



**COMMITTEE TITLE: AUDIT AND SCRUTINY**

**DATE: 11 JULY 2023**

<b>REPORT TITLE:</b>	Internal Audit Annual Report and Annual Statement of Assurance
<b>REPORT OF:</b>	Tim Willis, Interim Director Resources and Section 151 Officer

**REPORT SUMMARY**

This report is intended to inform the Audit and Scrutiny Committee of the Head of Internal Audit opinion for 2022/23.

Overall, Internal audit have been able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. The full report is attached in Appendix A.

**RECOMMENDATIONS**

To note the Head of Internal Audit opinion for 2022/23.

**SUPPORT ING INFORMATION**

**1.0 REASONS FOR RECOMMENDATIONS**

Internal audit is required to provide an opinion to the Council, through the Audit and Scrutiny Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed.

**2.0 OTHER OPTIONS CONSIDERED**

None.

**3.0 BACKGROUND INFORMATION**

BDO has been the appointed Internal Auditor for the Council since 1 April 2014.

Their work complies with Public Sector Internal Audit Standards. As part of the audit approach, they agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks which were covered as part of each assignment. This

approach is designed to enable internal audit to give assurance on the risk management and internal control processes in place in the Council to mitigate the risks identified.

The Audit Committee approved the 2022/23 annual audit plan in November 2022, after review of an outline audit plan in July 2022 and a full audit plan in September 2022. The progress against plan is reported at every Audit and Scrutiny Committee meeting.

Overall internal audit are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

In forming their view they have taken into account that:

- The Council's draft unaudited Statement of Accounts for 2022/23 indicates an underspend of £121,000 against budget, maintaining the general fund at the same level as the prior year (being £2.874 million) and increasing general fund earmarked reserves by £3.213 million over the year.
- The Council is in a period of change, as it is undergoing a One Team Transformation Programme with Rochford District Council, under a joint corporate leadership team formed during 2022/23.
- Internal audit has delivered 11 of the planned 13 reviews for 2022/23, of which 10 final reports have been issued and one report is in draft (the Partnership with Rochford audit). For the 10 final reports, nine related to audits on which they provided an opinion and one was an advisory review which carried no audit opinion.
- Due to a delayed start in the audit programme for the year (which could not be started until they were contractually engaged and the audit plan was approved) and further delays experienced in securing audit start dates, they agreed with management to defer one audit (Data protection regulations) into 2023/24 and to expand the scope of the financial planning audit in 2023/24.
- Internal audit has not included the summary from the Partnership with Rochford audit in this report as the draft report has not yet been agreed with officers. However, this does not impact on their overall opinion for the year.
- Internal audit agreed with management to split the scope of their work on the main financial systems in 2022/23 into two components: Audit of key controls (as included in the report); and an advisory review to provide an independent assessment of how fit for purpose Brentwood and Rochford's finance systems are. The choice of which system to use is ultimately for each Council to make, using a range of factors including cost, future plans, functionality etc. The review has provided input into this decision but has not recommended a system and the findings are not included in this report.
- In respect of the design of the controls, substantial assurance was provided in one out of nine audits (payroll), moderate assurance opinions were provided in seven areas and limited in one area (sheltered accommodation). These opinions are a deterioration compared with 2021/22, when substantial assurance was provided in seven out of twelve audits, moderate assurance opinions were provided in four areas and there was one limited assurance in an operational area.
- In respect of the operational effectiveness of the controls, moderate assurance opinions were provided in all nine areas. These opinions are a deterioration compared with 2021/22, when an opinion of substantial assurance was provided in four areas and moderate assurance in eight areas.

- Officers specifically requested that internal audit carry out the sheltered accommodation audit, instead of the planned housing management audit, as this was recognised as an area in need of improvement.
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised, although internal audit experienced some delays in responses to reports and audit requests.
- Internal audit has confirmed that 82% of recommendations due for implementation by the date of reporting have been completed, which is fairly similar to the 83% in the prior year.
- Overall, therefore, internal audit noted some deterioration in the control environment compared to last year, although not to the extent that is necessary to downgrade their overall opinion.

#### **4.0 FINANCIAL IMPLICATIONS**

**Name & Title: Tim Willis, Director – Resources & Section 151 Officer**  
**Tel & Email: 01277 312500 / [tim.willis@brentwood.rochford.gov.uk](mailto:tim.willis@brentwood.rochford.gov.uk)**

There are no direct financial implications arising from the report.

#### **5.0 LEGAL IMPLICATIONS**

**Name & Title: Andrew Hunkin, Director – People & Governance & Monitoring Officer**  
**Tel & Email 01277 312500 / [andrew.hunkin@brentwood.rochford.gov.uk](mailto:andrew.hunkin@brentwood.rochford.gov.uk)**

There are no direct legal implications arising from the report.

#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

There are no direct resource implications arising from the report.

#### **7.0 RELEVANT RISKS**

There are no direct risks arising from the report. The internal audit programme of work is designed to review risk areas within the Council.

#### **8.0 ENGAGEMENT/CONSULTATION**

Not applicable.

#### **9.0 EQUALITY IMPLICATIONS**

**Name & Title: Kim Anderson, Corporate Manager - Communities, Leisure and Health**  
**Tel & Email 01277 312500 [kim.anderson@brentwood.gov.uk](mailto:kim.anderson@brentwood.gov.uk)**

There are no direct equality implications arising from the report.

#### **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

**Name & Title: Phil Drane, Director - Place**

**Tel & Email 01277 312500 / phil.drane@brentwood.rochford.gov.uk**

There are no direct environment and climate change implications arising from the report.

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**APPENDICES**

Appendix A: Internal Audit and Annual Report and Annual Statement of Assurance

**BACKGROUND PAPERS**

Internal audit progress reports

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Internal audit progress reports to Audit and scrutiny Committee	24 January 2023 7 March 2023