



# Carlisle City Council

## Report to Audit Committee

### Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes/No
Public / Private	Public
Title:	DRAFT INTERNAL AUDIT ANNUAL REPORT 2022/23
Report of	DESIGNATED HEAD OF INTERNAL AUDIT
Report Number	RD 65/22

### Purpose / Summary:

This report provides a summary of the outcomes of the work undertaken by Internal Audit for Carlisle City Council in 2022/23 and includes the Designated Head of Internal Audit's draft opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

### Recommendations:

Members are requested to note

- (i) The progress achieved in 2022/23 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at **Appendix A**;
- (ii) The Designated Head of Internal Audit's draft opinion of **reasonable assurance** on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2023;
- (iii) The Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;
- (iv) The Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;
- (v) The performance of the Internal Audit service as shown at **Appendix B**;

**Tracking**

Audit Committee	16 March 2023

## **1. Background**

- 1.1 Local Authorities are required to make proper provision for internal audit in line with the Local Government Act 1972. The Accounts and Audit Regulations 2015 require that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS).
- 1.2 Internal Audit is responsible for providing independent assurance to the Council's Senior Management and to the Audit Committee on the systems of governance, risk management and internal control.
- 1.3 It is the responsibility of management to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls operate effectively.

## **2. Internal Audit Opinion**

- 2.1 Due to the impending demise of Carlisle City Council on 31 March, this opinion is at this stage draft and is based upon work undertaken by internal audit to date.
- 2.2 The purpose of this report is to give my draft opinion as the Designated Head of Internal Audit on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2023. This annual opinion is a requirement of the PSIAS.
- 2.3 This report is a key contributor to the Council's Annual Governance Statement.
- 2.4 In giving this opinion it should be noted that assurance can never be absolute and it is not possible to give complete assurance. My opinion is based on the work undertaken by Internal Audit during the year, including the outcomes of any follow up work undertaken.
- 2.5 I am satisfied that sufficient internal audit work has been undertaken to allow me to give a conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also confirm that in making this opinion I do not see any reason, based upon the completed audit work in year, that I need to report any limitation in scope.

2.6 In my opinion, based on the completed audit work, the overall framework of governance, risk and internal control is **reasonable** and audit testing has confirmed that controls are generally working effectively in practice, although as detailed below there are specific control concerns in relation to ICT services and general concerns about Council resources.

2.7 The team have completed 14 of the 19 (73%) proposed reviews within the plan. With 3 further audits expected to be completed by 31<sup>st</sup> March, taking estimated completion to 89%.

2.8 The Committee will be aware that the Audit Services Manager role is shared with both Allerdale and Copeland Council's.

### **3. Significant issues (ICT Services)**

3.1 Concerns around ICT controls due to various vacancies within the department, including the Head of Service and limited progress in implementing historic recommendations was first raised in 2019/20. These concerns remain for 2022/23 due to the low number of outstanding actions that could be closed, however it is acknowledged the team has taken considerable steps to increase resources and assurances have been obtained that the service has worked closely with the relevant LGR workstream to ensure outstanding actions are addressed.

3.2 The impact of Local Government Re-Organisation continued to be a particular pressing resource issue for ICT Services during 2022/23 as the service area is fundamental to ensuring a safe and legal transition.

### **4. Significant issues (Other)**

4.1 Various resource pressures continue to impact on the Council's potential to adequately manage its risk environment. Local Government Re-Organisation has had a significant pull on senior and service manager's time. There is a risk that managers are required to prioritise workloads, resulting in the potential for established controls to be missed or circumvented.

4.2 These additional pressures have also reduced client engagement with Internal Audit, with teams struggling to respond to requests for information, though engagement in 2022/23 has improved overall compared to the previous year.

4.3 One partial audit was issued in the year, relating to delivery of the Sustainable Warmth Grant that highlighted some governance and risk management concerns in

