



NORWICH City Council

Committee Name: Audit

Committee Date: 11/07/2023

Report Title: Internal Audit Annual Report and Opinion 2022/23

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Head of Internal Audit – Norwich City Council

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

In line with the Public Sector Internal Audit Standards, which came into force from 1 April 2013; an annual opinion should be generated which concludes of the overall adequacy and effectiveness of the organizational framework of governance, risk management and control.

Recommendation

The Audit Committee, in maintaining an overview as to the quality of systems of internal control in operation at the Council, is being requested to note and approve the assurance opinion awarded and confirm that key information provided is carried across to the Council's Annual Governance Statement, which is also considered on the agenda.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report helps to meet all above corporate priorities.

Report Details

1. The following is provided within the report;
 - A summary of the work that supports the opinion submitted;
 - Disclosure of any impairments or restriction to the scope of the opinion;
 - a comparison of actual audit work undertaken with planned work;
 - Any other issues considered relevant to the Annual Governance Statement.

Consultation

2. Not applicable for this report.

Implications

Financial and Resources

3. There are no specific financial implications from this report; the internal audit plan will be delivered from within the resources available.

Legal

4. There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	Not applicable for this report.
Health, Social and Economic Impact	Not applicable for this report.
Crime and Disorder	Not applicable for this report.
Children and Adults Safeguarding	Not applicable for this report.
Environmental Impact	Not applicable for this report.

Risk Management

Risk	Consequence	Controls Required
The Council fails to address significant risks raised by the Internal Audit Team and transparently reference them within the Annual Governance Statement until completion.	The Council is unable to demonstrate that governance processes are effectively designed to provide assurance to key stakeholders.	The Internal Audit Team presents the Audit Committee with results of their work on an annual basis, highlighting any areas of significance for attention. The Committee to satisfy itself that reasonable action has been taken to reduce risks raised

Risk	Consequence	Controls Required
		by the Internal Audit team and that the Annual Governance statement includes any unresolved weaknesses.

Other Options Considered

5. Not applicable for this report.

Reasons for the decision/recommendation

6. The Committee is receiving this report in conformance with the Public Sector Internal Audit Standards.

Background papers:

None


Appendices:

Appendix 1 Internal Audit Annual Report and Opinion 2022/23.

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Eastern Internal Audit Services



NORWICH CITY COUNCIL

Annual Report and Opinion 2022/23

Responsible Officer: Faye Haywood, Head of Internal Audit for Norwich City Council

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must 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”.
- 1.2 Those standards – the Public Sector Internal Audit Standards (PSIAS) - require the Head of Internal Audit to provide a written report to those charged with governance (known in this context as the Audit Committee) to support the Annual Governance Statement (AGS). This report sets out:
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2022/23, together with reasons if the opinion is unfavourable;
 - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
 - Any issues that are deemed particularly relevant to the AGS.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s AGS, but there are also a number of other important sources to which the Audit Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Chief Executive that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Corporate Leadership Team and key stakeholders and endorsed by Audit Committee.

The Internal Audit plan was formally endorsed by the Audit Committee at the meeting held in March 2022.

This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be considered during the preparation of the AGS.

Audit Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

2.2 The opinion itself

The internal audit work undertaken for 2022/23 indicates a reasonable grading overall for areas of governance, risk management and control that have been reviewed.

This opinion has been reached by consideration of the following. Of the 20 reviews completed within the year, 17 were assurance reports. 15 of these achieved a positive assurance grading.

The following areas received 'Substantial' assurance:

- Annual Governance Statement
- Towns Fund.

A limited assurance opinion is indicated for Key Controls and Assurance, the outcomes from this work are currently pending management verification. The Safeguarding report also received 'limited' assurance.

It is recommended that recommendations raised within final limited assurance reports are referenced in the Council's Annual Governance Statement, until they are resolved. The significant points raised are also summarised below.

Safeguarding

Internal Audit is unable to provide assurance that the Council is undertaking DBS checks in accordance with a formalised policy. Following changes in legislation the council has followed a process to determine which posts and roles meet the criteria for standard and enhanced DBS certification, including confirmation of which statutory criteria apply. Assurance will be obtained from the Council that checks have occurred in accordance with the formal policy once this exercise is complete at the end of July 2023.

