

1st JUNE 2023

INTERNAL AUDIT – AUDIT OPINION

Summary:

This report sets out the Internal Audit coverage, findings and performance for 2022/23 and presents the Audit Manager's overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control (GRC) environment.

It also covers the self-assessment carried out against the Public Sector Internal Audit Standards (PSIAS) and the progress on the Quality and Assurance Improvement Plan (QAIP) for the year.

Recommendations:

Members are requested to:

- I. Note the coverage of assurance obtained across the Council;
- II. Note the level of GRC assessed in 2022/23 through opinion-based audit assurance work;
- III. Note the Audit Opinion given for 2022/23;
- IV. Endorse the Performance Indicators for the internal audit activity for 2023/24;
- V. Note the self-assessment exercise against the PSIAS and the areas of non-conformance with them in Appendix 2; and
- VI. Endorse the Quality and Assurance Improvement Plan for 2023/24 shown in Appendix 3, which details areas of improvement to reduce the areas where the audit activity does not conform to the PSIAS.

1 Introduction

- 1.1 In accordance with the Accounts and Audit (England) Regulations 2015, the Audit Manager is required to report, on an annual basis, on the overall adequacy and effectiveness of Rushmoor Borough Council's framework of governance, risk management and control (GRC).
- 1.2 The report in Appendix A sets out the internal audit work carried out within 2022/23 and the coverage of work carried out to enable the Audit Manager to form this opinion.
- 1.3 Furthermore, annually the Audit Manager is required to carry out a self-assessment on the internal audit activities conformance with the Public Sector Internal Audit Standards (PSIAS) and communicate this to the Corporate

Governance, Audit and Standards (CGAS) Committee. The report details the outcome of the self-assessment carried out.

- 1.4 The internal audit plan for 2022/23 was approved by this Committee on the 28 March 2022 (AUD22/06).

2 Audit Opinion

- 2.1 The report within Appendix A details the areas of assurance obtained in order to form the audit opinion. In assessing the level of assurance to be given for 2022/23, the opinion is based on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy); as set out below in appendix 1
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate for example PSN certification, peer reviews, ISO assessments;
- The counter-fraud work carried out by the Corporate Investigations Team;
- the quality and performance of the Internal Audit service and the extent of compliance with the Standards;
- NFI data match checks;
- Participation on relevant governance groups across the Council including, the Corporate Governance Group, Information Governance Group; and
- Mitigations in place to minimise the risks identified within the Corporate Risk Register.

3. Conclusion

- 3.1 Sufficient assurance work has been completed within the year to enable an overall audit opinion of reasonable to be provided on Rushmoor Borough Council's Governance, Risk Management, and Control framework.

- 3.2 Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

- 3.3 A self-assessment against the PSIAS highlighted the following areas of non-compliance:

- An external assessment has not been carried out on Internal Audits conformance with the Standards.
- Policies and procedures are not up to date
- Internal Audit does not have regular contact with External Audit
- An assurance map is not in place for all assurance across the Council.

3.4 All items have been included as actions within the improvement plan in Appendix 3.

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References: *Public Sector Internal Audit Standards (2013)*
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

ANNUAL REPORT AND AUDIT OPINION 2022/23

1. Introduction

- 1.1 The Internal Audit Plan for 2022/23 was presented to and approved by the CGAS Committee on 28 March 2022. The following report and appendices set out:
- The Internal Audit coverage, findings and performance for 2022/23;
 - The Audit Manager's opinion on the overall adequacy and effectiveness of the Council's GRC framework, which can be used to inform the Council's Annual Governance Statement (AGS);
 - The result of the PSIAS self-assessment for 2022/23;
 - The performance against the agreed QAIP for 2022/23; and
 - The QAIP for the Internal Audit service for 2023/24.

2. Role of Internal Audit

- 2.1 The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

- 2.2 The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2016 [*the Standards*]. The role of Internal Audit is best summarised through its definition within PSIAS, as an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations 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'.

