

Title of Report:	Annual Internal Audit Report and Opinion For the Year Ended 31st March 2022
Committee Report Submitted To:	Audit Committee
Date of Meeting:	8th June 2022
For Decision or For Information	For Information

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

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) established in 2013 are the agreed professional standards for internal audit in local government. PSIAS was the Code under which the Internal Audit Service operated during 2021/22. It sets out the requirement for the Head of Internal Audit to produce an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control framework. The Head of Internal Audit must produce a report that can be used to support the Councils Annual Governance Statement.

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

2 Audit Plan

The Audit Plan for 2021/22 was based on the Council's 4-year Internal Audit Strategy as prepared by Moore NI which 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 manager 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 2021/22 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 Councils 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 during the year on the following dates:

- 9th June 2021
- 16th Sept 2021
- 8th December 2021
- 9th March 2022

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 2021/22

Causeway Coast and Glens Borough Council deliver the internal audit service through a co-sourcing arrangement, this consists of an in-house Audit, Risk and Governance Manager and a contract with Moore NI to ensure that the programme of internal audit work is delivered. To address a backlog of audits carried forward from 2019/20 resources were sought to procure additional days from Moore NI to address the backlog audits and ensure that internal audit had adequate coverage for the 2021/22 financial year.

The key challenges for the section in 2021/22 was to provide an appropriate level of assurance for the Council throughout the pandemic with the Council moving to a more hybrid working model for a substantial part of the year and also delivering on a number of competing demands on audit resources. The additional audit days acquired have addressed the challenges both in year and address the backlog carried forward.

Approximately 85% of the audit plan has been completed, with the remaining fieldwork and reports rolling forward into the 2022-23 year. The Audit, Risk and Governance Manager 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.

The Council are currently advertising for the position of risk officer which will help to strengthen the risk management processes and document these processes in place.

The section continues to experience a number of concerns raised by both officers and councillors which is given precedence over routine internal audit work planned. The completion of audits in the 2021/22 audit plan, twelve audits were completed receiving a satisfactory assurance rating and three audits receiving a limited assurance rating overall 87% coverage of the audit plan was achieved. Additionally, to the planned internal audit work, internal audit undertook a few follow up reviews, backlog audits carried forward and one new regulatory audit required by the Department.

Table 1. shows the planned internal audit work carried out within the 2021/22 year:

Auditable Area	Provider	Status	Outcome
Environmental Services Directorate			
Building Control	Moore NI	Complete	Satisfactory
Grounds Maintenance	In-house	Complete	Satisfactory
Estates & Facilities Servicing	Moore NI	Complete	Limited
Street Cleansing	Moore NI	Complete	Satisfactory
Parks, play areas & cemeteries	In-house	Complete	Satisfactory
Off-Street car parking	In-house	Complete	Satisfactory
Finance Directorate			
Payroll	In-house	Complete	Satisfactory
Corporate Services Directorate			
Legal services	In-house	Complete	Limited
Performance Improvement	Moore NI	Complete	n/a update
Civic buildings	Moore NI	Carry Forward	C/forward
Leisure & Development Directorate			
Outdoor recreation & play parks	In-house	Complete	Satisfactory
Arts & cultural centres	Moore NI	Complete	Satisfactory
Events	Moore NI	Carry Forward	C/forward
Grant Funding	Moore NI	Complete	Satisfactory
Community Development & P'ships	Moore NI	Complete	Satisfactory
NEW - Labour Market Partnership ¹	In-house	Complete	Satisfactory
PCSP (Statutory)	In-house	Complete	Satisfactory
Follow-up			
Prior Year Recommendations	Moore NI	Complete	n/a
Total – 15			

Table 2. below lists the follow-up audit reports work completed in areas which had previously received a limited level of assurance:

Auditable Area	Auditor	Status	Assurance Rating
Other Work			
Management of Agency Staff	Moore NI	Complete	Implemented
Review of Corporate Credit Card	Moore NI	Complete	Limited Implementation
Total – 2			

¹ Labour Market Partnership new partnership with DfC to be established, additional to the 4-year audit strategy. Funding requirement to have an annual audit.

