

# Audit Committee

30<sup>th</sup> November 2023



<b>Title</b>	Interim Internal Audit Report
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	All Priorities Affordable housing Recovery Environment Service delivery
<b>Recommendations</b>	<b>Committee is asked to:</b> Note the Interim Internal Audit Report including Appendix A summarising the work undertaken by the Service during the period April to October 2023.
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

- 1.1 The Internal Audit Manager at Spelthorne is responsible under Public Sector Internal Audit Standards (PSIAS) for providing independent assurance to the Audit Committee and Corporate Management Team relating to the Council's systems of internal control, risk management and governance arrangements.
- 1.2 This report seeks to summarise the work undertaken by the Internal Audit Service during the period April to October 2023. It includes reference to the following broad work categories in supporting the provision of assurance to the Council, as well as wider corporate roles and responsibilities undertaken by the Internal Audit Manager. Please refer to Appendix A regarding developments under each service activity area.
  - (a) Assurance assignments (audits) (*Category 1 at Appendix A*)
  - (b) Audit Follow Up Work (*Category 2 at Appendix A*)

(c) Reporting to the Audit Committee and several other requirements in adhering to the mandatory Public Sector Internal Audit Standards (PSIAS) *(Categories 3 & 4 at Appendix A)*

(d) Corporate Role – Corporate Risk Management *(Category 5 at Appendix A)*

(e) Corporate Role – oversight of counter fraud (high risk public fraud) *(Category 6 at Appendix A)*

(f) Support, advice, and insight across the authority on risk, control and governance issues *(Category 7 at Appendix A)*

## **2. Key issues**

2.1 The purpose, authority and responsibility of the Internal Audit activity is set out in the approved audit charter of November 2022 which highlights fundamental principles around independence and objectivity. The role of Internal Audit is summarised through its definition and mission statement within the Public Sector Internal Audit Standards (PSIAS) and has been highlighted in previous reports.

2.2 A separate report on the ‘reprioritisation of the audit plan for 2023/24’ is on the agenda of the November Audit Committee, and this explains the rationale for reprioritisation of work areas and service delivery arrangements (extended co-sourcing model) for the remainder of 2023/24. The status of each specific work category on the audit plan is also set out in the Appendix to the separate report already referred to. The audit plan progress is currently on track with no change to scheduling of most objective assurance assignments (audits).

2.3 With regards this Interim Internal Audit report, Appendix A summarises findings from assurance assignments (audits) undertaken relating to the reprioritised internal audit plan for 2023/24 and also refers to finalisation of three assurance assignments relating to the 2022/23 programme. Audit reports include recommendations and advisory points aimed at reducing risks and strengthening internal controls, with an overall audit assurance opinion for the auditable area. Confirmation of recommendation status for recent assignments (whether agreed for implementation/implemented/outstanding) has been recorded at Appendix A and Managers have been given an opportunity to comment on the latest position. Most audits denote an ‘open’ status as recommendations are not all fully implemented and in some areas target dates for action/implementation have not been reached. *(Category 1 at Appendix A)*

2.4 Periodical follow up work forms an important part of audit service delivery in the ongoing provision of independent assurance. The Internal Audit Manager produced a position statement during Quarter 2 setting out initial conclusions from a follow up drive undertaken to assess implementation of prior agreed audit recommendations. The work concluded that whilst recognising the organisational pressures and competing priorities facing Officers, the implementation rate of agreed audit recommendations could be improved in enhancing the organisations internal control, risk management and governance arrangements. The Audit Manager has also verbally communicated key messages at a prior Managers Briefing where Management Team, all Group heads and Managers were in attendance. *(Category 2 at Appendix A)* The Audit Committee have previously expressed

an interest to invite Managers to attend these meetings where the need arises to engage in discussions around risk and control and promote management accountability for implementing agreed actions in a reasonable timescale. This was also reiterated in recent Audit Committee training delivered in July 2023.