- 2.3 Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to the Internal Audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

3. Internal Audit Approach

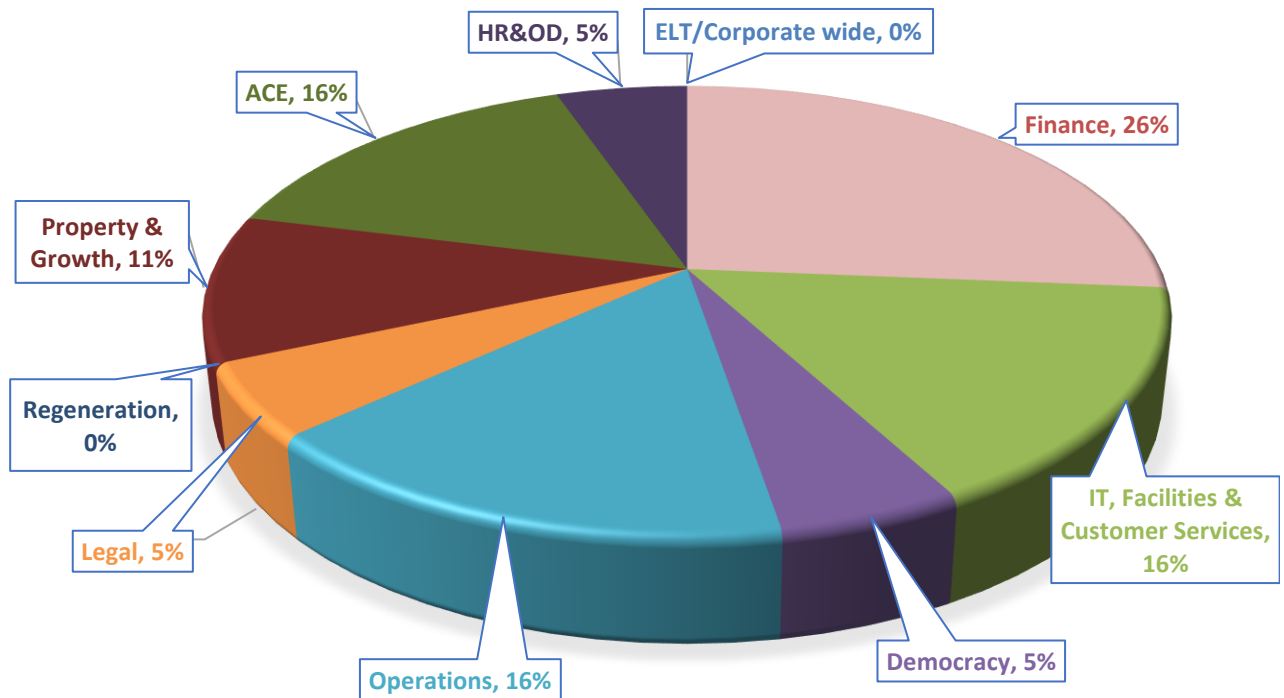
- 3.1 To enable effective outcomes, Internal Audit provides a combination of assurance and consultancy activities. Assurance work involves assessing how well the system and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

- 3.2 All formal Internal Audit assignments will result in a published report. The primary purpose of the Audit report is to provide an independent and objective opinion to the Council on the risk management, control and governance processes in operation and to stimulate improvement.

4. Internal Audit Coverage and Output

Coverage

- 4.1 The Internal Audit work has been planned in order to obtain sufficient evidence from across the Council to enable a reasonable assurance to be given that the Governance, Risk Management & Control environment is operating effectively.
- 4.2 The Governance, Risk management & Control environment comprises the Council's policies, procedures and operational systems and processes in place to:
- Establish and monitor the achievement of the Council's objectives;
 - Facilitate policy and decision making;
 - Ensure the economical, effective and efficient use of resources;
 - Ensure compliance with established policies, procedures, laws and regulations; and
 - Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
- 4.3 The audit plan has remained fluid throughout the year to ensure an effective focus can be provided. Changes to the plan have been communicated to the CGAS Committee as part of the Audit update reports. To summarise, throughout the financial year the following changes have been made to the plan:
- Ashbee was included within the plan
 - CREP was not substantially completed to enable inclusion within the 2022/23 audit opinion but will still be finalised and included within the 2023/24 audit opinion.
- 4.4 Two audits were reported within the audit update reports which related to 2021/22. Assurance had been placed on these audits within the 2021/22 audit opinion. Therefore, these audits have not been included within the overall figures set out within this report. Hence, the total number of audits are less than provided within the updates.
- 4.5 The pie chart below shows the revised internal audit coverage across the various services within the Council for 2022/23, based on the completed and substantially finalised audits.



