

Title of Report:	Annual Internal Audit Report & Opinion 2020 - 21
Committee Report Submitted To:	Audit Committee
Date of Meeting:	9th June 2021
For Decision or For Information	For Information

Linkage to Council Strategy (2019-23)	
Strategic Theme	Improvement and Innovation
Outcome	Limited
Lead Officer	Audit, Risk & Governance

Budgetary Considerations	
Cost of Proposal	n/a
Included in Current Year Estimates	YES/NO
Capital/Revenue	Revenue
Code	n/a
Staffing Costs	Internal Staffing Cost to Complete

Screening Requirements	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes/No	Date:
	EQIA Required and Completed:	Yes/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No	Date:
	RNA Required and Completed:	Yes/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No	Date:
	DPIA Required and Completed:	Yes/No	Date:

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1 Introduction

The Public Sector Internal Audit Standards (PSIAS) states that the Internal Audit Service must produce an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control framework. Internal Audit must produce a report that can be used to support the Council's Annual Governance Statement.

The Internal Audit Function within the Causeway Coast and Glens Borough Council is provided by a co-sourcing arrangement with Moore NI and the Audit, Risk and Governance Officer, who reports to the Director of Corporate Services.

2 Audit Plan

The Audit Plan for 2020/21 is based on the Council's 4-year Internal Audit Strategy as prepared by Moore NI and was presented to and approved by the Audit Committee in December 2019.

The plan of work is designed to ensure that:

- There is a robust system of internal audit of key Council activities and processes through a plan of work which affords suitable priority to the Council's objectives and risks
- There is a process of ensuring improvements to the Council's control environment, providing management with advice, training and recommendations for improvement, which will include a formal monitoring of the internal audit recommendations
- The audit, risk and governance officer will be in a position to provide a professional, evidence-based opinion on the adequacy of the Council's risk management, control and governance arrangements which in turn will feed into the Council's Annual Governance Statement;
- The Council meets its legislative responsibilities for internal control, risk management and internal audit.

Further details on the 2020/21 audit plan are included in Appendix II. The audit approach is risk based and the strategy and plan was developed following an audit needs assessment exercise with senior officers to identify and prioritise key risk areas. It must also be noted that the audit plan cannot address all risks across the Council and represents the best use of resources available.

3 Independent and Objectivity

The work performed by internal audit is independent, objective assurance and a consulting activity designed to add value and improve the Council's operations. All work has been conducted within the scope as defined in the Internal Audit Charter. We confirm that, during the year, there have been no matters arising which have impacted

on the independence of our internal audit service and there have been no inappropriate scope or limitations on our internal audit work with the exception of resources.

The internal auditors are independent to the management of the Council and have direct access to the Chair of the Audit Committee if required. They provide a regular update to the Committee at each of the quarterly meetings, and attend any special meetings that may be convened during the year.

4 Audit Committee

The Audit Committee meet on a quarterly basis and internal audit reports are presented to the Committee, summarising the results of internal audit assignments completed since the last meeting.

These reports detail progress against the plan and for each assignment completed, a report provides a summary of the audit objectives tested, audit findings and overall assurance rating in relation to that area.

The Audit Committee met four times throughout the year on the following dates:

- 17th June 2020
- 9th Sept 2020
- 9th December 2020
- 10th March 2021

The annual report builds on the information contained in these internal audit reports and does not replicate details of the audit objectives, identified risks and our findings for each area tested. Rather, we have focused on the overall conclusion in each area audited. This annual report should, therefore, be read in conjunction with the internal audit reports produced and presented to the Audit Committee throughout the year.

5 Assurance Work – Audit Approach and Assurance Process

The primary objective for each assurance assignment is to provide an overall assurance rating in relation to the area being audited. For each assurance assignment, our audit commences with the identification of audit objectives and risks for the area being audited. Audit testing is then carried out in relation to each risk to evaluate the efficiency and effectiveness of the controls within that area.

Our assurance process involves a two-stage assessment:

- Firstly, based on our audit work we report findings in relation to each risk. Each finding is given a priority ranking, ranging from 1 to 3, with 1 being a high-risk exposure and requiring urgent attention. If there are no findings in relation to an audit area, and the controls are operating effectively, we report this.

- Secondly, based on our assessment at risk level, we provide an overall assurance rating in relation to the area being audited. Our overall assurance ratings are unacceptable assurance, limited and satisfactory. A full explanation of these is provided at Appendix I to this report.

6 Summary of Assurance Work for the Year 2020/21

Causeway Coast and Glens Borough Council have a co-sourcing contract to deliver the internal audit service, this consists of an in-house Audit, Risk and Governance Officer and externally with Moore NI. The key challenges for the section in 2020/21 was to continue to provide an appropriate level of assurance for the Council throughout the pandemic with the Council moving to a working from home basis for a substantial part of the year and also delivering on a number of competing demands on audit resources. This has resulted in audits taking longer with officers have to scan documents and not being able to do physical verification of original documentation or face to face meetings.

