



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

CRAWLEY BOROUGH COUNCIL
INTERNAL AUDIT ANNUAL REPORT & OPINION 2023 /24

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May 2024

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.



The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



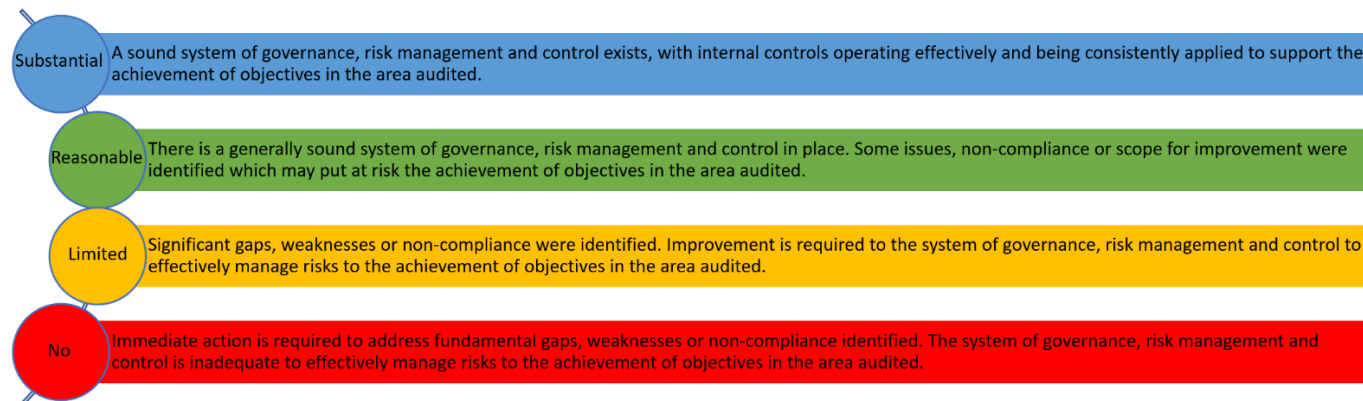
The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council's activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2023-24 internal audit plan was considered by the Audit Committee in March 2023. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Senior Management Team and reported in detail to the Audit Committee in the internal audit progress reports which were reviewed at each meeting.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2023-24 financial year.

Annual Internal Audit Opinion 2023-24

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

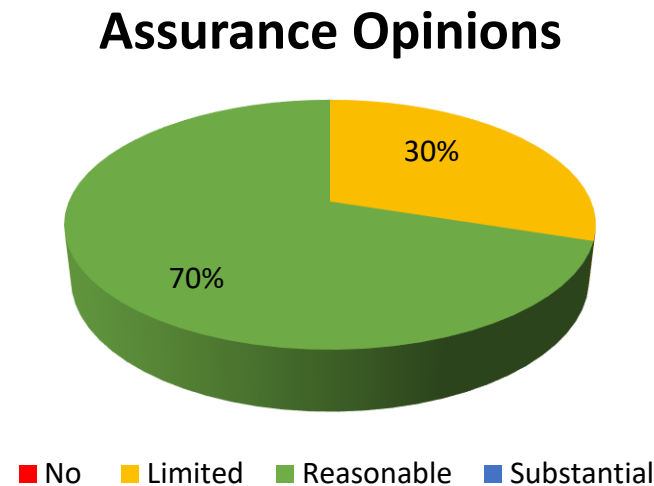
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2023-24 reviews

The outcomes from our reviews have been reported to the Audit Committee throughout the year and a summary of the assurance opinions is outlined below.



As at the time of reporting, the Housing Rents audit review is yet to be completed, having reached draft reporting. The outcome of this will be reported in our next progress report to the Audit Committee and incorporated in the annual opinion for 2024-25.

Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

During 2023-24 a review of the corporate complaints process was undertaken concluding in a reasonable assurance opinion.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review.

There is also appropriate reporting to the Audit Committee to provide the opportunity for independent consideration and challenge including the Annual Governance Statement.

Risk Management

The Risk Management Framework has continued to evolve during 2023-24 with responsibility transferring to the Head of Governance, People and performance during the latter part of 2022-23. Our next review of this area is scheduled for 2024-25.

The Strategic Risk Register is formally reported to each meeting of the Audit Committee which we have evidenced through attendance at and review of Committee minutes.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2023-24 audit plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed. The key areas of challenge identified or confirmed through our work are outlined below:

Contract Management (Limited)

Positively, audit testing confirmed that contract management responsibilities for individual contracts sampled were clearly assigned to appropriate officers, significant contractual issues with service providers are managed through the dispute resolution process detailed in the relevant contract and invoices are subject to review and approval prior to payment.

