

# INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/2023



Horsham  
District  
Council

## 1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed, and outcomes achieved.

1.3 Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

## 2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the corporate and departmental risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 We have been able to deliver sufficient audit and assurance activity within the year to enable us to form an overall annual audit opinion for the Council in the normal way.

2.3 All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Audit Committee as part of our periodic internal audit progress reports. We are pleased to report that all audits were completed during the 2022/23 year.

## 3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **reasonable<sup>1</sup> assurance** that Horsham District Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.

3.2 Further information on the basis of this opinion is provided below. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activities have identified a few areas where the operation of internal controls has not been fully effective, as reflected by the three partial and one minimal assurances issued in the year.

3.3 Where improvements in controls are required as a result of our work, we have agreed appropriate remedial action with management.

## 4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2022/23, planned and unplanned;
- Follow up of actions from previous audits;
- Management responses to audit findings;

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<sup>1</sup> This opinion is based on the activities set out in paragraph 4 below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor at organisational meetings relating to risk, governance and internal control;
- Effects of significant changes in the Council’s systems;
- The extent of resources available to deliver the audit plan;
- Quality of the internal audit service’s performance.

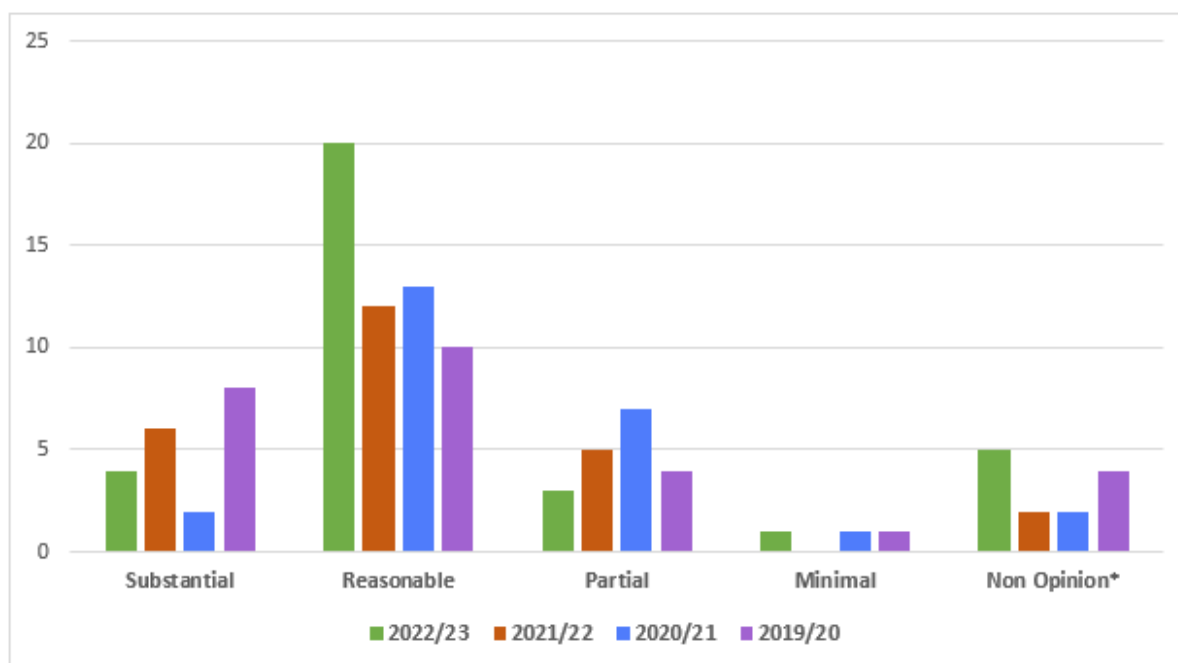
4.2 No limitations have been placed on the scope of Internal Audit during 2022/23. Additional work was also undertaken which included three central government grant certifications; bespoke risk management training to officers; compilation of declaration of interest reports for each head of service; and audit advice relating to the payroll function following a change in officer roles and responsibilities. The additional work has been reported to the Senior Leadership Team and Audit Committee as part of our quarterly progress reports.