Key Controls and Assurance

Financial controls testing has indicated the following: the Council to develop a corporate approach on the collection of debt, providing assurance that regular recovery action is occurring and is aligned across the Council.

Ahead of the new financial system implementation we have suggested that a mechanism is introduced to ensure supplier amendments checks can be evidenced and staff be reminded that segregation of duty should exist when raising and approving purchase orders. In addition, we have suggested that existing direct debits should be regularly reviewed.

We have observed that whilst reconciliations are regularly taking place across the majority of systems reviewed evidence to demonstrate independent authorisation is not maintained.

The Housing system write off authorisation limits should be observed and regular reconciliations of the housing system to general ledger performed. The recommendations from this audit are in the process of being formally verified.

It is suggested that any recommendations that remain unresolved from previous years are also referenced within the Council's Annual Governance Statement.

Advisory Internal Audit Work

In addition, three Position Statements were carried out during the year for the following areas, any suggested improvements arising from these areas has been shared with the Audit Committee throughout the year with the exception of the Lion Homes (Norwich Regeneration Ltd) position statement. A draft report has been produced for management consideration and it is anticipated the results will be shared at the next Audit Committee meeting.

- Planned Housing Maintenance
- Elections
- Lion Homes (formerly Norwich Regeneration Ltd).

Advisory work was also undertaken to understand and provide assurance on the governance and management arrangements for the Enterprise Resource Planning (ERP) system implementation project.

In providing the opinion the Council's risk management framework and supporting processes, the relative materiality of the issues arising from the internal audit work during the year and management's progress in addressing any control weaknesses identified have been taken into account.

The opinion has been discussed with the Senior Leadership Team prior to publication.

3. AUDIT WORK UNDERTAKEN DURING THE YEAR

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based.

3.2 Summary of the internal audit work

A total 17 assurance reviews and three position statements have been delivered from the revised 2022/23 internal audit plan. The Head of Internal Audit has also carried out a formal investigation into the management of three government grants received by the Council, and the team has been involved in reviewing the arrangements for the ERP Project currently being undertaken as part of the Corporate and Commercial Future Shape Norwich Programme.

The summaries of all finalised assurance reports have been presented to the Audit Committee, ensuring open and transparent reporting, and enabling the Committee to review key service area controls and the conclusions reached.

3.3 Follow up of management action

In relation to the follow up of management actions, to ensure that they have been effectively implemented, the position at year end is that of the 59 recommendations raised and formally agreed by management so far for 2022/23, 20 are complete; 10 important and nine needs attention priority recommendations are outstanding; and 20 are within deadline.

Two urgent, 13 important and six needs attention priority recommendations are outstanding from 2021/22.

One needs attention priority recommendation is outstanding from 2020/21, in regard to Equality Duties.

One important priority recommendation is outstanding from 2019/20, regarding Payroll.

Please refer to **the Internal Audit Progress and Follow Up Report July 2023**, which shows the details of the progress made to date in relation to the implementation of the agreed recommendations; and which provides an update from management regarding all urgent and important priority outstanding recommendations.

3.4 **Issues for inclusion in the Annual Governance Statement**

3.4.1 The Head of Internal Audit recommends the following points are referenced within the council's Annual Governance Statement.

Internal audit has highlighted limited assurance gradings in the area of Safeguarding and has indicated a limited assurance for Key Controls and Assurance. We recommend that the urgent and important priority recommendations raised within finalised reports are referenced within the Council's Annual Governance Statement until they are resolved.

Safeguarding

A review of roles requiring a DBS check is carried out as a priority, with referral to the DBS for advice, if required, to determine legal eligibility, with non-responsive services escalated to SLT. Results of the review to inform a formally agreed Corporate Policy for initial and renewal checks as a priority. Assurance to be provided to SLT that all checks required are completed or brought up to date, with evidence of completion retained.

When the mandatory safeguarding adults and safeguarding children's courses have been updated, management to implement monitoring controls going forward to ensure mandatory e-learning courses and renewals at defined intervals are completed by relevant staff.

