

# Surrey Heath Borough Council

## Audit and Standards

11 July 2023

---

### Internal Audit Annual Report

**Strategic Director/Head of Service** Gavin Ramtohal  
**Report Author:** Alex Middleton – Senior Internal Auditor  
**Wards Affected:** n/a

---

#### Summary and purpose

To provide an annual review of Internal Audit for the financial year 2022-23 and an opinion from the Section 151 officer on the adequacy of the Council's systems of internal control

#### Recommendation

The Committee is advised to RESOLVE that

- (i) The Annual Audit Report for 2022-23 is agreed and noted.

#### 1. Background and Supporting Information

1.1 The Public Sector Internal Audit Standards require local authorities to report on the work of internal audit on an annual basis. The Section 151 officer should also provide a written report to those charged with governance. The aims of the report are to:

- provide an opinion on the overall adequacy and effectiveness of the Council's control environment and risk landscape;
- disclose any qualifications to that opinion, with reasons; and
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies; and highlight any significant matters arising.

1.2 This audit report compliments some of the findings reported in the Annual Governance Statement for 2022/23

#### 2. Reasons for Recommendation

2.1 To agree the adequacy of the Council's systems of internal control.

### 3. Annual Review of Internal Audit Work for 2022-23

- 3.1 The Internal Audit work programme is directed by the 3-year Audit Medium Term Plan as well as the annual Audit Plan. The annual Plan is agreed by Members at the Audit & Standards committee each spring.
- 3.2 For the last reporting period a total of 16 scheduled audits have been undertaken from the Audit Plan. These included all the key financial audits that are conducted annually and which are relied upon by the external auditors including Creditors, Debtors, Treasury, Revenues and Benefits audits. Other non-financial audits were also completed in year and which are conducted periodically including Parking, the Theatre, Democratic Services, Health & Safety and Insurance.
- 3.3 Internal Audit also undertook a number of consultancy activities and professional advice including assisting with the conclusion of an investigation, assisting a complaints case, a review of the Business Improvement District (BID) and assisting with a separate employee code of conduct matter.
- 3.4 Opportunities for improvement and increased service efficiencies along with quality control were identified in the audit process and reported to management through internal audit reports. Areas for improvement are reported through audit recommendations.
- 3.5 Audit has also supported senior management in helping to meet the needs of the business and assisting the delivery of the 5 year Plan by participating in various corporate officer working groups including the equalities officer group, and the risk management group. Audit has also been active in processing and co ordinating the authorised signatories process, and reviewing compliance over contract standing orders, and the Council's financial regulations.
- 3.6 The internal audit team currently offers four levels of assurance for each audit it reviews as below:

Level of assurance	Definition
<b>FULL(green)</b>	Controls are strong and being fully complied with, service is continually developing and offering added value, business objectives are being met and exceeded
<b>SUBSTANTIAL(green)</b>	There is basically a sound system of control, but some minor areas of weakness have been identified, which may put some of the systems objectives at risk
<b>LIMITED (amber)</b>	The weaknesses in the system of control are such as to put some of the system objectives at risk, and may affect council income or expenditure
<b>NIL (red)</b>	There are limited or no controls in place. The service poses a significant risk to the Council and there is a risk that business objectives are not met

3.7 **For 2022/23 there were 16 audits that resulted in substantial assurance, and there were zero nil assurance audits.** In practice the majority of audits score either substantial or limited assurance, as full assurance would only be offered where the entire population is tested instead of just a sample, and audits scoring nil assurance would need to have zero internal controls in place, or serious fraud or other irregularity, or major breaches in rules and regulations.

3.8 Audit recommendations are classified into three categories - essential, desirable or best practice.

**Essential** – normally require immediate attention to address substantial weaknesses and ensure council business objectives are met; could result in financial loss; non-compliance with statutory guidance/legislation; possible fraud or maladministration

**Desirable** - maintaining an effective control environment and ensure policies and procedures are met; ensures council priorities and milestones are met; shorter term implementation

**Best Practice** – industry best practice suggestions; helps to improve overall control and efficiency; assist management deliver services; medium to long term implementation

3.9 In total 60 audit recommendations were raised in 2022-23:

- 6 Essential
- 54 Desirable
- 0 Best Practice

#### **4. Proposal and Alternative Options**

4.1 No alternative proposal.

#### **5. Contribution to the Council's Five Year Strategy**

5.1 No matters arising.

#### **6. Resource Implications**

6.1 The audit team operates with two full time members of staff. In total there were approximately 430 days in the budget available to the audit team for 2022-23 which excludes training and development time, annual leave and other absences.

## **7. Section 151 Officer Comments:**

- 7.1 The overall opinion of the Section 151 Officer is that the Council's internal control framework is adequate and effective and is being managed with due care and attention. The audit coverage is proportionate to the risk environment of the Council and the audit resources available. Whilst the Audit Plan is challenging the Audit team is covering a wide remit across the authority.

## **8. Legal and Governance Issues**

- 8.1 CIPFA's Code of Practice has been replaced by the Public Sector Internal Audit Standards and these Standards have been adopted by local authorities including Surrey Heath council. The work of the Council's internal audit team continues to demonstrate compliance with these Standards.

## **9. Monitoring Officer Comments:**

- 9.1 No matters arising.

## **10. Other Considerations and Impacts**

### **Environment and Climate Change**

- 10.1 No matters arising

### **Equalities and Human Rights**

- 10.2 No matters arising.

### **Risk Management**

- 10.3 No matters arising.

### **Community Engagement**

- 10.4 No matters arising.

## **Annexes**

Annex A – Detail of Internal Audit Work for the Year 2022-23.

## **Background Papers**

Insert text