

Annual Internal Audit Report & Opinion

2021-22

New Forest District Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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1. Role of Internal Audit

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.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].



The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s 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’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Deputy Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation's success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

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 framework of internal control, risk management and governance in operation and to stimulate improvement.

The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our partners, with the necessity to provide comprehensive, compliant and value adding assurance. Where possible, work contributing to my 2021-22 annual opinion has been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings.



3. Internal Audit Opinion

The Deputy Head of the Southern Internal Audit Partnership (SIAP), as the Council's Chief Internal Auditor, is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- 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;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

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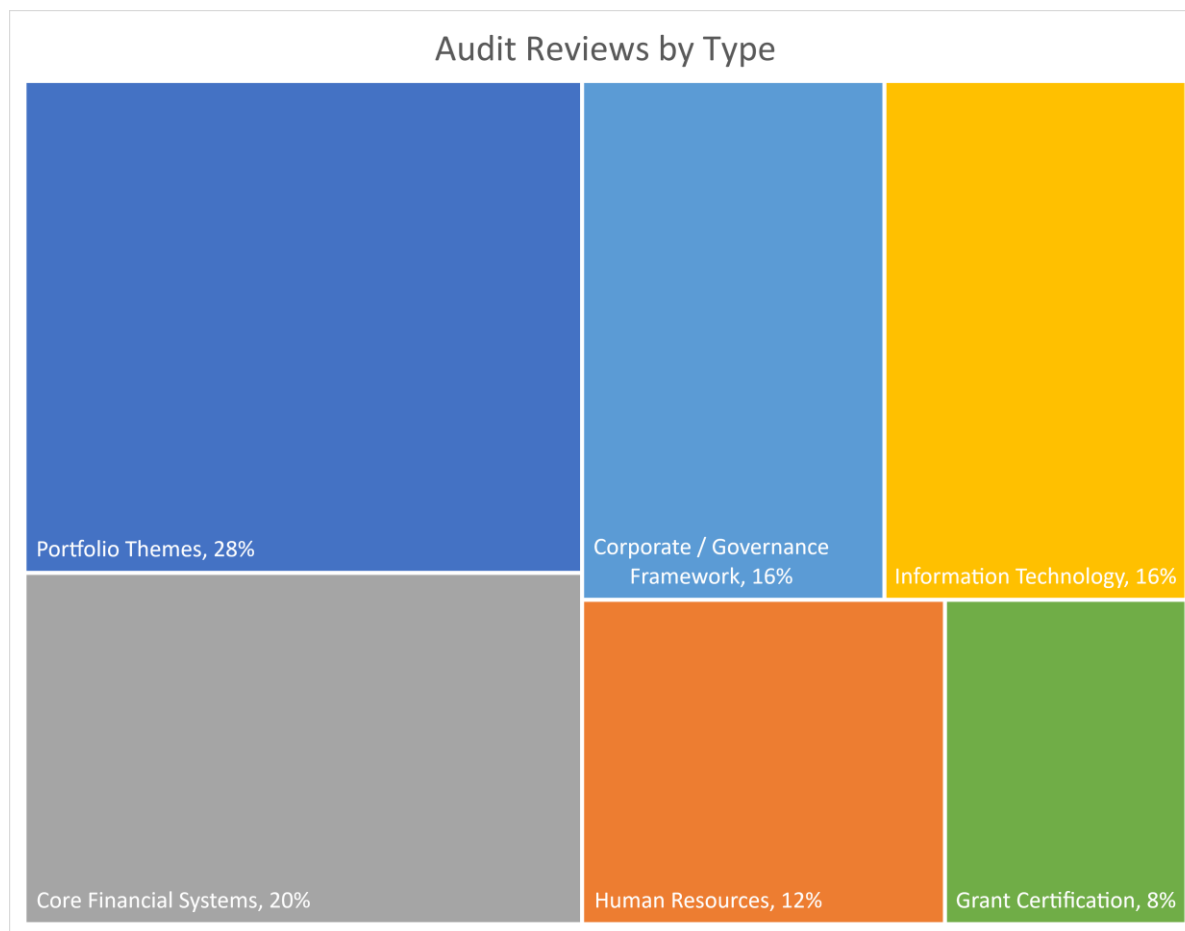
"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment.

In my opinion, New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing 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."

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2021-22 Internal audit plan was informed by internal audit’s own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

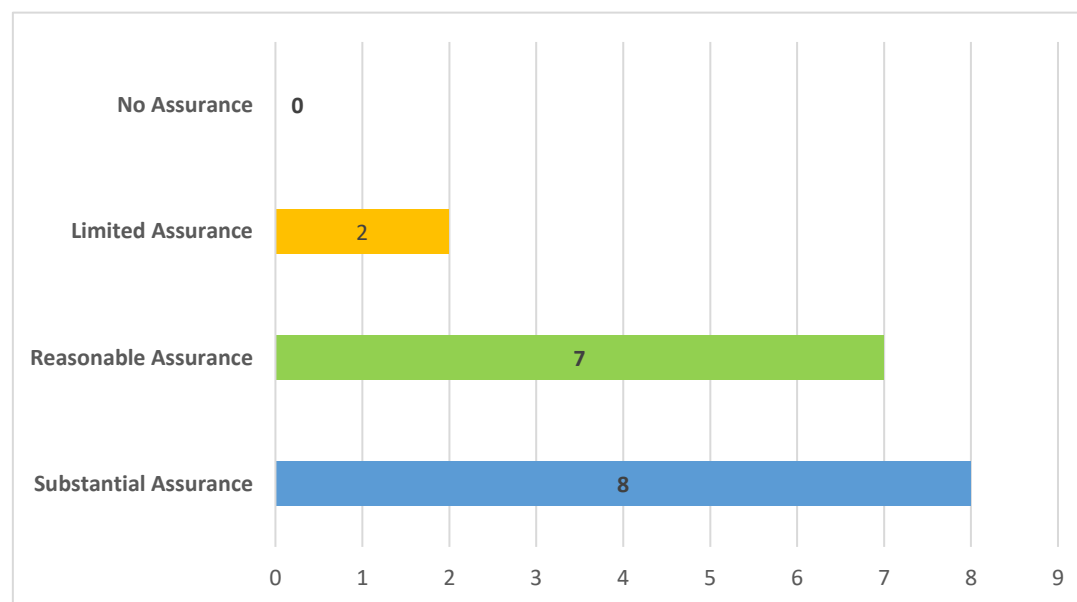
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 25* reviews during the year ending 31 March 2022.