Key Controls and Assurance – Limited Indicated

Debt collection was reviewed in multiple areas within the audit with weaknesses identified where debt had not been subject to regular and recent recovery action.

The Council to monitor amendments to supplier records and implement controls to identify changes made without appropriate verification. To regularly review direct debits and to apply segregation of duties to the raising and authorisation of purchase orders.

Housing system controls should be reviewed to enforce write-off authorisation levels and a Housing system reconciliation performed to general ledger on a regular basis.

To ensure evidence is available to demonstrate that all reconciliations are reviewed and authorised by an independent officer.

3.4.2 We also recommend any urgent and important priority outstanding audit recommendations from historical limited assurance reports are referenced within the Council's Annual Governance Statement. These recommendations are summarised below:

Environmental Services – Important priority

- The Corporate Health & Safety Board to receive a Health and Safety report from NCSL and include a set of metrics for agreement. In future years to be presented and agreed in line with the provisions of the contract, which is "the Parties shall agree a set of such Metrics not more than four (4) weeks before the anniversary of the Service Commencement Date".

Health and Safety – Important priority

- The Council to ensure that all reportable Health and Safety incidents/accidents and near misses from other areas of the business such as the Norman Centre and the Halls are provided to the Health and Safety Officer so that these can be included within the Council's overall statistics and reported to the H&S boards and JCNC.
- The approach to general risk assessments and office inspections as well as the completion of the office inspection checklists should be documented and implemented within the Health and Safety policy and communicated to staff.
- Develop a system to ensure that risk assessment actions are adhered to and compliance reported to the H&S Officer.
- Develop a system to ensure that the office inspections are regularly undertaken and supported by a Health and Safety trained individual. A log should be kept of outcomes and identified actions should be followed up. Consider whether to reinstate annual walkarounds with a member of Unison around City Hall. Ensure that:- A log is kept of the findings and resulting actions- Outcomes are reported to the H&S Board.
- The Health and Safety officer to quarterly request data from the L&D team for the mandatory introductory e-learning H&S module. This data to be sorted by directorate and presented to H&S quarterly and CLT annually for awareness and to prompt an improvement in uptake. Overall uptake figures to be included within H&S performance statistics provided to the JCNC for monitoring.
- Develop measurable objectives for improvement of H&S at the council. Such as: number of reported accidents and incidents per employee; Lost time injury incidence rate; Actions taken to address/reduce in future.
- Consider resource and qualification requirements for corporate Health and Safety at the council to ensure there is a designated responsible resource who is suitably qualified and has the capacity to cover corporate proactive health and safety management.

Capital Accounting and Management – Urgent priority

- Minutes of meetings to discuss capital project progress are taken and include agreed actions, with a link to any supporting reports from Property Services. Reports to include highlights, risks and issues as appropriate.
- All capital projects for the year are monitored for delays in works, to ensure the expenditure to date is reasonable for the works that have been completed, records are retained as to reasons with agreed actions to be taken, and that for each capital project, on the schedule included in the performance reports to Cabinet, there is a brief comment relating to progress and budget as appropriate.

4. THIRD PARTY ASSURANCES

- 4.1 In arriving at the overall opinion reliance has not been placed on any third-party assurances.

5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

5.1 Quality Assurance and Improvement Programme (QAIP)

- 5.1.1 The Internal Audit team maintain a QAIP covering actions for service development, standards conformance, risk management, training and skills and performance monitoring. Throughout the year, progress against the QAIP is monitored and success is measured by completing the

Internal Assessment, the External Assessment when applicable and in evaluating performance against our suite of KPIs.

5.1.2 Internal Assessment

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2020/21. This covers: the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular: Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular: Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

Through completion of the checklist, we can confirm that the service conforms with Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

5.1.3 External Assessment

In relation to the Attribute Standards, it is recognised that to achieve full conformance an external assessment is needed. An external assessment was carried out in October 2022 by the Chartered Institute of Internal Auditors (IIA). We are pleased to report that EIAS received a 'generally conforms' result, with conformance in 60 out of 64 areas (two areas were not applicable, and two resulted in 'partially conforms'). An extract from the report is provided at **Appendix 4**. A full copy of the report can be provided to members upon request.