2.5 In addition to planned assurance assignments (audits), there are several other resource intensive areas of work undertaken by the service including additional corporate roles and responsibilities, details for which are set out at Appendix A. Some examples of how Internal Audit supports the organisation in achieving its objectives and adds value are summarised below (*Categories 3 to 7 at Appendix A*):

- (a) **Statutory Reporting to the Audit Committee** - Several reports are produced and presented by the Internal Audit Manager in accordance with the Committee work programme. This ensures adherence to the mandatory Public Sector Internal Audit Standards (PSIAS).
- (b) **Advisory Role** - Reactive and pro-active support, advice and insight provided to services, corporate groups and management team on various risk, control and governance issues. Input to risk considerations in Committee reports is subject to service capacity.
- (c) **Counter Fraud Oversight** – In driving strategy implementation, promotion of initiatives for tackling high risk public fraud continues through continued collaborative working with the Service Provider and across internal Services and other Partners. The Internal Audit Manager prepared an analysis of returns and savings through reduction of fraud losses across high-risk fraud categories in the annual audit report of July 2023. Counter fraud outcomes reflect what can be achieved through working together across Services, Partners and hubs of expertise/specialism. The Counter Fraud strategy highlights social housing fraud as an area to target and a data matching exercise has progressed, with initial results being investigated by the Service Provider. Housing have worked with respective Partners such as A2D on this project and positive buy-in has supported progression. Customer Services are participating in a Countywide SPD exercise.
- (d) **Corporate Risk Management** – Analysis, coordination and reporting by the Internal Audit Manager on the Council's Corporate Risk Register representing the Council's most significant strategic risks. In promoting collective ownership and greater visibility of these risks, reports drawing out the most pivotal risks and issues continue to be presented to Corporate Policy and Resources Committee further to meetings of the Audit Committee. This reporting has continued to evolve and develop in several ways, including format and presentation of the risk register. A central form and database for recording and monitoring the Council's corporate risks is being developed using the Council's in-house systems.

### 3. Options analysis and proposal

3.1 There are no options being raised.

#### **4. Financial implications**

- 4.1 The Internal Audit Manager previously reported on returns and savings delivered through reducing financial losses from fraud and error across high-risk public fraud categories for 2022/23 in the annual audit report of July 2023. Spelthorne's overall level of fraud losses reduced /financial savings achieved for the most recent period April to September 2023 (Quarters 1 & 2) amount to approx. £250k (rounded), of which £105k are reported as cashable with approx. £81k of this sum being reimbursed to the Council directly from prosecutions undertaken.
- 4.2 Continued referrals of suspected fraud and pursuit of proactive and collaborative counter fraud initiatives accessible across all high-risk fraud categories will contribute to maximising financial returns.

#### **5. Risk considerations**

- 5.1 Implementation of audit recommendations and consideration of audit advice will reduce risks for the authority and enhance the robustness of the control environment, as well as contribute to continuous improvement which is acknowledged by the Council's Management Team and the Audit Committee.
- 5.2 Failure to undertake internal audit work to the required professional standards would lessen the reliability of assurance provision to the Council that effective systems of internal control are in place to manage risks. The Internal Audit Charter reinforces the importance of adhering to professional codes of conduct and audit standards, as well as other practices and principles underpinning an effective Internal Audit service.

#### **6. Procurement considerations**

- 6.1 A Procurement process for appointing audit contractor resource has been undertaken to support delivery of the 2023/24 audit plan. The Procurement team were consulted at the outset of this process.

#### **7. Legal considerations**

- 7.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory further to the Accounts and Audit (England) Regulations 2011. The PSIAS require reporting to the Audit Committee on key areas of internal audit activity and outcomes in supporting assurance provision.

#### **8. Other considerations**

- 8.1 There are none.

#### **9. Equality and Diversity**

- 9.1 Equality, Diversity, and Inclusivity has been included on the Council's Corporate Risk Register from November 2022. This provides a high level mechanism to ensure that internal controls/mitigations to manage the identified risks are reviewed and refreshed as required, and that actions are periodically monitored.

#### **10. Sustainability/Climate Change Implications**

- 10.1 There is inclusion on the Council's Corporate Risk Register, given that it represents a significant strategic risk category. An objective assurance assignment (audit) has also been completed for this area during quarter 2 as

part of the planned audit work programme, and the findings are referred to at Appendix A.

## **11. Timetable for implementation**

11.1 Implementation of agreed audit recommendations within target timescales advised by Managers and audit status (open or closed) will continue to be monitored and reported as part of the follow up process.

## **12. Contact**

12.1 Punita Talwar, Internal Audit Manager.

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**Background papers: There are none.**

### **Appendices:**

**Appendix A – Work summary for the Internal Audit Service April to September 2023**