The Contract Register did not always contain or accurately reflect the expiry date and expiry review date for contacts.

Although Contract Leads were aware of the contract management guidance available, they acknowledged that it was not always read. A review of the contract management training provided also identified that not all Contract Leads had attended.

Audit testing confirmed that individual contracts detail the contractual terms and conditions relating to the service provision, with a copy available to the relevant parties to ensure awareness of their contractual responsibilities is maintained and understood. However, a copy of the contract was not always held internally by the officer responsible for the contract.

A review of contract management oversight arrangements identified that whilst Contract Leads liaise with service provider representatives to discuss contractual issues, meeting dates are not formally diarised in all cases and meeting discussions are not always formally documented. Issues with services provider's responsibilities for the provision of meeting agendas and minutes and meeting attendance were also identified. In addition, formal risk assessment and management processes are not in place for contracts to enable potential risks to service delivery to be effectively managed.

Electrical Safety Checks (Housing Stock) (Limited)

The Council is responsible for ensuring that all properties within their remit have electrical safety inspections taking place every five years, in order to be compliant with the regulatory requirements. As at the 31st of March 2023, there were approximately 15% of properties where electrical safety checks were overdue with some being overdue for a significant time period, having missed several inspections.

All Electrical Condition Inspection Reports (ECIR)s are uploaded on to the contractors' systems once they are completed. Our sample check of ECIRs confirmed that there were two properties where certificates were not available. However, there were dates recorded on the system for completion of inspection which were evident from the ECIR report. There were three further properties where the dates on the ECIRs did not match with the dates on the ECIR report.

Section 11.4 of the Council's Procurement Code states that, 'The original signed/sealed contract documents must be forwarded to Legal / Democratic Services for indexing, inclusion on the Council's contracts register and secure storage.' This could only be evidenced for one of the two contractors.

Whilst roles and responsibilities for the management of electrical safety are clearly defined for staff and contractors within the Electrical Safety Policy, the review of this Policy is overdue. Additionally, we were unable to confirm that the existing Policy had been subject to formal approval. We did however confirm that contracts stipulate the requirement for contractors to deliver checks in compliance to the relevant Health and Safety regulations.

Procurement (Limited)

Procuring officers were not consistently adhering to the Council's Procurement Code in relation to engagement with the Procurement Team when procuring for contracts over £50k.

Additionally, the Procurement Code did not include clear guidance of due diligence checks required throughout the procurement process. Consequently there was inconsistency of application in this area.

Further, there were inconsistencies and non-compliance with the Procurement Code in relation to documentation completed and/or held.

Community Services (Regulatory Compliance) (Limited)

Although the requirements for statutory checks are set by the Health and Safety Executive (HSE) and Central Government bodies, with published guidance available online, there are no in house procedures or documented guidance for staff to use.

We were able to evidence a system for recording and monitoring of statutory checks was being established. However, it did not cover all the relevant sites and the data currently populated was inconsistent and in some cases inaccurate.

Main Accounting (Limited)

The Chief Accountant has been tasked with documenting year end procedures, as it has been internally identified as an area for improvement. Whilst we appreciate that this remains work in progress, our review identified some areas of missing or incomplete procedural documentation. As a result key finance processes are not executed consistently.

Additionally, our review identified some weaknesses in governance controls relating to undertaking/documenting management review and approval across some key tasks, for example reconciliations, journals and risk prioritisation of tasks when there may be periods of resource difficulties.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is reported to the Audit Committee throughout the year through the quarterly internal audit progress reports.

6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

8. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2023-24 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- A self assessment against the Public Sector Internal Audit Standards.

9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	100%
Positive customer survey response		
<ul style="list-style-type: none"> Crawley Borough Council 	90%	100%
<ul style="list-style-type: none"> SIAP – all Partners 	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2024).

10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership

May 2024

Annex 1

Summary of Audit Reviews Completed 2023-24

Reasonable

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

- Corporate Complaints
- Water Neutrality Strategy
- Community Facilities - Regulatory Compliance
- IT Asset Management
- Housing responsive Repairs
- Fire Safety Checks (Housing)
- IT – Data Backup & Ransomware Protection
- Nuisance and Anti Social Behaviour
- Accounts Receivable and Debt Management
- Homelessness
- Community Infrastructure levy
- S106 Agreements

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

- Contract Management
- Electrical Safety Checks (Housing)
- Procurement
- Community Services (Regulatory Compliance)
- Main Accounting