

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 28 JUNE 2023
title: DRAFT HEAD OF INTERNAL AUDIT OPINION – 2022/23
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.1 This report is intended to provide the Accounts & Audit Committee with:

- an independent opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control; including a summary of the internal audit work that supports the Opinion;
- any impairments or restrictions in scope of the work undertaken; and
- the outcomes of the self-assessment that the audit work undertaken is in conformance with the Public Sector Internal Audit Standards (PSIAS).

1.2 The report meets the requirements for the Internal Audit service to provide an annual report on the overall adequacy of the Council's framework of governance, risk management and control, as detailed in the PSIAS. It demonstrates that the Council is maintaining an adequate and effective system of internal control as required by the Accounts and Audit (England) Regulations 2015. This opinion will assist the Council in the completion of its Annual Governance Statement (AGS).

1.3 The Accounts & Audit Committee, in its role of providing independent assurance to the Council on the adequacy of its risk management framework, overall governance and associated control environment, is required to consider the Annual Internal Audit Opinion for 2022/23.

1.4 Relevance to the Council's ambitions and priorities:

- Corporate priorities – The Council seeks to maintain critical financial management and controls and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal control.

2 KEY ISSUES

2.1 The basis for forming the opinion has considered:

- An assessment of the individual assurances arising from risk-based internal audit assignments that have been reported in the period.
- An assessment of the processes in place with regards governance and risk management.
- As assessment of the Council's response to internal audit recommendations and the extent to which they have been implemented.
- Other sources of assurance relevant during 2022/23 (e.g. inspections).

2.2 Staffing issues within the Internal Audit Service previously experienced have been resolved throughout the 2022/23 year, with the successful appointments to both the Internal Audit Manager and Internal Auditor positions.

3 RISK ASSESSMENT

3.1 The approval of this report may have the following implications:

- Resources – there are no resource implications arising as a result of this report.
- Technical, Environmental and Legal – This report fulfills the statutory requirements placed upon by the council by the Accounts & Audit (England) Regulations 2015. This report is a key contributor to the Annual Governance Statement, which assesses the effectiveness of the Council's own management of its objectives.
- Political – There are no political implications arising from this report.
- Reputation – There are no reputational implications arising from this report.
- Equality and Diversity – There are no equality or diversity implications arising as a result of this report.

4 CONCLUSION

4.1 The overall opinion for the period 1st April 2022 to 31st March 2023 is **Substantial Assurance** ("Substantial Assurance can be placed on the levels of control in operation").

4.2 The Accounts & Audit Committee is asked to:

- Note the content of the Annual Internal Audit Opinion for 2022/23 (as set out in Appendix A); and
- Consider the overall annual opinion of the Internal Audit Manager, which is that Substantial Assurance can be placed upon the Council's framework of governance, risk management and internal control.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA12-23
9 June 2023

Draft Annual Internal Audit Opinion

2022/23



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

Contents	Page
Introduction	4
Overall Opinion	5
Coverage & Outputs	7
Quality Service Indicators & Resources	9