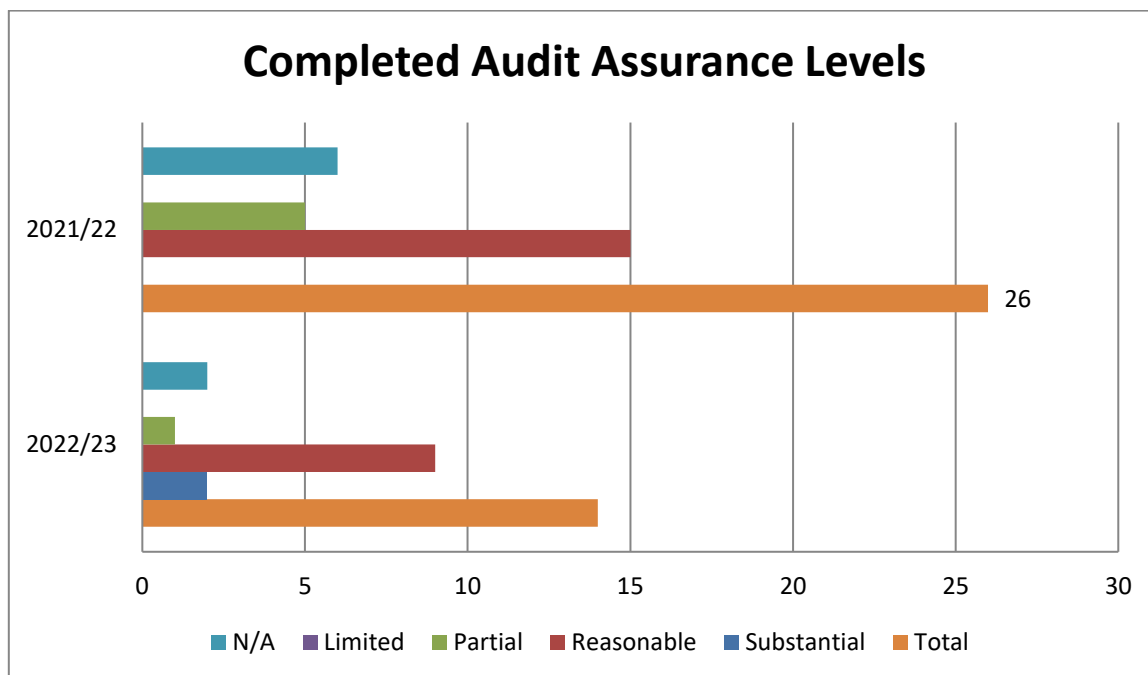
relation to the delivery of a major project. However, assurances have also been obtained that these control concerns have been addressed and that the Council has liaised with the funding provider and has a plan to maximise delivery for the remainder of the project.

## **5. Independence**

- 5.1 I can confirm that Internal Audit has maintained its independence during the year. In my dual role as Head of Financial Services and Designated Head of Internal Audit I can confirm that my independence and that of Internal Audit has not been in any way diminished by this working arrangement (the External Quality Assessment (Apr 2018) and annual self-assessment (June 2022) confirmed that suitable arrangements are in place to maintain audit independence). Where necessary, audit reports in relation to financial services activities have been reviewed by the Audit Services Manager, and all findings reported to the Corporate Director of Finance and Resources where necessary.

## **6. Internal Audit Coverage and outcomes**

- 6.1 The Internal Audit Plan was approved by the Audit Committee at its meeting on 23 March 2022 and included 17 planned reviews. As a result of changes in the risk and assurance environment and changes to available resources the following amendments were made to the plan during the year.
- Proposed review of Property Contracts amended to review of Building Maintenance, as requested by Audit Committee (8 July 2022)
  - Remove proposed review of ICT Services (8 December 2022)
  - Property Income Follow Up
  - ICT Follow Up
- 6.2 Following these changes there were 19 planned reviews in the revised 2022/23 plan. It is my opinion that sufficient audit work has been completed that I may provide an overall audit opinion.
- 6.3 Of the 14 completed audits, the overall assurances are as follows:



6.4 The table at **Appendix A**, provides the detail of the Audit work completed and shows when reports were considered by the Audit Committee.

6.5 The following unplanned work was also undertaken and considered as part of internal audit's opinion:

- Completion of annual self-assessment and review of audit manual and working papers to update working practices including self-assessment of compliance with Public Sector Internal Auditing Standards.
- Audit advice to Revenues and Benefits in relation to implementing controls in relation to the Council Tax rebates following issue of government guidance
- Audit advice to Accountancy Services in relation to adapting processes for a creditor who was unable to provide written confirmation of their details.
- Audit advice to Accountancy Services in relation to training provided to agency staff.
- Audit advice in relation to risk registers presented by Regulatory Services in relation to the Sustainable Warmth Grant.
- Audit advice in relation to fraud checks and risk registers for Regulatory Services in relation to the Sustainable Warmth Grant.
- Conducting disciplinary investigations (not fraud)
- Attendance at LGR workshops relating to Internal Audit service provision.

## **7. Other Assurances**

7.1 The Council also receives assurance from other sources and during 2022/23 the following assurances to the way the Council operates have been provided:

- LEXCEL Accreditation (Legal Services)
- Public Sector Network ICT Health Check
- Internal work performed by Council's Safety, Health & Environmental Manager and Information Governance Manager
- Attendance at monthly management briefings, regular staff briefings and corporate communications
- Regular summary updates of key Council meetings.
- Self-assessment questionnaires completed for main accounting systems not audited in the year.

7.2 The 2021/22 Statement of Accounts were approved in November 2022.

## **8. Statement of Conformance with Public Sector Internal Audit Standards**

8.1 The Internal Audit manual includes a (QAIP) Quality Assurance and Improvement Plan that details how Internal Audit ensure continuous improvement in line with the Public Sector Internal Audit Standards and a methodology designed to ensure all internal audit work is conducted in accordance with the standards.

8.2 All audit work has been conducted in line with the agreed QAIP and Internal Audit work is subject to quality assurance checks by internal audit management, to ensure the approved methodology is followed.

8.3 A set of performance indicators was established and agreed by the Audit Committee to enhance performance monitoring arrangements. The Audit Committee has received progress against these performance measures as part of the in-year reporting arrangements and **Appendix B** summarises the year-end performance against these.