- 4.6 Specific IT network security audits are not carried out currently, as reliance on this is taken from the annual Public Services Network (PSN) Certification. PSN outlines the minimum Information Assurance standards expected of organisations connected to the PSN and carries out an assessment against these standards. Areas covered within this review are:
- Operational security – Appropriate policies, processes and procedures in place;
 - Authentication and access control – Appropriate access levels for users' needs;
 - Boundary protection and interfaces – Firewall and network parameter security;
 - Protecting data at rest and in transit – Encryption and data access security;
 - User and Administrator separation of data – Access controls;
 - Users – Pre-employment checks for users with administrative privileges; and
 - Testing your security – Carry out regular IT health checks.
- 4.7 A PSN Code of Connection (CoCo) is completed annually to demonstrate our compliance. Any areas of non-compliance are highlighted and reported along with our remediation action plan, when applying for PSN certification. The Council achieved its PSN compliance in March 2023 until March 2024.
- 4.8 In addition to the audit carried out Internal Audit also provided consultancy on the Council's Union Yard regeneration project which has contributed to the overall assurance.

- 4.9 The view of External Audit is also considered. However, as the audit of the 2021/22 accounts has been delayed, this could not be done. Although, the 2019/20 accounts have now been signed off as unqualified.
- 4.10 The Council Plan and the Corporate Risk Register are reviewed to place some assurance that appropriate mitigation has been put in place against the strategic and operational risks identified.
- 4.11 The Council is ISO 9001:2015 certified for building control. As part of this an external audit was carried out in May 2021 to assess compliance towards the ISO standard. The outcome from this assessment found that the Council did comply with the standards and the certification was re-issued for another 3 years.
- 4.12 The Council partook in two LGA peer reviews during 2022/23:
- Cyber Security
 - Communications
- The outcomes from these reviews have been considered when formulating the assurance opinion.

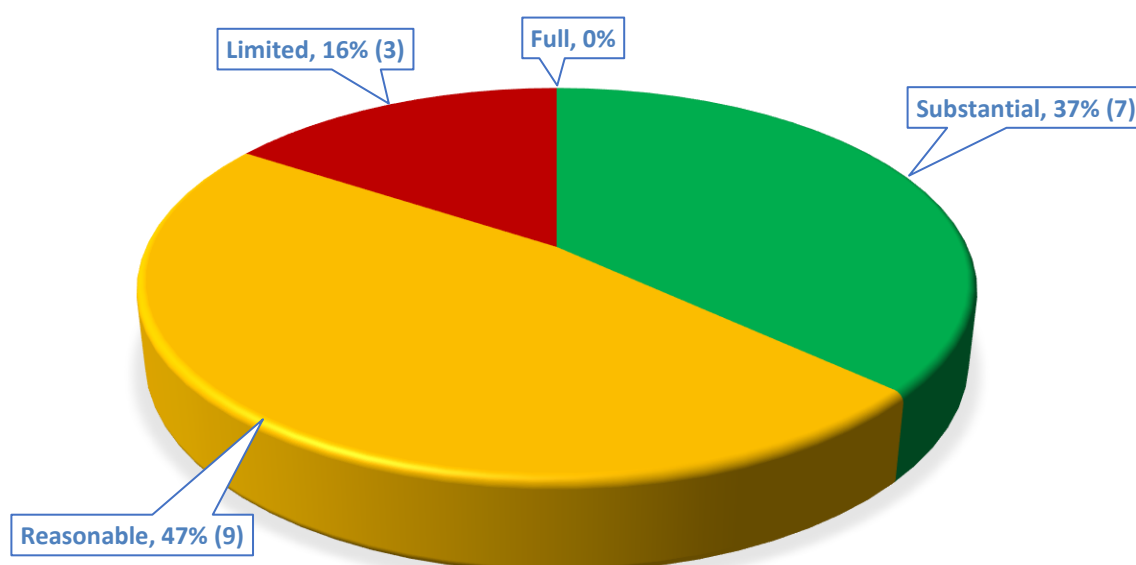
Output

- 4.13 In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report.
- 4.14 All final audit reports include an action plan which identifies responsible officers, and target dates, to address any control issues identified. Implementation of action plans rests with management.
- 4.15 High risk control issues identified are followed up on a regular basis and “Limited” overall assurance reports are reviewed during subsequent audits or as part of a specific follow up.
- 4.16 Any significant weaknesses identified are put forward for consideration when preparing the Council’s AGS.
- 4.17 The revised 2022/23 Internal Audit Plan has been 95% delivered. Only one audit planned has not been substantially completed to enable it to be included within the overall opinion. However, this has not had an impact on the ability to provide an assurance opinion on the Governance, Risk Management and Control environment within the Council by the Audit Manager.
- 4.18 Most of Internal Audit’s assurance work results in the issue of an opinion on the controls and procedures in place, categorised as follows:

Full	A comprehensive system of internal controls is in place designed to achieve the system/function/process objectives. These controls are operating effectively and are being consistently applied.
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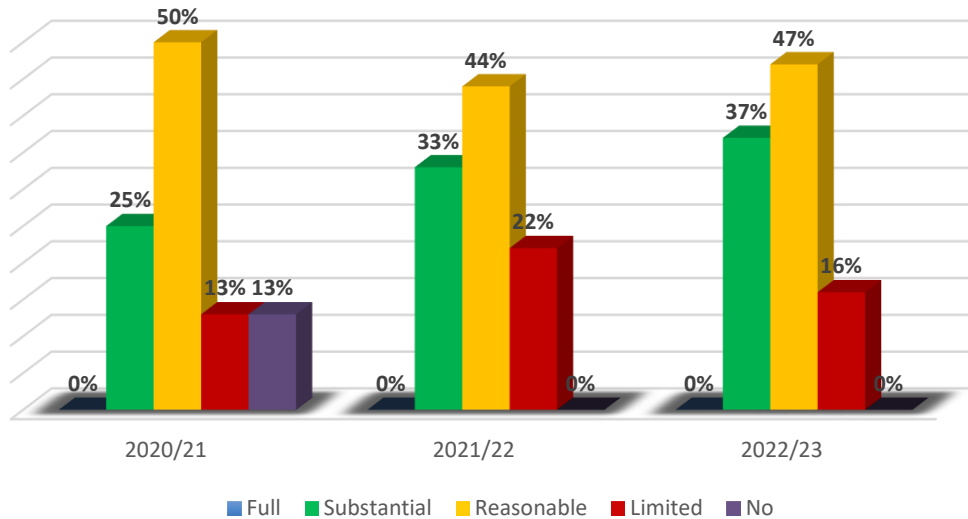
Substantial	Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.
Reasonable	Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.
Limited	Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.
No assurance	No controls that achieve the system/function/process objectives, are in place.

4.19 Analysis of the opinion-based assurance work shows the following distribution of opinions issued during 2022/23. Based on this, I can conclude that a reasonable level of internal control is in operation in the Council. See also the audit update reports, which provide further detail on the assurances provided for each report.

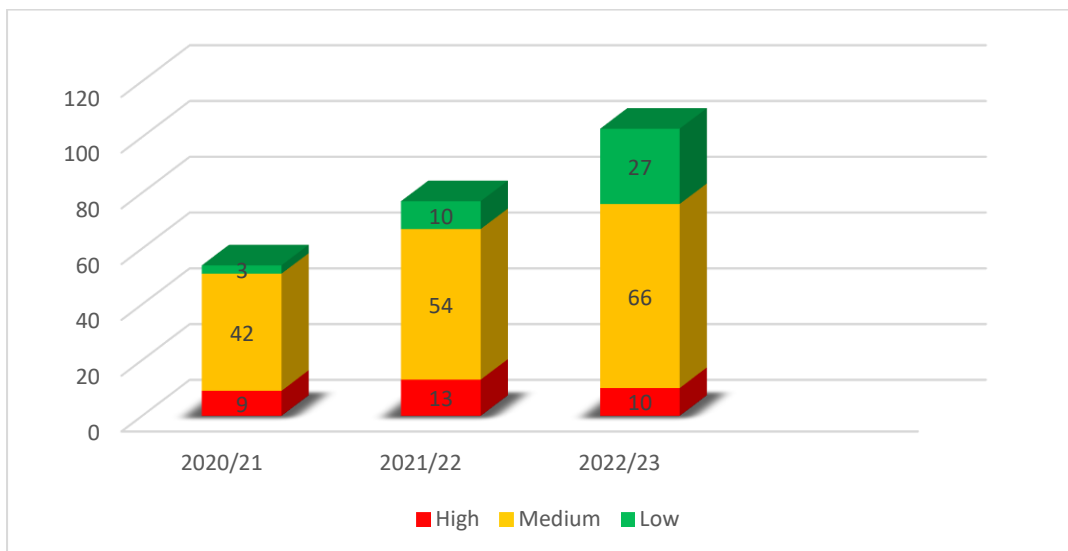


4.20 The trend in the audit opinions over the past few years is illustrated in the graph below. This shows that, over the last few years the substantial and reasonable assurances have remained similar, with substantial assurances remaining on average a third of all opinions. Whilst limited assurances have slightly decreased.

4.21 Internal Audit's opinion remains that the overall level of internal control in the Council is reasonable.



4.22 The bar chart below shows the number and level of priority of recommendations made in comparison to previous years. The majority of recommendation remain as medium with a small number of high.



