

Title of Report:	Annual Internal Audit Report and Opinion For the Year Ended 31st March 2023
Committee Report Submitted To:	Audit Committee
Date of Meeting:	14th June 2023
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:

Table of Contents

1	Introduction.....	3
2	Audit Plan	3
3	Independent and Objectivity	3
4	Audit Committee	4
5	Assurance Work - Audit Approach and Assurance Process.....	4
6	Summary of Assurance Work - Year 2022/23	5
7	Management Response	7
8	Other Areas of Assurance	7
9	Other Work	7
10	Effectiveness of the Internal Audit Service	8
11	Conclusions.....	9
12	Overall Assurance Statement.....	9
	Appendix I: Definition of Assurance Ratings	11
	Appendix II: Performance of the Internal Audit Service in 2022/23	12
	Appendix III: Observations from Self-Assessment	13

1 Introduction

The Public Sector Internal Audit Standards (PSIAS) and the International Professional Practices Framework (IPPF) are the agreed professional standards for internal audit in local government. These standards set 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 Council's Annual Governance Statement.

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

2 Audit Plan

The Audit Plan for 2022/23 was based on the Council's 4-year Internal Audit Strategy 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 2022/23 audit plan are included in Appendix II. The audit approach is risk based and the strategy and plan were 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 an independent, objective assurance and 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 the internal audit service and there have been no inappropriate scope or limitations on the internal audit work with the exception of resources.

The internal auditors are independent of 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:

- 8th June 2022
- 21st September 2022
- 14th December 2022
- 8th March 2023

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, the report focuses 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, the 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.

The internal audit assurance process involves a two-stage assessment:

- Firstly, based on the 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. The 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 - Year 2022/23

As noted previously, Causeway Coast and Glens Borough Council delivers the internal audit service through a co-sourcing arrangement. This consists of an in-house Audit, Risk and Governance Manager and a contract with CavanaghKelly to ensure that the programme of internal audit work is delivered.

It should be noted that the co-sourced provider CavanaghKelly were appointed in September 2022.

Approximately 80% of the audit plan has been completed, with the remaining fieldwork and reports rolling forward into the 2023/24 year.

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

The in-house section continues to experience concerns raised by officers and councillors and addressing these is given precedence over routine internal audit work planned. Thirteen audits set out in the 2022/23 internal audit plan were completed resulting in twelve assurance reports.

- One report was completed in the previous year 2021/22 and contained a satisfactory assurance rating,
- Eight reports in 2022/23 received a satisfactory assurance rating,
- Three reports in 2022/23 receiving a limited assurance rating.

Overall, 80% coverage of the audit plan was achieved.

The audit assignments planned and completed in 2022/23 are summarised in the following Table 1.

Table 1. shows the planned internal audit work carried out within the 2022/23 year:

Auditable Area	Provider	Status	Outcome
Environmental Services Directorate			
Licencing	In-House	Complete 21/22	Satisfactory
Energy Management	CavanaghKelly	Complete	Limited
Harbours, Marinas, and Terminals	CavanaghKelly	Complete	Satisfactory
Animal Welfare	In-House	Carry forward	
Fuel Stamp Programme	In-House	Carry forward	
Finance Directorate			
Travel, & Subsistence, Mobile Phone	In-House	Complete	Satisfactory
Corporate Services Directorate			
Democratic Services	CavanaghKelly	Carry forward	
Insurance	In-House	Complete	Satisfactory
Reception Services	In-House	Carry forward	
Registration of Births, Deaths & Marriages	In-House	Complete	Satisfactory
Corporate & business Planning	CavanaghKelly	Complete	Limited
Safeguarding	In-House	Complete	Limited
Leisure & Development Directorate			
Tourism Services	CavanaghKelly	Complete	Satisfactory
Community Facilities - reviewed as part of Energy Management	CavanaghKelly	Complete	N/A
PCSP	CavanaghKelly	Complete	Satisfactory
PEACE Funding	CavanaghKelly	Complete	Satisfactory
Labour Market Partnership (New)	In-House	Complete	Satisfactory
Events	In-House	ongoing	
Follow-up			
Prior Year Recommendations	CavanaghKelly	Complete	n/a

Audits carried forward into the 2023/24 financial year are those considered lower risk.

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 2022/23 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 Areas of Assurance

In addition to the assurance work carried out by the internal audit service in preparing our annual report, we also considered the reports arising from the following pieces of assurance work performed outside of Council.