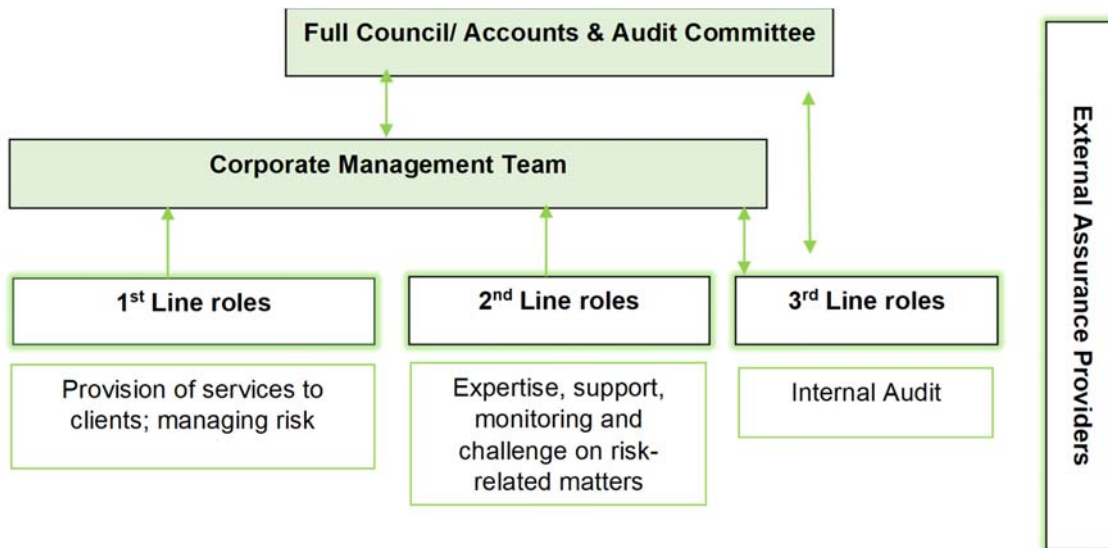
1. Introduction

This report is intended to provide the Accounts & Audit Committee with:

- an independent opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and internal control; including a summary of the internal audit work that supports the Opinion;
- any impairments or restrictions in scope of the work undertaken; and
- the outcomes of the self-assessment that the audit work undertaken is in conformance with the Public Sector Internal Audit Standards (PSIAS).

This report meets the requirements for the Internal Audit service to provide an annual report on the overall adequacy of the Council’s framework of governance, risk management and control, as detailed in the PSIAS (2450). It demonstrates that the Council is maintaining an adequate and effective system of internal control as required by the Accounts and Audit (England) Regulations 2015. This opinion will assist the Council in the completion of its Annual Governance Statement (AGS).

The Three Lines Model (as outlined by the Chartered Institute of Internal Auditors) provides clarity regarding risks and controls and helps improve the effectiveness of risk management systems. Internal Audit is considered the Council’s ‘third line role’, in a model where the provision of services to clients and managing risk represents the first line, and functions that oversee, monitor and challenge compliance, the second line role. The model is illustrated in the table below:



2. Overall Opinion

In providing the overall opinion, consideration has been given to the assurance opinions provided during 2022/23 in respect of the Strategic Internal Audit Plan.

The assurance opinions reported to the Accounts & Audit Committee during 2022/23 have covered the categories of risk management, internal control and governance, and are detailed in Section 3.

The Internal Audit Service has continued to act as a critical friend throughout the year, providing key assurances across a range of service areas. Staffing issues previously experienced with the Internal Audit Service no longer exist; with a full establishment recruited to throughout 2022/23. The Council also commissioned further external assurance/ expertise to ensure appropriate coverage in relation to digital services.

We would like to thank both officers and Members of the Accounts & Audit Committee for their ongoing support during the year.

Overall Opinion

Our overall opinion for the period 1st April 2022 to 31st March 2023 is:

High Assurance – There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are operatively effectively in the areas tested.	
Substantial Assurance – There is a good system of internal control which has been designed to meet the system objectives, and controls are generally operating effectively.	✓
Moderate Assurance – There is a satisfactory system of internal control however, in some areas, weaknesses have been identified in the design and/ or operating effectiveness, putting the system at risk.	
Limited Assurance – There is a compromised system of internal control due to weaknesses identified in the design and/ or operating effectiveness, putting the system at risk.	
Nil Assurance - There is an inadequate system of internal control due to weaknesses identified in the design and/ or operating effectiveness, resulting in failure to achieve the system objectives.	

The basis for forming our opinion is as follows:

- An assessment of the individual assurances arising from risk-based internal audit assignments that have been reported in the period;
- An assessment of the processes in place with regards governance and risk management; and
- An assessment of the Council's response to internal audit recommendations and the extent to which they have been implemented.

In addition to this opinion, the Council should take account of other independent assurances that are considered relevant. The outcomes of other self-assessment reports and external

assurance/ inspection reports received by the council have been considered, including (but not exclusive to):

- Director's Annual Assurance Statements
- Public Sector Network (PSN) Certification
- The External Auditor's Annual Audit letter and Value for Money statement
- Actions taken by senior management to implement recommendations raised as part of other inspection reports (e.g. Local Government Ombudsman Report).

