARY OF INTERNAL AUDIT WORK DURING 2021/22

- 3.1 The risk based internal audit plan for 2021/22 was presented and approved by the Audit and Governance Committee on 21st April 2021. Progress against this plan has been reported to Audit and Governance Committee throughout the year as part of the quarterly Internal Audit progress reports.
- 3.2 A summary of the audit opinions given in 2021/22 by the in-house team is detailed in Table 1 below. The opinion for individual audits is included in Appendix A for information, along with a comparison of the work delivered against the audit plan.

Table 1

Opinion	Definition	Number
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	2
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	4
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.	4
No Assurance	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	-
Total number of audit reports		10

- 3.3 Three of the Council's key financial systems (Benefits, Business Rates and Council Tax) are provided by the Leicestershire Revenues and Benefits Partnership. For 2021/22 the internal audit service at the Partnership was provided by Grant Thornton. At the time of writing this report, they have not reported any findings from internal audits relating to 2021/22 to the Leicestershire Partnership Revenues and Benefits Joint Committee.

- 3.4 Internal Audit follow up progress against recommendations in line with the timescales agreed at the time of issuing reports. The Audit and Governance Committee is updated on the Council's progress against the recommendations as part of the quarterly Internal Audit progress reports, as well as giving details of ongoing or overdue recommendations. A summary of the recommendation tracking results for 2021/22 is included at Appendix B.

4. ISSUES RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT

- 4.1 The Internal Audit team have issued 4 audit reports with limited assurance during 2021/22. These should be considered when preparing the Annual Governance Statement:
- **Housing Rents**
The main areas identified for improvement were review of policies and use of version control on procedure guides, inadequate monitoring of changes to accounts, lack of data to provide assurance that data transfer, during implementation of the new system, is accurate and variances have been resolved, the completion and independent review of reconciliations.
 - **Corporate Estates Compliance**
The main areas identified for improvement were around the lack of a corporate approach to the review of policies and procedures for compliance, no central oversight on corporate property-related compliance activity, a robust corporate performance monitoring framework not being in place, asbestos monitoring process not being adequate and no consistent approach for recording and monitoring issues that are raised during inspections.
 - **HRA Fire Safety & Management**
The main areas identified for improvement were a lack of monitoring of remedial works to rectify significant issues, key policies and procedures not being in place, contract management and monitoring arrangements not in place and there was no training programme in place for officers.
 - **Corporate Project Management**
The main areas identified for improvement were the implementation of a corporate approach to project management including policies and strategies and the promotion of project management guidance and training.

Due to the agreed implementation dates of the recommendations follow up work has yet to commence for these audits.

There were no audit reports issued without any assurance during 2021/22.

A number of high priority recommendations were made in respect of other audit reviews undertaken, however as they tend to relate to specific systems and/or service areas, I do not consider it necessary to include them in the Annual Governance Statement.

The Section 151 Officer receives all Internal Audit reports issued therefore they are also able to make their own assessment when completing the Annual Governance Statement should they be of a different opinion.

5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP) FOR INTERNAL AUDIT

- 5.1 The Public Sector Internal Audit Standards (PSIAS) require the QAIP to include internal and external assessments (see Appendix C for more detail).
- 5.2 The internal assessments applicable to 2021/22 include the following:
- Monthly performance review meetings attended by the Audit Manager and the Head of Legal and Commercial Services as well as regular meetings with the Head of Finance.
 - Customer satisfaction surveys were sent out to all Team Managers and/or Team Leaders who had an audit in their service area. Three returns for 2021/22 all with overall positive feedback.
 - Quarterly progress reports to the Corporate Leadership Team and Audit and Governance Committee which include monitoring of activity and performance.
- 5.3 The PSIAS require external assessments to be conducted at least once every five years. In December 2020 the shared internal audit service had an external quality assessment and the full report was presented to Audit and Standards Committee on 1st February 2021.
- 5.4 It was the assessor's opinion that Internal Audit at Blaby, Charnwood and North West Leicestershire Councils **conforms with the PSIAS**.
- 5.5 In addition to delivering the annual audit plan and opinion, Internal Audit have added value in the following ways:
- Providing advice and support in undertaking elements of the pre and post payment assurance checks for the Covid-19 Business Grants.
 - Providing assurance on the Green Homes Grant.
 - Providing ad-hoc advice throughout the year to a wide range of services to help ensure that internal controls are maintained or strengthened.
 - The continued delivery of a successful shared service to Blaby District Council and Charnwood Borough Council. This adds value to all Councils as the audit team shares learning, expertise and best practice.

6. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 6.1 The external assessment conducted in December 2020 concluded that there were no significant gaps in compliance.

6.2 I can confirm that during 2021/22 the Internal Audit Shared Service conformed to the Public Sector Internal Audit Standards.

RESULTS OF INDIVIDUAL AUDIT ASSIGNMENTS AGAINST THE 2021/22 AUDIT PLAN

Audit Area (Report No.)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						C	H	M	L	
High value grant claim arrangements	Audit	8	19	Final	Reasonable	-	5	1	-	
Leisure Recovery Support	Audit	6	6	Final	Substantial	-	-	-	-	
Risk Management	Audit	7	7	Final	Reasonable	-	-	5	1	
Corporate Estates Compliance	Audit	8	15	Final	Limited	-	5	1	-	
Green Homes Grant Phase 1b Certification	Audit & Certification	10	9	Final	Substantial	-	1	-	-	Certification request yet to be received.
CCTV	Audit	6	-	Cancelled						Postponed due to procurement delays.
Grounds Maintenance	Audit	8	16	Final	Reasonable	-	2	-	2	
Fire Safety and Management - Housing	Audit	8	11	Final	Limited	-	8	6	-	
Key Housing Systems	Audit	12	-	Postponed to 2022/23						Partially postponed to 2022/23 due to system implementation. Housing Rents was completed – see below.
Housing Rents	Audit	8	13	In progress	Limited	-	5	4	3	
Building Control	Joint Audit	8	6	Final	Reasonable	-	1	3	-	
Project Management	Audit	8	7	Final	Limited	-	5	2	1	
Covid-19 Related Assurance	Assurance	20	8	As required						Work on Business Grants.
New finance system advisory	Advisory	10	3	Monthly						

Recommendations key – see Appendix B

Appendix B

SUMMARY OF INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP 2021/22

Internal Audit follow up progress against critical, high and medium priority recommendations in line with the timescales agreed at the time of issuing reports. Any overdue recommendations are highlighted to Audit Committee. The table below shows the progress against recommendations made by Internal Audit during 2021/22. The reason that there is such a high number of recommendations in progress or not yet due is due to the timings of the audit and the agreed implementation dates not then being until 2022/23, these will continue to be reported to Audit Committee.

Recommendation Priority	Recommendations Made	Recommendations Implemented	Recommendations Outstanding (In Progress or Not Yet Due)	Recommendations Overdue
Critical	-	-	-	-
High	32	6	24	2
Medium	22	4	16	2
Total	54	10	40	4

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Low/Advisory	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix C

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2021-22

Activity	PSIAS	Result/comments	Frequency
External Quality Assessment	1310	December 2020 Assessment - no significant gaps in compliance.	Every 5 years.
Annual Declaration of Interests	1130	Forms completed in April 2021, this includes Code of Ethics and Principles.	Annual
Customer satisfaction surveys	1311	Three for 2021/22. All positive overall.	After each audit
Performance indicators reported in progress reports	1311	Performance indicators included in all quarterly reports to corporate leadership team and Audit Committees.	Quarterly
Improvement actions/continuous improvement	1311	An internal action plan produced for 2021/22 detailing improvement actions which included rolling review of the internal audit service to ensure compliance with standards.	Ongoing
Review of all audit engagements and reports	1311, 2340	All audit engagements and reports are reviewed by another auditor to ensure compliance with PSIAS in terms of meeting audit objectives and quality.	Every audit
Monthly performance reporting and meetings	1311	Monthly performance meetings with Head of Legal and Commercial Services and the Head of Finance.	Monthly
Annual review of internal audit charter	1000	Shared Service Charter updated with only minor amendments and reported to Audit & Governance Committee in October 2021. Annual review takes place in September each year.	Annual
Performance and development review process for staff and training and development records.	1200	All review meetings with team have taken place and the training and development recorded within system for all training and development identified and completed. Officers recording their CPD in line with their professional body requirements do not need to duplicate records.	Bi- annual review meetings