

<b>Title of Report:</b>	<b>Annual Internal Audit Report 2019/2020</b>
<b>Committee Report Submitted To:</b>	<b>Audit Committee</b>
<b>Date of Meeting:</b>	<b>17<sup>th</sup> June 2020</b>
<b>For Decision or For Information</b>	

<b>Linkage to Council Strategy (2019-23)</b>	
Strategic Theme	Audit, Risk & Governance
Outcome	
Lead Officer	Aileen Ruddy

<b>Budgetary Considerations</b>	
Cost of Proposal	n/a internal cost
Included in Current Year Estimates	<b>YES/NO</b>
Capital/Revenue	Revenue
Code	
Staffing Costs	

<b>Screening Requirements</b>	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**

In accordance with the Public Sector Internal Audit Standards, the Internal Audit Service must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control. The annual report must incorporate the opinion, a summary of the work that supports that opinion and a statement of conformance with the Public Sector Internal Audit Standards.

The internal audit function for Causeway Coast and Glens Borough Council is provided by both in-house Internal Audit and by Moore NI through an Internal Audit co-sourcing arrangement.

## **2 Audit Plan**

The Audit Plan for 2019/20 was based on the Council's 3-year Internal Audit Strategy and was presented to and approved by the Audit Committee in December 2019. Further details on the 2019/20 audit plan are included in Appendix II. Our 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 be clarified that the audit plan cannot address all risks across the Council and represents the best use of resources.

## **3 Independent and Objectivity**

The work performed by internal audit is independent and objective and has been conducted within the scope defined in the Internal Audit Charter. Internal audit confirms that, during the year, there have been no matters arising which have impacted on the independence of internal audit service and there have been no inappropriate scope or resource limitations on internal audit work.

## **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 audit plan and for each assignment completed, a report provides a summary of the audit objectives tested, findings and overall assurance rating in relation to that area.

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

- 12<sup>th</sup> June 2019;
- 18<sup>th</sup> Sept 2019;
- 14<sup>th</sup> Nov 2019 (Special);
- 11<sup>th</sup> Dec 2019; and
- 11<sup>th</sup> March 2020

This annual report builds on the information contained in these internal audit reports and does not replicate details of the audit objectives, identified risks and findings for each area tested. Rather, internal audit has 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 2019/20.

## **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 assurance process involves a two-stage assessment:

- Firstly, based on audit work internal audit reports 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, this is reported.
- Secondly, based on the assessment at risk level, internal audit provides an overall assurance rating in relation to the area being audited. The overall assurance ratings range from unacceptable to satisfactory and a full explanation of these is provided at Appendix I to this report.

## **6 Summary of Assurance Work for the Year 2019/20**

The Internal Audit section is a small section within the Council and with limited resources available. The key challenges for Internal Audit during 2019/20 was resourcing and Internal Audit were asked to complete a review in relation to Council

Land Easements and Disposals. This audit absorbed a lot of the time and resources for the year. Significant weaknesses were highlighted and recommendations for urgent attention were made in the report. This report was called in by Members and remains outstanding. It is important to note that Internal Audit recommendations contained within this report have been progressed by Officers. Internal Audit also provided advice and guidance continuously since commencement in January 2020 throughout the Council in relation to audit, risk and governance issues.

The Covid-19 pandemic has impacted on Internal Audit's ability to complete the planned audit programme of work for the period, in conjunction with the Land Easements and Disposals audit.

The Annual Plan for internal audit was approved by Audit Committee. The following table summarises the assurance work carried out against that plan during the year:

Audit Area	No of Days per Plan	Auditor	Status	Assurance Rating
<b>Environmental Services Directorate</b>				
Waste Services	8	In-house	Complete	Satisfactory
Fuel Management	7	Moore NI	Complete	Satisfactory
Capital Projects	10	Moore NI	Ongoing	
<b>Finance Directorate</b>				
Income and Debtors	8	Moore NI	Complete	Satisfactory
<b>Corporate Services Directorate</b>				
Staff Recruitment, retention, development & appraisal	10	Moore NI	Carry Forward	
ICT Environment	8	In-house	Carry Forward	
Land and property		Moore NI	Call In	
Information governance, data protection and FOI/EIR	10	In-house	Carry Forward	
Corporate Governance	8	Moore NI	Ongoing	
<b>Leisure &amp; Development Directorate</b>				
Leisure Services	8	Moore NI	Complete	Satisfactory
PCSP	6	In-house	Complete	Satisfactory
<b>Follow-up</b>				
Review of Prior Year Recommendations	15	Moore NI	Complete	n/a
<b>Follow-up</b>				
Follow-up of any other prior year recommendations		In-house	Complete	n/a
<b>Total</b>	<b>98</b>			

The above table shows that internal audit fully completed audit work in 5 planned areas with 2 currently in progress and 3 deferred due to the impact of Covid -19.

## 7 Management Response

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

During 2019/20 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

The amount of additional work carried out by the Internal Audit section during 2019/20, which was not identified in the audit plan at the start of the year, has had a knock-on impact on the completion of the planned audit work. Such work included review of leases spreadsheets to address issues raised in the Report to those Charged with Governance and participation in special investigations, including a number of whistleblowing investigations, identified within Council.

In addition to assurance work carried out during the year, Moore NI provided training to members of the Audit Committee in September 2019.

In preparing the overall opinion the Audit, Risk & Governance Officer has reviewed all audit and risk activity carried out in the period April 2019 to March 2020 and has considered the work carried out by External Audit and the general level of controls.

## 9 Effectiveness of 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 for 2019/20 to confirm the effectiveness of our 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). Internal audit 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. Appendix III of this report contains a table setting out the observations as identified in the self-evaluation against the Standards.

## 10 Conclusions

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

- All internal audits undertaken during 2019-20
- All 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, PWC and CIPFA.
- 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 has completed 6 assurance assignments for the year 2019/20.

As the Audit, Risk & Governance Officer for Causeway Coast and Glens District Council, I am responsible for providing assurance to the Chief Financial Officer to help him to sign the governance statement. In providing this assurance, 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
- The fact that recommendations have been accepted and will be addressed by management
- Any limitations which may have been placed on the scope of internal audit work
- The extent to which resource constraints may impinge on the ability to meet the full audit needs of the Council.

## 11 Overall Assurance Statement

In our opinion, based on the audit work carried out, we are able to provide the Council with the following overall assurance rating in relation to its system of internal control: **Limited.**

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).

## 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 2019/20

### 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
<b>Environmental Services Directorate</b>				
Waste Services	In-house	8	8	-
Fuel Management	Moore NI	7	7	-
Capital Projects	Moore NI	10	8	-2
<b>Finance Directorate</b>				
Income and Debtors	Moore NI	8	8	-
<b>Corporate Services Directorate</b>				
Staff Recruitment, retention, development & appraisal	Moore NI	10	0	-10
ICT Environment	In-house	8	0	-8
Land and property	Moore NI	0	31	+31
Information governance, data protection and FOI/EIR	In-house	10	0	-10
Corporate Governance	Moore NI	8	4	-4
<b>Leisure &amp; Development Directorate</b>				
Leisure Services	Moore NI	8	8	-
PCSP	In-house	6	6	-
<b>Follow-up</b>				
Review of Prior Year Recommendations	Moore NI	15	15	-
Whistleblowing	Moore NI	0	5	+5
<b>TOTAL</b>		<b>98</b>	<b>100</b>	<b>+2</b>

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

### Quality Assurance and Improvement Framework

During the year the service has operated according to our internal quality assurance programme. 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 2018.

Internal Audit continues 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 2020

Ref	Standard	Commentary	Actions
<b>Performance Standard 2050</b>	<b>Coordination</b> 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.	<b>No action proposed.</b>
<b>Performance Standard 2050</b>	<b>Coordination</b> 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	<b>No action proposed.</b>
<b>Performance Standard 2110</b>	<b>Governance</b> 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.	<b>No action proposed</b>