It was highlighted, that EIAS are particularly good at: reflection of the standards; focus on performance, risk and adding value; and QAIP. Positive feedback received from key stakeholders highlights that 'reports are the right length and the right format', and that EIAS are 'professional and have an excellent reputation'.

One area of partial conformance was highlighted in coordinating and maximising assurance. Since October, this area has been improved as part of annual internal audit planning. Within the Strategic and Annual Plans report 2023/24 presented in March 2023, an Assurance Map was provided, outlining the top risks, along with first, second and third lines of assurance.

The second area of partial conformance was raised to ensure that all EIAS clients receive an External Quality Assessment as it falls due on the five-year anniversary.

5.2 Performance Indicator outcomes

5.2.1 The Internal Audit Service and TIAA contract is benchmarked against several performance indicators as agreed by the Audit Committee.

Actual performance against these targets is outlined within the following table:

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Chief Finance Officer Satisfaction	Annual	Good	TBC	Awaiting response
<u>Internal Audit Process</u>				
2. APM issued minimum 20 working days before agreed start date	Quarterly	90%	25%	KPI not achieved (5 out of 20 issued in time)
3. Quarterly draft reports issued within 10 working days of the end of the quarter	Quarterly	95%	10%	KPI not achieved (2 out of 20 issued in time)
4. Quarterly final reports issued within 20 working days of the end of the quarter	Quarterly	95%	10%	KPI not achieved (2 out of 20 issued in time)
5. Quarterly performance pack reported to the contract manager within 15 working days of the end of the quarter	Quarterly	100%	75%	KPI partially achieved (3 out of 4 quarters)
6. Respond to the contract manager within 3 working days where unsatisfactory feedback has been received	Continuous	3 working days	3 working days	KPI achieved
7. PSIAS compliance – deep dive file review of files indicates good evidence saved on file	Quarterly	100%	100%	KPI achieved
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)	Continuous	Adequate	Good	KPI exceeded (5 surveys returned)
9. Percentage of recommendations accepted by management	Quarterly	90%	98%	KPI exceeded
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter	Quarterly	60%	94%	KPI exceeded
11. Number of training hours per member of staff completed per quarter	Quarterly	1 day	1 day	KPI achieved

5.2.2 As demonstrated by the above, the Internal Audit Contractor has struggled to meet our targets relating to timeliness throughout 2022/23.

There is room for improvement in the issuing of Audit Planning Memorandums 20 working days before audit start date, the issuing of draft reports 10 working days after quarter end and the finalisation of draft reports 20 working days after issue.

The Head of Internal Audit and Audit Director TIAA meet weekly to discuss progress against the plan and an action plan has been developed to tackle these issues for the 2023/24 year ahead.

It is reassuring to note however that our KPIs relating to quality have been exceeded in all cases with satisfaction surveys that have been returned providing good feedback overall about the work undertaken. It is acknowledged that the next step is to ensure that more auditees engage with survey requests to provide a higher degree of feedback for the team to action.

5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1 This Statement sets out the 5 principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence-based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2022/23

Audit Area	Assurance	No of Recs	Implemented	Urgent OS	Important OS	Needs Attention OS	Not yet due
Annual Opinion Audits							
FOIs and Complaints	Reasonable	6	3	0	1	2	0
Anti-Fraud and Corruption	Reasonable	8	5	0	0	0	3
Food Health and Safety	Reasonable	5	3	0	1	1	0
Leasehold Management	Reasonable	6	2	0	0	1	3
Annual Governance Statement	Substantial	4	3	0	0	1	0
Leisure	Reasonable	4	2	0	1	0	1
Buildings at Risk	Reasonable	5	1	0	3	1	0
Planned Housing Maintenance	Position Statement						
Payroll	Reasonable	7	0	0	4	2	1
Trees and Playground Equipment	Reasonable (DRAFT)						
Elections	Position Statement						
Key Controls and Assurance	Limited (DRAFT)						
Garden Waste Service	Reasonable (DRAFT)						
Safeguarding	Limited	3	0	0	0	0	3
Towns Fund	Substantial	0	0	0	0	0	0
Norwich Regeneration Ltd	Position Statement						
Markets	Reasonable (DRAFT)						
Contaminated Land and Air Quality	Reasonable	6	0	0	0	1	5
IT audits							
Cyber Security	Reasonable	5	1	0	0	0	4
Disaster Recovery	Reasonable (DRAFT)						
Total		59	20	0	10	9	20