- A number of external reports were prepared and reported to Council in early 2023 as a result of NIAO Extraordinary Audit recommendations. These covered three areas governance, land and property and record keeping. A number of highly critical findings were reported in each of these reports.
- An audit was undertaken by the Northern Ireland Policing Board (NIPB) in relation to the management of any potential and/or perceived Conflicts of Interest within Causeway Coast and Glens PCSP. A number of recommendations were made to improve the management of potential or perceived conflicts of interest.
- An extensive external IT infrastructure review undertaken by an external consulting firm. The outcome of this review was published in January 2023 identifying a number of high-risk issues. An action plan was created to address the high-risk issues. Internal Audit was provided with the latest version of the action plan drawn up and actions prioritised. We have been advised that many of the actions are not applicable to Council's 365 licenses and the majority of the remaining priority actions are complete or nearing completion. At this time Internal Audit has not reviewed or verified implementation of the actions.

9 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.

Internal Audit delivered Fraud Awareness training events 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.

In preparing the overall opinion the Audit, Risk & Governance Manager has reviewed all audit and risk activity carried out in the period from April 2022 to March 2023. Internal audit has also considered the outputs from the proper arrangements audit and the financial audit performed by the Northern Ireland Audit Office.

10 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 within Council, we are required to confirm the effectiveness of our internal audit service and therefore its fitness for purpose to carry out work that informs the opinion.

In March 2021, an External Quality Assessment (EQA) of CavanaghKelly's internal audit service was carried out by the Institute of Internal Auditors (IIA), with a follow up review in August 2021. This process concluded that the internal audit service, delivered by CavanaghKelly 'Generally, conforms to the Public Sector Internal Audit Standards and the Institute of Internal Audit's International Standards Professional Practices Framework'.

We also 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. We can report a substantial level of compliance with the Standards and do not consider there to be any significant deviations from the Public Sector Internal Audit Standards which warrant inclusion in the Council's Annual Governance Statement. (See results in Appendix 3)

Our review supports the 'generally conforms' conclusion reached by IIA in August 2022 in relation to the IPPF and PSIAS and did not identify any matters requiring urgent attention or reporting to the Audit Committee. As our internal audit practice continues to evolve, we have identified several general considerations that we will explore as part of our Quality Assurance and Improvement Programme.

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 webinars, external training events and team meetings to deliver training.

11 Conclusions

In line with PSIAS and the IPPF, we are 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, this opinion has been arrived at after considering the following:

- The outcome of audits completed in the 2022/23 audit plan.
- Progress made in relation to outstanding audit recommendations from previous years. It is noted that whilst some progress has been made in addressing recommendations highlighted by Internal Audit and tracking of recommendations has improved with update reports presented to the audit committee on a quarterly basis, concerns remain around the time it takes to progress recommendations especially in some critical areas such as Business Continuity Planning, Essential Car User Policy and Medium-Term Financial Plan for Council.
- The content and findings contained in the final external reports in relation to the reviews of governance, land and property and record keeping undertaken as part of the Extraordinary Audit recommendations.
- The outcome of the audit undertaken by the Northern Ireland Policing Board (NIPB) in relation to the management of any potential and/or perceived PCSP Conflicts of Interest.
- The outcome and recommendations of the external cyber security review undertaken.
- Ongoing governance concerns in the public domain arising from the recording of conversations in the Council.

12 Overall Assurance Statement

For the reasons outlined above, Internal Audit can provide a limited level of assurance as to adequacy and effectiveness of the governance, risk management and control environment. Overall, 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.

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's responsibility to ensure that there are robust systems of internal control in place to help manage the risk of fraud.

Looking ahead, the matters highlighted above, together with ongoing financial pressures including the impact of cost of living increases continue to present risks that could affect

the Council's ability to deliver in its objectives. In our view, it is important that senior management place importance on the development and maintenance of adequate and effective audit, risk and governance arrangements within Council. It is also important that audit recommendations to address control weaknesses and recommendations highlighted in the independent reviews are implemented in a timely fashion and Internal Audit receives adequate cooperation to ensure delivery of the annual audit plan throughout 2023/24.

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 2022/23

Performance indicators

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

Performance Indicators	Progress
Performance against the IA Plan	80%
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 CavanaghKelly 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.

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 2023 using CIPFA Checklist

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