8.4 The Internal Audit team was subject to an external quality assessment of their compliance with the Public Sector Internal Audit Standards in April 2018. The assessment found that the department conforms with all the standards. Recommendations made following this review have all since been implemented and the department continue to perform annual self-assessments against the standards and have adopted a continuous improvement register to identify areas for further development, which was progressed on a regular basis and reported to the Audit Committee.

## **9. Conclusion and reasons for recommendations**

- 9.1 Internal Audit work has been carried out in accordance with the mandatory standards for internal audit.
- 9.2 The work of internal audit is considered to be sufficient to provide an overall opinion on the systems of governance, risk management and internal control
- 9.3 Internal audit has maintained its independence in order to provide a fair and objective annual opinion statement
- 9.4 The annual opinion has concluded **reasonable** assurance over the systems of governance, risk management and internal control.

## **10. Contribution to the Carlisle Plan Priorities**

- 10.1 Internal Audit provides independent assurance on the Council's arrangements for governance, risk management and internal control in support of delivery of the Council's strategic priorities

### **Contact details:**

Contact Officer: Steven Tickner Ext: 7280

### **Appendices attached to report:**

- **Appendices attached to report:**
  - Appendix A – Summary of Internal Audit Work**
  - Appendix B – Internal Audit Performance 2021/22**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- **None**
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### **CORPORATE IMPLICATIONS:**

**Legal** - The legislative background is helpfully set out in section 1 of the report. The PSIAS requires the Designated Head of Internal Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.



**Property Services – None**

**Finance – Contained in the report**

**Equality – None**

**Information Governance - None**

### **CARLISLE CITY COUNCIL - AUDIT WORK 2022/23**

<b>Service Area</b>	<b>Review Type</b>	<b>Audit Area</b>	<b>Plan</b>	<b>Actual</b>	<b>Status</b>	<b>Audit Committee</b>	<b>Assurance Evaluation</b>	<b>Comments</b>
Financial Services	MFS	Internal Control Questionnaires - Non Audited Systems	2	2	Final	July 22	N/A	
Council-Wide	MFS	Good Governance Principles / Local Code of Conduct	5	5	Final	July 22	N/A	
Human Resources	Follow-Up	Absence Management	5	5	Final	Sep 22	Reasonable	
Council-Wide	Governance	Corporate Internal Controls	5	9	Final	Dec 22	Substantial	
Council-Wide	Corporate	Risk Management	15	16	Final	Dec 22	Reasonable	
Neighbourhood Services	Directorate	Fleet Management (inc Strategy)	20	20	Final	Dec 22	Reasonable	
Regulatory Services	Directorate	Sustainable Warmth Grant	10	10	Final	Dec 22	Partial	
Financial Services	MFS	Financial Services Governance Arrangements	5	6	Final	Dec 22	Reasonable	
Health & Well-Being	Directorate	Bereavement Services	20	27	Final	Dec 22	Reasonable	
Financial Services	MFS	Treasury Management	15	19	Final	Dec 22	Substantial	
Revenues and Benefits	MFS	National Non Domestic Rates	20	27	Final	Mar 23	Reasonable	
Financial Services	MFS	Car Parking Income	20	22	Final	Mar 23	Reasonable	
Regeneration	Directorate	Town Deal - Business Assurance Framework	20	21	Final	Mar 23	Reasonable	
Neighbourhood Services	Follow-Up	Neighbourhood Services (Culture)	5	6	Final	Mar 23	Reasonable	
Property Services	Directorate	Building Maintenance	20	6	Ongoing			
Property Services	Follow-Up	Property Income	5	0	Ongoing			
Council-Wide	Counter-Fraud	Annual fraud review	5	0	Ongoing			
ICT Services	Directorate	ICT Service Provision	20	0	Removed from plan			

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
ICT Services	Follow-Up	ICT Recommendations	10	0	Removed from plan			
		Follow-up contingency	30	7				
		Counter Fraud Contingency	20	0				
		Advice & Guidance Contingency	10	6				
		Contingency	40	46				
		LGR Contingency	25	6				
		Audit Committee	20	0				
		Planning & Management	48	50				
		<b>OVERALL TOTAL</b>	<b>404</b>	<b>316</b>				

**CARLISLE CITY COUNCIL**  
**INTERNAL AUDIT PERFORMANCE 2022/23**

<b>Indicator</b>	<b>Target 21/22</b>	<b>Actual 21/22</b>	<b>Target 22/23</b>	<b>Actual 22/23</b>	<b>Commentary</b>
Planned Audits Completed	90%	81%	90%	73%	89% anticipated 31 March
Draft Reports issued by agreed deadline	80%	52%	80%	53%	
Timely issue of Final Reports	90%	100%	90%	100%	
Recommendations agreed	95%	100%	95%	100%	
Assignment completion within allocated resource	60%	65%	60%	54%	
Efficiency (Chargeable time)	80%	80%	80%	79%	
Recommendations implemented	80%	N/K	80%	42%	LGR