Assurance level definitions		Number
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.	2
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.	13
Limited Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.	2
No Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.	0

APPENDIX 2 – ASSURANCE CHART

	2021-22	2022-23	2023-24
Annual Opinion and Governance Audits			
Risk Management	Reasonable		X
FOIs and Complaints		Reasonable	
Anti-Fraud and Corruption		Reasonable	
Annual Governance Statement		Substantial	
Corporate Governance			X
Key Controls and Assurance		Limited (DRAFT)	X
Information Security and Data Protection Compliance			X
Procurement and Contract Management			X
Fundamental Financial Systems			
Council Tax and NNDR	Reasonable		X
Treasury Management/Accountancy Services	Reasonable		X
Accounts Payable	Reasonable		
Payroll		Reasonable	
Housing Benefits			X
Accounts Receivable			X
Income - cash and bank			X
Service Area Audits			
Business Support Grants	Reasonable		
Corporate Health and Safety	Limited		
IR35 Compliance	Reasonable		
Housing Rents/Arrears	Substantial		
Environmental Services	Limited		
Capital Accounting and Programme Management	Limited		
Food Health and Safety		Reasonable	
Leasehold Management		Reasonable	
Leisure		Reasonable	
Buildings at Risk		Reasonable	
Planned Housing Maintenance		Position Statement	X

	2021-22	2022-23	2023-24
Service Area Audits			
Trees and Playground Equipment		Reasonable (DRAFT)	
Staff Wellbeing			X
Elections		Position Statement	
Garden Waste Service		Reasonable (DRAFT)	
Safeguarding		Limited	
Towns Fund		Substantial	
Norwich Regeneration Ltd		Position Statement	
Markets		Reasonable (DRAFT)	
Contaminated Land and Air Quality		Reasonable	
Business Continuity and Emergency Planning			X
Private Sector Housing Enforcement			X
Non-Housing Capital Programme Management			X
Housing Compliance			X
Housing Repairs and Void Management - NCSL			X
Anti-Social Behaviour			X
Housing Needs, Allocations, Homelessness and Housing Register			X
Disabled Facilities Grants (DFGs)			X
Waste Management - Biffa contract			X
Parking and Civil Enforcement			X
Environmental Sustainability			X
Equalities			X
Customer Contact Team			X
IT Audits			
IT Governance	Substantial		
Cyber Security		Reasonable	
Disaster Recovery		Reasonable	
Starters, Movers, Leavers			X
Application Audit - CRM			X

APPENDIX 3 – LIMITATIONS AND RESPONSIBILITIES

Limitations inherent to the Internal Auditor's work

The Internal Audit Annual Report has been prepared and the internal auditors undertook the agreed programme of work as approved by management and endorsed by the Audit Committee, subject to the limitations outlined below.

Opinions

The opinions expressed are based solely on the work undertaken in delivering the approved 2022/23 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

Scope limitations

Scope limitations relevant to the 2022/23 year are outlined in section 2.2 and section 3.5.3 of this report. The reasons for any limitations identified and proposed action to prevent further occurrence are provided.

Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

Internal Audit's assessment of controls relating to Council is for the year ended 31 March 2023. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and the internal auditors' examinations should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

APPENDIX 4 – EXTERNAL QUALITY ASSESSMENT REPORT EXTRACT

Conformance Opinion

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 internal audit activity conforms to 60 of the 64 relevant principles, with partial conformance on two principles. Two of the principles were not relevant to EIAS as they relate to situations that have not occurred to date.

This is summarised in the table below.

Summary of conformance	Standards	Generally conforms	Partially conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	5	1		1	7
Managing the Internal Audit Activity	2000 - 2130	11	1			12
Performance and Delivery	2200 - 2600	20			1	21
Total		60	2	0	2¹	64

¹ These relate to circumstances which prior to the external quality assessment were deemed not relevant, namely the Disclosure of Non-conformance and Engagement Disclosure of Non-conformance, which have not been necessary to date.