Table 3. below lists the audit areas carried forwarded completed in year to address backlog audits brought forward:

Auditable Area	Auditor	Status	Assurance Rating
Other Work			
Risk Management	Moore NI	Complete	Limited
Caravan Sites	Moore NI	Complete	Satisfactory
Leisure Facilities	Moore NI	Complete	Satisfactory
Total - 3			

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 2021/22 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

In addition to routine internal audits performed, the internal audit section delivers the following additional work:

- Ad hoc advisory
- Whistleblowing/Raising Concerns
- Fraud Training
- Co-ordination of risk management processes
- NIAO Liaison/preplanning meeting
- Fraud/Proper Arrangements Questionnaire

Internal audit provides responses to the annual fraud assessment questionnaire required to be submitted each year to the Northern Ireland Audit Office by 31st March 2022. Internal Audit delivered Fraud Awareness training events each month to staff with the aim of improving staff awareness and knowledge in relation to fraud and their responsibilities for detecting and preventing fraud from arising.

The Audit Committee members received specialised training by CIPFA to increase their knowledge as to their responsibilities for scrutiny whilst sitting on the Audit Committee. The training also covered the Financial Statements and potential questions Elected

Members may ask in relation to Financial Statements before they are submitted to the Northern Ireland Audit Office.

In preparing the overall opinion the Audit, Risk & Governance Manager has reviewed all audit and risk activity carried out in the period from April 2021 to March 2022. Internal audit has considered the outputs from the proper arrangements audit and the financial audit performed by the Northern Ireland Audit Office.

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 Manager 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

The review of the effectiveness of the Audit, Risk and Governance of the Council is also informed by the Annual Internal Audit Opinion for the year.

As the Audit, Risk & Governance Manager, in line with PSIAS, I am required to provide an opinion as to the adequacy and effectiveness of the of governance, risk management and control environment. In giving this opinion, it should be noted that assurance can never be absolute.

Specifically, my opinion is based on the following:

- The completion of audits in the 2021/22 audit plan, advisory work undertaken and annual assurance statements from the senior leadership team on compliance with risk management and internal control systems.
- Internal Audit has performed follow up audits in areas that received a limited level of assurance in the year including the management of Agency staff and Council corporate credit card procedures.
- Management have improved in relation to the consideration and implementation of prior year recommendations and progress has been made in addressing the more significant recommendations highlighted by Internal Audit and subsequent progress tracking.
- Evidence set out in the review of the Directors Assurance Statements regarding the assurances and processes used by directors to determine their sign off procedures.
- The effects of any significant changes in the organisation's risk profile, objectives or systems and the requirement for Internal Audit involvement.
- Reviewed and considered matters arising from reports to the Council committees.

The opinion is satisfactory, however there are a number of recommendations currently progressing that have been identified through internal audit work. Three internal audits in the 2021/22 received a limited assurance rating being Estates & Facilities Servicing, Legal Services and Risk Management. Control issues brought forward from prior years and continue to be identified during internal audit work include:

- The significance and number of financial risks both internal and external to the Council, if not carefully managed could result in a risk of governance issues for Council. Internal audit identified issues to be addressed in relation to budget management and the implementation of the medium-term financial strategy, breaches in legislation and management override of controls in place for the Council. Timing and accuracy of financial information continues to be considered by internal audit.
- Recommendations in relation to the Business Continuity Planning are continuing to progress.

11 Overall Assurance Statement

Internal Audit can provide a **satisfactory** level of assurance as to adequacy and effectiveness of the governance, risk management and control environment. While there may be some residual risk identified in the areas of risk management and business continuity this should not significantly impact on the achievement of system objectives.

(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.

Looking ahead, the ongoing financial pressures and the increased cost of living continue to present risks and could affect the Councils ability to deliver in their objectives. It is important that management continue to place importance on maintenance of the audit, risk and governance arrangements within Council, that audit recommendations to address control weaknesses are implemented in a timely fashion and the Internal Audit continue to receive the cooperation on the delivery of the annual audit plan throughout 2022/23.

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 2021/22

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	No. of days completed to date	Variance
Building Control	Moore NI	10	10	-
Grounds Maintenance	In-house	10	10	-
Estates & Facilities Servicing	Moore NI	10	10	-
Street Cleansing	Moore NI	10	10	-
Parks, play areas & cemeteries	In-house	8	9	+1
Off-Street car parking	In-house	8	8	-
Payroll	In-house	8	8	-
Legal services	In-house	8	8	-
Risk Management	Moore NI	10	10	-
Performance Improvement	Moore NI	10	10	-
Civic buildings	Moore NI	8	-	-
Outdoor recreation & play parks	In-house	8	8	-
Arts & cultural centres	Moore NI	8	8	-
Events	Moore NI	13	c/fwd	-
Grant Funding	Moore NI	12	12	-
Leisure Services	Moore NI	7	7	-
Caravan Sites	Moore NI	10	10	-
NEW - Labour Market Partnership	In-house	6	7	+1
PCSP (Statutory)	In-house	6	6	-

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 regular 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.

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 2022

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