



Internal Audit Annual Report

Annual Report and Head of Audit Opinion Statement 2023/2024

Section 1 Executive Summary

Background and Overall Opinion Statement

Introduction

Under the Accounts and Audit Regulations 2015, the Council is required to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. For the purposes of the 2023/24 opinion the standards for proper practices for internal audit are laid down in the CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (PSIAS).

The relevant body must conduct a review, at least once a year, of the effectiveness of its system of internal control and this is reported in the Annual Governance Statement. The opinions given in this report provides independent and objective assurance on the overall adequacy and effectiveness of the Council’s system of internal control and should be used to inform the preparation of the Annual Governance Statement.

It is management’s responsibility to establish and maintain appropriate risk management processes, internal control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising management that these arrangements are in place and operating properly.

Overall Opinion Statement

As the Head of Internal Audit, I am required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. In assessing the level of assurance to be given, I based my opinion on:

- The findings from all internal audit work and the subsequent ratings;
- Any follow up exercises undertaken;
- The proportion of Stockton on Tees Borough Council’s audit need that has been covered within this period;
- Where weaknesses have been identified through internal audit work, we have worked with management to agree appropriate corrective actions and a timescale for introduction;
- Any limitations which may have been placed on the scope of Internal Audit. (There have been no operational constraints placed upon Internal Audit, apart from agreed budgetary control provisions).

From the testing undertaken by the Internal Audit Section over the course of the year I am satisfied that sufficient assurance work has been undertaken to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council’s control environment to support the preparation of the Annual Governance Statement.

It is my opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council’s objectives, and detect fraud and other malpractice within a reasonable period of time.

I can confirm there have been no impairments to independence or objectivity of the service.

Conformance with the Public Sector Internal Audit Standards (PSIAs)

Conformance with the Public Sector Internal Audit Standards provides assurance on the adequacy of arrangements for management of the internal audit function and the level of reliance that can be placed on the opinions given in this report.

A review of conformance has been conducted internally, this has confirmed that the service remains compliant with the PSIAs. This view is supported by an external review conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2022 which concluded that the service conforms with the PSIAs. Such an external review is required to be completed at least once every 5 years.

Section 2 Results

Detailed Results to Support the Opinion Given

Adequate Coverage

In order to be able to provide an opinion sufficient work must have been completed. Frequency of testing is determined by an audit risk assessment, which establishes a minimum frequency of testing. The risk assessment determines that for the period 1 May 2023 to 30 April 2024, 332 controls needed to be tested, for the same period 344 controls were tested. Therefore, sufficient work was completed to be able to provide an opinion. The controls specified in the program are regularly reviewed throughout the year to ensure they remain up to date.

Assurance Levels by Theme

Each control is assigned to a governance theme. The level of assurance against each theme for the same period is shown below. In general, we have a good level of assurance against each of the themes, for information we set a benchmark of 70 to determine the adequacy of controls.



Assurance by Strategic Risk

To support the risk management process controls are assigned to strategic risks in the risk register. The levels of assurance against each risk can be seen below, the results show a good level of assurance.

Risk	Assurance
A growing economy	93.02
Clean and green spaces	100.00
Cohesive and safe communities	100.00
Dedicated and resourceful employees	95.88
Education and skills development	100.00
Financially sustainable and value for money	97.61
Great places to live and visit	88.21
Job creation and increased employment	100.00
People are supported and protected from harm	91.57
People live healthy lives	97.17
Rich cultural experiences	100.00
Strong leadership and governance	90.78

Recommendations

The internal audit service supports continuous improvement by making recommendations to improve the controls in place. The majority of recommendations made have either been implemented or are in the process of being implemented which demonstrates a positive contribution to the improvement of controls within the Authority.

Priority	Agreed	Implemented	Not Implemented	Risk Tolerated	Total
High	2	20	2		24
Low	4	8			12
Medium	8	22	2	3	35
Total	14	50	4	3	71

Counter Fraud

In addition to the review of specific controls designed to prevent/detect fraud (93% Assurance) we also consider fraud risk as part of all of our testing, for example when assessing an application the checks that have been made to validate information, which would be included in the “Accuracy of Decision Making” theme. The results of the NFI exercise completed early 2023 can be summarized as follows:

- 4449 matches returned;
- 3778 matches processed;
- 0 frauds identified, 2 errors identified, resulting in overpayment of £1,539 of which £584 has been recovered to date.

Added Value Work

The internal audit service have supported the Council outside of the normal audit process in the following ways:

- Daily checks to support Xentrall to identify any potential duplicate payments, before the payment is made. Feedback from Xentrall is that there are a number of duplicate payments prevented reducing potential losses to the council.
- Supporting the arrangements put in place to manage the closure of the cash offices.
- Supported an exercise to analyse spend across the council and identify areas where contracts could add value.
- Supported the development of the Adults Social Services quality assurance process

Section 3 Quality, Assurance & Improvement Process (QAIP)

Results of Measures in Place to Continuously Improve the Service

Balanced Scorecard

The service monitors a number of measures designed to demonstrate compliance with the standards and the effectiveness of the service overall. There are no issues to note in any of these measures.

Stewardship (Coverage)		
Measure	Target	Performance
Adequate Resources (Next 3 Months)	15	16
Portfolio Coverage (Period)	332	344
Presentation of Annual Report (Annual)	June	May 2024
Presentation of Activity Report	Qtrly	Qtrly

Stakeholders		
Measure	Target	Performance
Reports Issued	Qtrly	Daily
Fraud Strategy Review	31/03/2024	Sept 2023
Client Satisfaction	TBC	*
Recommendation Implementation	90%	93%

Process		
Measure	Target	Performance
Self assessment against standards (Annual)	March	March 2024
External Assessment (Every 5 Years)	March 2023	January 2023
Staff Meetings Held (Period)	26	38
Up to Date Audit Manual	March 2024	March 2024

People		
Measure	Target	Performance
Productivity (Period)	75%	75%
Training (Per Financial Year)	20	23
Code of Conduct (Annual)	100%	100%
Appraisals (Annual)	100%	100%