Approximately 75% of the audit plan has been completed, with the remaining fieldwork and reports rolling forward into the 2021-22 year. Despite this the Audit, Risk and Governance officer is satisfied that a sufficient amount of audit work has been presented to the Committee on high risk areas within the organisation on which to provide an assurance rating.

Going forward it is envisaged that additional resources available will be used to absorb some of the backlog audits that have been carried forward from 2019-20 following the resources that were absorbed into the Land Easements and Disposals internal audit work. The section has also experienced an increase in the number of whistleblowing/concerns raised during 2020/21 which is given precedence over routine internal audit work planned and also eats into the time available to complete routine audit.

The following table summarises the planned assurance work carried out in the year.

Audit Area	Auditor	Status	Assurance Rating
Environmental Services Directorate			
Environmental Health Licensing	Moore NI	Complete	Satisfactory
Fleet Management	In House	Complete	Satisfactory
Business Continuity & Emergency Planning	In House	Complete	Satisfactory
Finance Directorate			
Use of Corporate Credit Card	In House	Complete	Limited
Treasury Management	Moore NI	Complete	Limited
Corporate Services Directorate			
Management of Agency Staff	Moore NI	Complete	Limited
Time Recording & Overtime	Carry Forward	-	-
Corporate Health & Safety	Moore NI	Complete	Satisfactory
Community Planning	Moore NI	Complete	Satisfactory
ICT	Moore NI	Complete	Limited
Performance Improvement	Moore NI	Complete	Satisfactory
Risk Management	Carry Forward	-	-
Leisure & Development Directorate			
Regeneration & Business Development	Carry Forward	-	-
PCSP (Statutory)	Moore NI	Complete	Satisfactory
Planning Service			
Enforcement, development control & development plan	Deferred due to external review	-	-
Follow-up			
Review of Prior Year Recommendations	Moore NI	Complete	n/a
Other Work			
Whistleblowing work as required	In-house	On-going	n/a
Fraud Training	Both	Complete	n/a
Ad hoc advisory work	In-house	On-going	n/a
Liaison with risk management process	In-house	On-going	n/a
Policy Maintenance	In-house	On-going	n/a
NIAO Liaison	In-house	Complete	n/a
Fraud Risk/Proper Arrangements Questionnaire	In-house	Complete	n/a
Total			

7 Management Response

As noted previously, our approach is to identify risks for each area under review and to assess the controls in place to mitigate these risks. If we find that controls are not adequate or effective, we raise the matter in the management action plan contained in the assignment report, setting out our observation, the risks arising from the issues identified and our recommended action to address the issues. These matters are discussed with management and their response is also included in the reports.

During 2020/21 a positive response has been received from management in respect of all the recommendations made and a course of action to address the issues identified has been agreed.

8 Other Work

Additional work carried out by the Internal Audit section during 2020/21, includes the co-ordination of the proper arrangements audit questionnaire responses that feed into the NIAO annual assessment in respect of the Councils proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources and that public money is properly accounted for.

In addition internal audit provides responses to the annual fraud assessment questionnaire required to be submitted each year to the NIAO by 31st March 2021.

In addition to assurance work carried out during the year, Moore NI provided fraud awareness training to 10 Councillors in March 2021. This training will be rolled out to senior management and heads of service in due course.

In preparing the overall opinion the Audit, Risk & Governance Officer has reviewed all audit and risk activity carried out in the period from April 2020 to March 2021. Internal audit has considered the outputs from the proper arrangements audit and the financial audit performed by the Northern Ireland Audit Office and PWC who continue to provide support to the Finance Committee.

9 Effectiveness of the Internal Audit Service

As a pre-requisite for giving an assurance opinion on the overall adequacy and effectiveness of the control environment, I am required, as Audit, Risk & Governance Officer for the Council to confirm the effectiveness of the internal audit service and therefore its fitness for purpose to carry out work that informs the opinion.

In order to confirm the effectiveness of internal audit Moore NI have completed a self-assessment of the internal audit function against the Standards, using the CIPFA checklist in the Local Government Application Note on the Public Sector Internal Audit Standards and reported the outcome of this to the Audit Committee in June 2020 (further details are provided in Appendix II and Appendix III). We can report a substantial level of compliance with the Standards. Appendix III of this report contains a table setting out the observations as identified in the self-evaluation against the Standards.

Moore NI are subject to an External Quality Assurance (“EQA”) at least once every five years. In July 2020, they had their most recent external 5-year review. A fully independent quality assurance assessment was undertaken and verified compliance with the Public Sector Internal Audit Standards (PSIAS) and assessed internal audit performance. As part of this external assessment, clients completed an impact assessment, and Moore NI internal audit service received a score of over 90 per cent demonstrating that client expectations are clearly being met. The report by the independent assessor cited this as “an excellent achievement”.

Continuing professional development is a key aspect of the quality assurance programme, to ensure staff have the skills to carry out their responsibilities. Internal Audit utilise free webinars, external training events and team meetings to deliver training in additional.