Head of Service, Directors and the Chief Executive are required to complete a statement of assurance each year regarding the governance arrangements, including risk management and internal control arrangements for their areas of responsibility as part of the process to produce the Council's Annual Governance Statement. Completed statements of assurance were received from all these officers. All directors confirmed that *"controls within their directorate have been, and are, working well. Other than matters highlighted, there are no significant matters arising that they are aware of which would require to be raised to help the preparation of the Annual Governance Statement"*. The points raised haven't affected this opinion.

Internal audit is an element of the internal control framework, assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses in the areas audited. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.

Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities that may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Independence

The Internal Audit Service has access to and support from the Council's Corporate Management Team (CMT). In the course of its normal work, it continues to operate independently within the organisation and in accordance with its Charter.

The Internal Audit Strategic Plan is determined in consultation with senior managers, CMT and the Accounts & Audit Committee. The Internal Audit Manager has line management responsibility for the Council Insurance team in addition to Internal Audit. However, internal audit staff had no direct operational responsibility or authority over any of the insurance activities audited in 2021/22. I can therefore confirm the organisational independence of the Internal Audit activity.

3. Coverage & Outputs

The commentary below provides the context for our opinion and together with the opinion, should be read in its entirety.

Governance and Risk Management

It is important that the Council demonstrates effective governance, underpinned by robust internal controls and adequately defined corporate functions. The assessment of the internal control environment is a key aspect of this annual report, and the narrative below confirms the arrangements in place.

To support the principles outlined in the requirements of a robust Annual Governance Statement (AGS), the Council has undertaken a self-assessment against the behaviours and actions to support the process and maintain robust governance arrangements throughout the year as part of the Local Code of Corporate Governance. The self-assessment utilised the 'Delivering Good Governance in Local Government Framework' and was presented to the Accounts and Audit Committee in September 2022.

The Risk Management Policy was updated in year to reflect current practices and the processes to be adopted with migration of risk facilitation from Grace to Pentana in November 2022. The Council has subsequently developed and reported the Strategic Risk Register to the Accounts and Audit Committee, and further embedded controls surrounding corporate risks affecting the organisation. The internal audit review of risk management was undertaken at the start of the financial year to support this migration, and the recommendations raised have since been implemented.

Investigations

Whilst it is not the primary role of Internal Audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

The Council's Whistleblowing Policy (reviewed and updated in November 2022) provides a clear path for individuals to raise concerns of malpractice in any aspects of the Council's work, without the fear of recrimination or victimisation. The Counter Fraud, Bribery and Corruption Policy and Anti-Money Laundering Policy were also reviewed and ratified throughout the year, supporting staff in managing the risk of fraud, bribery and corruption and identifying potential suspect transactions during their work.

The arrangements for investigations take two strands. Benefit fraud is reported to the Department of Work & Pensions (DWP) and investigating and reporting on all instances of fraud and corruption within its local service arrangements. The second, an internal element, is provided by the Council's Internal Audit Team. Within 2022/23, there were no referrals made to the Internal Audit Service which required subsequent investigation.

The results of the National Fraud Initiative (NFI) data matching exercise were published in January 2023, and the Council continues to investigate the outputs of this exercise with the aim of preventing and detecting fraud.

Risk Based Reviews

Internal Audit has completed and formally reported upon 18 assignments throughout 2022/23. The following individual assignments were issued:

Review	Assurance Opinion	Recommendations Raised			
		High	Medium	Low	Total
Risk Reviews					
Management of Conflicts of Interest	N/A	0	0	0	10*
Risk Management	Limited	3	3	3	9
Inventory	Limited	4	2	0	6
Corporate Health & Safety	Limited	2	4	2	8
Civic Suite	Moderate	1	4	0	5
Purchase Orders	Moderate	1	2	1	4
Insurance	Substantial	0	4	3	7
Overtime Payments	Substantial	0	1	1	2
Grants					
Contain Outbreak Management Fund	Conditions Met	0	0	0	0
Test & Trace Support Payments	Conditions Met	0	0	0	0
Biodiversity Net Gain	Conditions Met	0	0	0	0
MIAA					
Cyber Security	Moderate	1	5	0	6
Payroll	Substantial	0	3	2	5
Amenity Cleansing	Substantial	0	1	1	2
Cash & Receipting	Substantial	0	1	0	1
Housing Benefits	High	0	0	0	0
Total		12	30	13	65

*Actions raised were not risk assessed but will be followed up in line with service requirements.