## 5. Key Internal Audit Issues for 2022/23

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing and approving the Council’s Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions; direct support for projects and new system initiatives; investigations; and ad hoc advice. The following graph provides a summary of the outcomes from all audits finalised over the past four years:

### Audit Opinions



\*Non Opinion: Includes grant certifications and audit reports where we did not give a specific audit opinion.

5.3 A full listing of all completed audits and opinions for the year is included in Appendix B, along with an explanation of each of the assurance levels.

5.4 A total of four audits received a partial or minimal assurance opinion within the year, as follows:

- Parking Income (Partial Assurance)
- Fleet Management (Partial Assurance)
- Land Charges (Partial Assurance)
- Capitol Bar & Catering Facility (Minimal Assurance)

5.5 Whilst actions arising from these reviews will be followed up by Internal Audit, it is important that management continue to take prompt action to secure the necessary improvements in internal control.

### **Key Financial Systems**

5.6 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems. Of those completed during 2022/23, all have resulted in either a substantial or reasonable assurance opinion being provided over the control environment, with the exception of Parking Income which will be formally followed up in 2023/24.

### **Other Internal Audit Activity**

5.7 During the year, internal audit has continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. This includes participation in the following groups:

- Officer Corporate Governance Group
- Officer Risk Management Group
- Heads of Service Meetings
- Managers' Conferences and Managers' Forums

5.8 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

### **Anti-Fraud and Corruption – Summary of Activity**

5.9 Horsham DC has in place a Counter Fraud Strategy that sets out its commitment to preventing, detecting and deterring fraud.

5.10 Internal Audit coordinated the submission of Council datasets for the biennial NFI exercise. The results from the data matching were provided to the Council in January 2023 and Internal Audit will be liaising with the relevant departments to ensure that flagged matches are investigated and actioned appropriately. This work is underway.

5.11 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat to the Council has been considered and appropriate mitigating actions identified.

5.12 During 2022/23, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services, which included a Cyber Fraud Awareness training session to the Horsham Managers' Conference in December 2022.

5.13 Any internal control weaknesses identified during our investigation work are reported to management, and actions for improvement are agreed. This work is also used to inform future Internal Audit activity.

5.14 Whilst it is our opinion that the control environment in relation to fraud and corruption is satisfactory, and the incidence of fraud is considered low for an organisation of this size and diversity, we continue to be alert to the risk of fraud. This includes working with local

fraud hubs, the aim of which is to deliver a strong and co-ordinated approach to preventing, detecting and responding to fraud. Internal Audit continues to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff.

### **Amendments to the Audit Plan**

5.15 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Additional work was undertaken, which included three central government grant certifications.

5.16 In order to allow this additional work to take place, a full audit of the new Private Sector Leasing Scheme (PSL) was deferred. This change was made as a result of later than expected implementation of the new system, and the absence of data to test. Instead, we examined the PSL process, providing advice where appropriate, and we will undertake a full review in 2023/24.

## **6. Internal Audit Performance**

6.1 The Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2022/23, including the results of our second independent PSIAS assessment; an update on our Quality Assurance and Improvement Programme; and the year end results against our agreed targets.

### **PSIAS**

6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during the Autumn 2022 review undertaken by the Chartered Institute of Internal Auditors.

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

6.3 The results of the Chartered Institute of Internal Auditors review concluded that Orbis Internal Audit is achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising.

### **Key Service Targets**

6.4 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year, and annual consultation meetings with senior officers.

6.5 There was only one report still in draft at the year end, which has now been finalised and issued.

6.6 Significantly, we have completed 100% of the 2022/23 audit plan, exceeding our target of 90%.

6.7 Internal audit will continue to liaise with the Council's external auditors (Ernst & Young) to ensure that the Council obtains maximum value from the combined audit resources available.

6.8 In addition to this annual summary, the Senior Leadership Team (SLT) and the Audit Committee will continue to receive performance information on internal audit throughout the year as part of our quarterly progress reports.