(NB: Some of the figures have been changed from what was reported in previous years as an error with the figures was identified.)

4.23 A summary of audit work across the organisation is shown within the table in Appendix 1

5 Performance indicators

- 5.1 The following performance measures were put in place within 2022/23:
- % of draft reports received by the audit manager within 6 weeks of the initial meeting with the auditee;
 - % of draft reports finalised with the auditee within 21 days following the Audit Managers review; and
 - A target of 90% of the audit plan programme to be completed/ at draft report stage, by the end of the financial year.
- 5.2 The outcome of the performance measures for 2022/23 are detailed below:
- 41% of the draft reports were received by the audit manager within 6 weeks;
 - 82% of draft reports were finalised with the auditee within 21 days; and
 - 95% of the audit plan programme was completed by the end of the financial year.

6 Anti-fraud and corruption

- 6.1 The Council is committed to the highest possible standards of openness, probity and accountability. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Counter-fraud arrangements assist in the protection of public funds and accountability.
- 6.2 Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud or corruption, including an Anti-fraud, bribery and corruption policy and a Money-laundering policy.

National Fraud Initiative (NFI)

- 6.3 The Council continues to conform to the requirements of the National Fraud Initiative (NFI). An annual SPD NFI exercise is carried out to match data from the Council tax system and the Electoral roll. The Council submitted the required data sets for this in December 2022, with feedback on potential matches being received instantly.
- 6.4 The SPD data match provided 654 potential irregularities. This are currently being worked through by Council Tax with the property inspector verifying data, with 50% of the matches already being reviewed. As at April 2023, 36 cases have been identified as potential frauds with a total recovery value of £12,815. Work will continue over the coming months to complete this review.
- 6.5 Furthermore, a biennial NFI exercise is carried out which is classed as a 'National exercise'. This reviews areas such as, Parking permits, Payroll, Licenses etc. The Council submitted required data sets for the national exercise in October 2022 receiving feedback on potential matches in February 2023.
- 6.6 The National exercise provided 581 potential irregularities across 33 various reports. Previously the outcome from the national exercise has not provided any successful outcomes, therefore a percentage check of each report is being carried out.

- 6.7 29 of the reports, providing 510 potential irregularities of which 80 cases have been reviewed, have been closed as at April 2023 with no successful outcomes. Work will continue to review the remaining 4 reports.

Proactive anti-fraud work

- 6.8 No new anti-fraud work has been done in respect of Covid-19 Business Grants since being reported for 2020/21. However, an audit of Covid-19 Business Grants was carried out this financial year with a substantial assurance being provided.

Irregularities

- 6.9 The Corporate Investigation Officers have assessed and where appropriate, advised, investigated, or supported the investigation of any allegations of fraud, corruption or improper practice. Analysis of the types of investigation and the number undertaken in 2022/23 are detailed in the table below. *(The below figures do not detail any work carried forward from 2021/22)*

Area	No. of cases
Fly tipping	7
Revenue & Benefits	54
Other	6
Total	67

Regulation of Investigatory Powers Act (RIPA)

- 6.10 As part of the Council's Regulations of Investigatory Powers Act (RIPA) policy and in line with requirements from the Investigatory Powers Commissioners' Office, below are details on the number of RIPA applications made for investigation work to the end of March 2023.
- 6.11 No investigations have been undertaken which required RIPA approval.

7 Internal audit opinion

- 7.1 The Audit Manager is responsible for the delivery of an Annual Audit Opinion that can be used by the Council to inform its Annual Governance Statement. The opinion concludes on the overall adequacy and effectiveness of the Council's framework of Governance, Risk Management & Control.
- 7.2 In giving this opinion, assurance can never be absolute, as audit cannot review every decision and transaction of the Council. Therefore, only a reasonable assurance can be provided that there are no major weaknesses in the Council's processes reviewed and any reliance placed on other sources of assurance.
- 7.3 In assessing the level of assurance to be given, I have based my opinion on various assurance sources:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy); as set out below in appendix 1
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate for example PSN certification, peer reviews, ISO assessments;
- The counter-fraud work carried out by the Corporate Investigations Team;
- the quality and performance of the Internal Audit service and the extent of compliance with the Standards;
- NFI data match checks;
- Participation on relevant governance groups across the Council including, the Corporate Governance Group, Information Governance Group; and
- Mitigations in place to minimise the risks identified within the Corporate Risk Register.