Work has been substantially completed for the HR – Use of Agency Staff and Fleet Management (follow-up phase two) audits, however at the time of writing the annual internal audit report and opinion, draft reports have not been issued. The outcome of these audits will be reported to a subsequent Audit Committee meeting.

A ‘Reasonable Assurance’ opinion has been formed for the Building Control audit, although the draft final report has not yet been agreed. I do not expect the outcome of this audit to change or to adversely impact my annual opinion.

The opinion assigned to each internal audit review is summarised below and a list of the 2021-22 assurance reviews undertaken and their respective opinions is provided in Annex 1:



Substantial –A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

*6 reviews did not culminate in an audit opinion as they relate to audit activities including COVID-19 related Grant Certifications; providing advice service areas; supporting a Data Breach Investigation; and the follow-up of previous audit findings and agreed actions.

5. Key Observations

We are also pleased to report that Internal Audit work found there to be a generally sound control environment in place across the majority of review areas during the year, which were found to be working effectively to support the delivery of corporate priorities. No reviews concluded with a 'No Assurance' opinion although two reviews have concluded with a 'Limited Assurance' opinion as summarised below:

IT Disaster Recovery Planning and Business Continuity (Final Report issued in November 21 and previously reported to the Audit Committee in January 2022)

The Council have invested in ICT infrastructure and tooling that has provided the Council with the capability to recover services in the event of a disaster however at the time of the review, the audit gave a limited assurance due to the absence of documented procedures for invoking a 'disaster response' and the steps to be followed to reinstate ICT systems.

Following the audit, we understand the team have taken the necessary actions to document the Disaster Recovery Plan and Internal Audit will complete a follow-up review in 2022-23 to re-assess the area.

Risk Management (Final Report issued in May 22 therefore not previously reported to the Audit Committee)

The Council has made several changes to the way in which risk is managed over the past two years. These include the development of a Corporate Plan with specific measurable outcomes that are monitored through the Performance Management framework. Performance management has also been linked to risks, with the development of Portfolio and Service performance dashboards that in most cases include the high level risks in each business area. This audit took place during a time of transition from the old risk management process to the new. Although there have been improvements in risk management, we found that these are not consistent across the Council.

The Council has a brief Risk Management Strategy that was drawn up in 2013, supplemented by a two-page Quick Guide to Risk Management setting out the four steps for risk management. However, neither document sets out in any detail the purpose and process of risk management, or roles and responsibilities. This has contributed to different approaches to risk management across the Council. Although there used to be some information on the risk management process within the Council's intranet pages, this was considered to be out of date so was removed over a year ago and there is currently no guidance available to staff via the intranet.

At the time of review, we were advised that the Strategic Risk Register is only updated annually by EMT and then approved by Members, which may not be considered frequently enough for a working document. There is also no clear process for the escalation of risks from service dashboards to the Strategic Risk Register. We also found an inconsistent approach with the maintenance of service risk registers and the recording of risk mitigations within the performance dashboards.

Following the audit, we understand that the Council will review and update the Risk Management Strategy and associated guidance by the Autumn of 2022. The Strategic Risk Register will be formally reviewed on a quarterly basis. The content of performance dashboards will also be reviewed. Internal audit will complete a follow-up review once the actions have been completed and become embedded.

6. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

‘The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.’

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the ‘Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.

8. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2021-22 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	2021-22 Actual
Percentage of revised internal audit plan delivered (to draft report stage)	95%	92%
Positive customer survey response – NFDC	90%	99%
Positive customer survey response – all SIAP Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is gauged through an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date Spring 2022).

10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey
Deputy Head of the Southern Internal Audit Partnership
May 2022

Annex 1

2021-22 Audit Reviews and Opinions

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
<ol style="list-style-type: none"> 1. Financial Stability – Medium Term Financial Planning & Budget Monitoring 2. Housing Benefits 3. Payroll 4. Treasury Management 5. Additional Restrictions Grants 6. Data Management – Meridio to SharePoint Migration 7. Housing Rents 8. Health and Leisure (Mobilisation) 	<ol style="list-style-type: none"> 1. HR – Performance Management 2. HR – Leisure Centre Due Diligence 3. Information Security – Website 4. Affordable Housing Development Objectives and Delivery - New Homes Strategy 5. Building Control (draft report) 6. Tree Management 7. Development Management 	<ol style="list-style-type: none"> 1. Risk Management 2. IT Disaster Recovery Planning & Business Continuity 	None