



Governance Scrutiny Group

Thursday, 29 June 2023

Internal Audit Annual Report 2022/23

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The attached report has been prepared by the Council's internal auditors BDO. It summarises the work undertaken during the course of 2022/23 and the management actions arising from the audits. It also provides the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2022/23 (**Appendix A**).

3. Reasons for Recommendation

- 3.1. To conform with best practice and Public Sector Internal Audit Standards; and give assurance to the Governance Scrutiny Group regarding the Council's internal control environment.

4. Supporting Information

- 4.1. The appended BDO report highlights the substantial completion of the Internal Audit Plan for 2022/23 with only one audit with an outstanding conclusion. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit, BDO, is required to provide an annual opinion and the Group is asked to note that for 2022/23 BDO has concluded that the Council has a substantial system of internal control. Substantial assurance is the highest level and it should be noted that this is a significant achievement as this level of assurance is very difficult to achieve particularly in the current economic climate. The opinion notes a positive direction of travel with a reduction in medium findings from the previous year.
- 4.2. In 2022/23, BDO undertook ten internal audit reviews (nine completed at the time of this report). As reported previously in the quarterly progress reports, of the nine audits completed:
 - Four received substantial assurance on both design and effectiveness – Risk Management, Main Financial Systems, Channel Shift and Sustainable Warmth

- Two received substantial assurance on design effectiveness only and moderate for effectiveness– Safeguarding and Environment
- Two received substantial assurance on effectiveness only and moderate assurance on design – IT Asset management and Project Management
- One audit received a moderate opinion for both design and effectiveness – Health and Wellbeing
- The Annual Fraud report is not classified in the same way.
- There were no reports issued with limited assurance.

4.3. A total of 30 management actions were identified including 10 medium priority and 20 low priority. Management actions have been agreed in all cases. It should also be noted a moderate opinion, whilst not as good as substantial, is still reasonably positive.

5. Risks and Uncertainties

If recommendations are not acted upon there is a risk internal controls are weakened and the risk materialises.

6. Implications

6.1. Financial Implications

There are no direct financial implications to the report. Indirectly a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

6.2. Legal Implications

There are no legal implications arising from this report.

6.3. Equalities Implications

There are no equalities implications arising from this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications arising from this report.

7. Link to Corporate Priorities

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| Quality of Life | There are no links to the Council's Quality of Life priority |
| Efficient Services | Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council. |
| Sustainable | There are no links to the Council's Sustainable Development |

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| Growth | priority |
| The Environment | There are no links to the Council's Environment priority |

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes Internal Audit's Annual Report in relation to 2022/23 (**Appendix A**).

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| For more information contact: | Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk |
| Background papers available for Inspection: | None. |
| List of appendices: | Appendix A – Internal Audit Annual Report 2022/23 |