10 Conclusions

In assessing the level of assurance to be given I have considered:

- Internal audits undertaken during 2020/21
- Internal audit work completed during the course of the year (assurance & consultancy)
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- The results of work of other review bodies namely NIAO and PWC.
- The effects of any significant changes in the organisation’s risk profile, objectives or systems
- Matters arising from previous internal audit reports to Council

Internal audit have completed 12 assurance assignments in total for the year 2020/21.

As the Audit, Risk & Governance Officer, in line with PSIAS, I am required to provide an opinion on the overall adequacy and effectiveness of the Council’s control

environment. In providing this opinion, it should be noted that the level of assurance provided can never be absolute.

In assessing the level of assurance provided, I have taken into account the following:

- The results of all assurance assignments undertaken by Internal Audit during the period;
- Assessed the status of recommendations identified as not implemented as part of Internal Audit follow up reviews and subsequent progress tracking;
- Considered the effects of significant changes in the Councils objectives or systems and the requirement for Internal Audit involvement;
- Reviewed and considered matters arising from reports to the Council committees;
- Any limitations which may have been placed on the scope of our internal audit work
- The extent to which resource constraints may impinge on our ability to meet the full audit needs of the Council.

11 Overall Assurance Statement

On the basis of the work carried out, Internal Audit can provide a **limited** level of assurance that the Council's control environment is adequate and effective. There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

(Further details of our assurance ratings are provided in Appendix I to this report).

Internal Audit will continue to support management in reviewing the level of fraud risks associated with their key activities and ensuring that appropriate mitigations are put in place. However it should be noted that it is management responsibility to ensure that there are robust systems of internal control in place to help manage the risk of fraud.

This report has been prepared for the Members of Causeway Coast and Glens Borough Council and should not be disclosed to any third party, quoted or referred to without prior written consent of the author.

Appendix I: Definition of Assurance Ratings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Appendix II: Performance of the Internal Audit Service in 2020/21

Performance indicators

The table below sets out progress against performance indicators for the internal audit function.

Progress Against Annual Audit Plan				
Description	Auditor	Number of days planned	Number of days completed to date	Variance
Environmental Health Licensing	Moore NI	9	9	-
Fleet Management	In-house	8	8	-
Business Continuity & Emergency Planning	In-house	10	14	4
Use of Corporate Credit Card	In-house	8	8	-
Treasury Management	Moore NI	8	8	-
Management of Agency Staff	Moore NI	10	10	-
Time Recording & Overtime	Outstanding	-	-	-
Corporate Health & Safety	Moore NI	8	8	-
Community Planning	Moore NI	8	8	-
ICT	Moore NI	8	8	-
Payroll	Outstanding	-	-	-
Performance Improvement	Moore NI	8	8	-
Risk Management	Outstanding	-	-	-
Regeneration & Business Development	Outstanding	-	-	-
Enforcement, development control & development plan	Outstanding	-	-	-
PCSP	In-house	6	6	-
Review of Prior Year Recommendations	Moore NI	15	15	-

Other Performance Indicators	Progress
Percentage of audit recommendations from Moore NI audit reports accepted by management	100%
Percentage of audit recommendations from In-house internal audit reports accepted by management	100%

Quality Assurance and Improvement Framework

There have been no significant deviations from this framework during the year. Ongoing performance monitoring has been conducted throughout the year through:

- supervision of the in-house auditor by the Director of Corporate Services
- supervision of the Moore NI internal audit team by the Internal Audit Partner

- the production of written quarterly update reports to the Audit Committee including an overview of assurance work completed during the quarter and progress against performance indicators (see above)
- a self-evaluation against the Public Sector Internal Audit Standards with the results presented to the Audit Committee in March 2020.

A significant amount of the internal audit resources has been absorbed by whistleblowing and following concerns raised. We continue to monitor and develop our quality assurance programme to ensure it meets the requirements of the Public Sector Internal Audit Standards.

Appendix III: Observations from Self-Assessment for PSIAS at March 2021

The PSIAS were introduced in 2013 and replace the Code of Practice for Internal Audit in Local Government in the UK (2006). The PSIAS are mandatory for all local authorities and apply across the whole of the public sector. The Internal Audit Section is required on an annual basis to carry out a self-assessment against the PSIAS. The Self-Assessment against the PSIAS for Council is available on request.

Ref	Standard	Commentary	Actions
Performance Standard 2050	Coordination Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	No other sources of assurance are considered in our risk-based plan. This is not considered to be a significant issue.	No action proposed.
Performance Standard 2050	Coordination Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	No other sources of assurance are considered in our risk-based plan. This is not considered to be a significant issue	No action proposed.
Performance Standard 2110	Governance Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities?	The Audit Plan was based on an audit needs assessment and separate ethics-related objectives, programmes and activities were not included in the Plan. We consider any relevant ethics-related issues when developing the terms of reference for each individual assignment.	No action proposed