## Internal Audit Performance Indicators 2022/23

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	<b>G</b>	2023/24 Internal Audit Strategy and Annual Audit Plan formally approved by the Audit Committee 29 <sup>th</sup> March 2023.
	Annual Audit Report and Opinion	By end July	<b>G</b>	2021/22 report presented to the Audit Committee on 29th June 2022.
	Customer Satisfaction Levels	90% satisfied	<b>G</b>	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	<b>G</b>	100%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	<p>Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit was assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising.</p> <p>In summary the service was assessed as:</p> <ul style="list-style-type: none"> <li>• <b>Excellent</b> in: <ul style="list-style-type: none"> <li>- Reflection of the Standards</li> <li>- Focus on performance, risk, and adding value</li> </ul> </li> <li>• <b>Good</b> in: <ul style="list-style-type: none"> <li>- Operating with efficiency</li> <li>- Quality Assurance and Improvement Programme</li> </ul> </li> <li>• <b>Satisfactory</b> in: <ul style="list-style-type: none"> <li>- Coordinating and maximising assurance</li> </ul> </li> </ul>

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	<b>G</b>	100%
Our staff	Professionally Qualified/Accredited	80%	<b>G</b>	93% <sup>2</sup>

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<sup>2</sup> Includes part-qualified staff



## Appendix B

### Summary of Opinions for Internal Audit Reports issued during 2022/23

#### **Substantial Assurance:**

*(Explanation of assurance levels provided at the bottom of this document)*

<b>Audit Title</b>	<b>Department</b>
Payroll	Finance & Performance
Corporate Compliance (Housing)	Housing & Community
Corporate Compliance - Community Safety, Health & Wellbeing - Follow-up	Housing & Community
Parks & Countryside (Corporate Compliance) - Follow up	Leisure & Culture

#### **Reasonable Assurance:**

<b>Audit Title</b>	<b>Department</b>
Accounts Payable	Finance & Performance
Accounts Receivable	Finance & Performance
Treasury Management	Finance & Performance
Purchase Cards - Follow up	Finance & Performance
Email Communication (Personal and Sensitive Encryption)	Customer & Digital Services
IT Strategic & Operational Risk Management Arrangements	Customer & Digital Services
ANPR Computer Application	Environmental Health & Licensing
Strategic Planning (Corporate Compliance)	Strategic Planning
Contract Management	Resources
Food Inspections	Environmental Health & Licensing
Electoral Registration, including Canvassing	Legal & Democratic Services
Land & Property Acquisition & Disposal	Property & Facilities
Surveillance Cameras - Follow-up	Housing & Community
Emergency Planning - Follow-up	HR & OD
Business Waste - Follow up	Recycling & Waste
Capitol (Cultural Compliance) - Follow up	Leisure & Culture
Hop Oast Depot (Corporate Compliance) - Follow up	Recycling & Waste
Council Tax	Revenues & Benefits (Milton Keynes)
Business Rates	Revenues & Benefits (Milton Keynes)
Housing & Council Tax Benefits	Revenues & Benefits (Milton Keynes)

**Partial Assurance:**

<b>Audit Title</b>	<b>Department</b>
Parking Income	Parking Services
Land Charges	Development & Building Control
Fleet Management	Recycling & Waste

**Minimal Assurance:**

<b>Audit Title</b>	<b>Department</b>
Capitol - Bar & Catering Facility	Leisure & Culture

**Other Audit Activity undertaken during 2022/23 (including direct support for projects, new system initiatives and grant certifications):**

<b>Audit Title</b>	<b>Department</b>
PRS (Project Governance)	Resources
Private Sector Leasing Scheme	Housing & Community
COMF Grant Certification	Environmental Health & Licensing
Protect & Vaccinate Grant Certification	Housing & Community
Biodiversity Net Gain Grant Certification	Strategic Planning

**Audit Opinions and Definitions**

<b>Opinion</b>	<b>Definition</b>
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.