**the reports of DFGs and Payroll have been issued as draft; assurance opinion agreed and awaiting management responses. Final report findings to be included in the final audit opinion in June 2023.

All recommendations raised were accepted by management. Assurance opinions and risk ratings for the individual assignments undertaken by MIAA have been mapped to the definitions of the Council. The review of key financial systems was in progress at the time of writing and will be finalised for the final opinion to be presented to Accounts & Audit Committee in June 2023.

The following reviews were in progress at the time of writing and will contribute to the 2023/24 Opinion.

- Section 106 Agreements
- Corporate Strategy
- ICT Asset Management
- Data Protection Impact Assessments (DPIA)
- Electoral Registration
- Land Charges

The coverage highlighted above has been reported to the Accounts and Audit Committee as part of the Progress reports provided throughout the year. The audit assignment element of this Opinion is limited to the scope and objectives of each individual review.

Follow Up

We can conclude that the Council has made reasonable progress with regards to the implementation of recommendations. 65 recommendations have been raised as part of the reviews undertaken throughout 2022/23. Of these recommendations, 12 were considered high risk.

As part of the follow-up process we receive explanations for recommendations that have not been implemented, or not received at the time of the follow-up. We have received appropriate explanations from management for those recommendations not implemented and consider the revised timescales reasonable.

4. Quality Service Indicators & Resources

Public Sector Internal Audit Standards (PSIAS) Self-Assessment

Internal audit work is governed by the Public Sector Internal Audit Standards (PSIAS). As detailed within the PSIAS, *“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”*; to which the Internal Audit Team have adopted.

The Internal Audit Service self-assessed against the Public Sector Internal Audit Standards (PSIAS) and produced a detailed Quality Assurance Improvement Plan (QAIP) to be embedded throughout 2022/23. The required 5-yearly external assessment (Standard 1320) took place in the autumn, and the final report issued in December 2022. The overall assessment concluded partial compliance, which agreed with the self-assessment. The QAIP was subsequently updated to reflect the actions raised, and at the end of March 2023, nearly all actions were considered implemented, following which, the Internal Audit Service will fully conform with the Standards.

Resources

Staffing issues previously experienced have been resolved throughout the 2022/23 year, with the successful appointments to both the Internal Audit Manager and Internal Auditor positions. The services of MIAA had previously been sought in 2021/22; with the finalisation of these assignments in 2022/23.

Both Head of Financial Services and Internal Audit Manager are CCAB qualified (CIPFA and FCCA respectively). The Internal Audit team consists of a further two members of staff; both of which qualified AAT and CIPFA respectively within year.

Internal Audit Charter

The nature of the core internal auditing principles, objectives, scope and responsibilities of both the Internal Audit Service and auditees are set out in the Internal Audit Charter, which was approved by the Accounts & Audit Committee in April 2022. Following the PSIAS external assessment, and to ensure full conformance with the PSIAS, the Charter was further updated and approved by the Accounts & Audit Committee in February 2023.

Performance Indicators

It is important that the Internal Audit Service can demonstrate effective and efficient service delivery. The Internal Audit Manager has introduced several key performance indicators to demonstrate not only compliance with the PSIAS, but also the impact the audit work has on the organisation, reporting accordingly to the Accounts & Audit Committee. To support this, the Internal Audit Manager has issued Post Audit Evaluation Questionnaires to all audit sponsors within 2022/23, to obtain feedback on the professionalism, integrity and objectivity of the internal audit team. The results received have been positive throughout the year and reported to each meeting of the Accounts and Audit Committee.