Opinion of the Audit Manager

I am satisfied that sufficient assurance work has been undertaken to allow me to form a reasonable conclusion on the adequacy and effectiveness of Rushmoor Borough Council's GRC environment.

In my professional opinion, Rushmoor Borough Council's framework of GRC is **reasonable** and assurance work undertaken has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

8 PSIAS

- 8.1 The PSIAS and the Local Government Application Note (LGAN), together came into effect from April 2013 and supersedes the 2006 CIPFA Code of Practice for Internal Audit in Local Government.
- 8.2 A self-assessment against the standards for 2022/23 has been carried out by the Audit Manager. There are 11 overall standards, which are broken-down into 336 fundamental principles, against which to measure compliance. A summary of the findings is shown in the table below.

	Compliant			
	Yes	Partial	No	N/A
2022/23	303	8	5	20

- 8.3 A detailed breakdown of the areas of compliance and non-compliance is shown within Appendix 2.

8.4 The key areas of non-compliance are due to not having:

- An external assessment carried out of the Internal Audits conformance with the Standards.
- Up to date policies and procedures
- Regular contact with External Audit
- An assurance map in place for all assurance across the Council.

8.5 All items have been included as actions within the improvement plan in Appendix 3.

9 Quality Assurance and Improvement Plan (QAIP)

9.1 The QAIP for 2023/24 will look to address some of the non-compliance and partial compliance identified within the PSIAS self-assessment, over the next financial year, taking in to account the resources available. The full QAIP for 2023/24 is set out in Appendix 3.

	Assurance reviews			
	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
ELT/Corporate wide				
Finance		Ashbee	Cash receipting Council Tax Billing, Collection & Recovery	Treasury Management Covid-19 business grants
IT, Facilities & Customer Services			Cyber Security IT Software Development Application patch management - follow up	
HR&OD			Recruitment & Retention	
ACE		Procurement		Financial Grants to organisations Performance Management
Democracy		Alderwood - follow up		
Operations			Crematorium	CCTV transfer Taxi Licensing - follow up
Legal			Information Governance	
Regeneration				
Property & Growth			Concerto - PIR	S106 - follow up
	Advisory Work	Counter-Fraud		
ELT/Corporate wide		NFI		
Finance		Revs & Bens		
IT, Facilities & Customer Services				
HR&OD				
ACE				
Democracy				
Operations		Fly Tipping		
Legal				
Regeneration	Union Yard			
Property & Growth		Planning & TPO		

PSIAS – Self-assessment

Aspect of Standards	No. of requirements in the standards	Standards not applicable at RBC	No. of applicable standards assessed	Compliance assessment		
				Yes	Partial	No
Definition of internal auditing	3		3	3		
Code of ethics	13		13	13		
<i>Attribute Standards</i>						
Purpose, authority & responsibility	23		23	23		
Independence & objectivity	30	5	25	22	2	1
Proficiency & due professional care	21		21	21		
Quality assurance & improvement programme	27	2	25	22	2	1
<i>Performance Standards</i>						
Managing the internal audit activity	47	1	46	40	4	2
Nature of work	31		31	31		
Engagement planning	58	6	52	52		
Performing the engagement	22		22	22		
Communicating results	55	6	49	48		1
Monitoring progress	4		4	4		
Communicating the acceptance of risk	2		2	2		
Totals	336	20	316	303	8	5
				95.90%	2.5%	1.6%

Quality Assurance and Improvement Plan (QAIP) 2023/24

Non-conformance	Action	Comments
Internal Audit have not had an external assessment carried out on the Audit activity every 5 years.	External assessment has been agreed with Basingstoke Borough Council	An external peer review of this self-assessment will be carried out by Basingstoke Borough Council in June/July.
Internal Audit do not have in place up to date policies and procedures for the Internal Audit activity.	The internal audit policies and procedures will be updated.	This was due to be carried out within 2022/23. However, due to other higher priority work this was not carried out. Due to the service restructure these have been planned to be reviewed within this financial year.
Internal Audit does not regularly meet with External Audit.	Communication between Internal and External Audit should be improved.	The Redmond Review suggested that Internal and External Audit should engage more effectively.
The CAE has not carried out assurance mapping for the Council this year.	An assurance map should be set out.	Assurance mapping commenced in 22/23 however due to OBB work and other priorities this was not completed. Work will continue in 2023/24 to enable a full assurance map to be completed. Although, it should be noted that elements of the outcomes from the work obtained towards compiling an assurance map has been used to inform the assurance opinion for 2022/23.