

## **Head of Internal Audit and Anti-Fraud**

### **Annual Internal Audit Report 2023/24**

#### **I. Introduction**

- I.1 A primary objective of the Internal Audit function is to provide annual independent assurance on the Royal Borough's internal control arrangements, based on the audit and anti-fraud work undertaken. This assurance contributes to the Royal Borough's governance framework and informs the Annual Governance Statement.
- I.2 The work of the Internal Audit and Anti-Fraud service is prioritised according to defined risk criteria to allow resources to be focused on those areas of the Royal Borough's operations that either have a direct impact on Service objectives or where the level of control is known to be weak and/or the risk of fraud is high. The Internal Audit and Anti-Fraud service seeks to provide assurance that management have implemented effective controls for the areas of risk identified.
- I.3 At the end of the financial year, a control assessment exercise is undertaken to record all audit work completed during the period and provide an independent opinion on the adequacy of the controls operated by management. The opinion is solely based on the outcome of the audit work. As it is not possible to check all transactions processed through a system, the assurance can never be complete.
- I.4 Attached to this Appendix (Attachments A1 and A2) are the results of the control assessment undertaken at the end of the year 2023/24. The attachments record the areas audited, which forms the basis of the audit opinion reported, and identify the appropriate Council Directorate responsible and the "function" (i.e. type of system, e.g. Grants). Each area audited has been assessed at 2 distinct levels:
- the importance of the review area to the Royal Borough's objectives;
  - the level of assurance that can be placed on the control environment in operation.

The specific criteria used to complete this assessment are defined below.

## I.5 The importance of the service, system or operation to Council objectives:

Impact Priority	Criteria
<b>Fundamental</b>	Control systems which have a high impact on the Royal Borough's core functions and objectives. These areas will generally be the main corporate systems (i.e. those which impact on all Directorates, such as payroll) and those other systems which have a high level of financial materiality and/or which are highly sensitive to the Royal Borough's reputation.
<b>Important</b>	Supporting systems which impact on financial control and service delivery. These represent important financial and management systems which impact on departmental objectives.
<b>Local</b>	Service areas which are largely autonomous in their management, such as Schools, or systems which have limited impact on departmental service delivery but which may be sensitive in terms of the Royal Borough's reputation.

## I.6 The level of assurance that can be placed on the control environment reviewed:

Level of Assurance	Definition
<b>High</b>	The audit review found key controls were in place and operating effectively to deliver the objectives of the system, function or process. Although relatively minor control issues may have been identified, these would be unlikely to place at risk the achievement of objectives. However, management may be advised to implement low priority recommendations to improve best practice.
<b>Moderate</b>	The audit review found several weaknesses in the design and/or the application of controls which could impact on the delivery of the objectives of the system, function or process. Although the control issues identified will not significantly place at risk the achievement of objectives, it is necessary for management to implement medium to low priority recommendations to ensure a satisfactory level of control.
<b>Limited</b>	The audit review found weaknesses in the design and/or application of controls some of which are considered key and could put at risk the delivery of the objectives of the system, function or process. Management will need to take prompt action to implement high and medium priority recommendations to ensure a satisfactory level of control.
<b>None</b>	The audit review found a significant number of weaknesses in the design and/or application of key controls which has impacted on the achievement of the objectives of the system, function or process. Management will need to take immediate action to implement several high priority recommendations to ensure a satisfactory level of control.

## 2. Assurance Statement

2.1 The Appendix attachments summarise the assessment of the audit work completed by Internal Audit and Anti-Fraud (draft and final reports issued):

**Attachment 1:** Provides a list of completed Risk Based Systems reviews;  
**Attachment 2:** Provides a list of all completed School probity audit work.

2.2 In summary, the Assurance Assessment for 2023/24 has been based on 37 separate areas of review which have been completed.

**26** Systems Reviews  
**11** School Probity Reviews

2.3 The importance of the control systems to the Royal Borough's objectives are:

**6** (17%) Fundamental (non-schools)  
**13** (35%) Important (non-schools)  
**18** (48%) Local (11 schools and 7 non-schools)

2.4 The level of assurance assessed by Internal Audit is as follows:

### **Fundamental – 100% High or Moderate levels of assurance**

The control environment for all of the 6 audit reviews areas assessed as fundamental has been assessed as providing either High or Moderate levels of assurance.

### **Important – 85% High or Moderate levels of assurance**

Of the 13 audit review areas assessed as important, the control environment for 11 (85%) has been assessed as providing either High or Moderate levels of assurance. Conversely, 2 (15%) have been assessed as providing limited assurance.

### **Local – 89% High or Moderate levels of assurance**

Of the 18 audit review areas assessed as local, the control environment for 16 (89%) has been assessed as providing either High or Moderate levels of assurance. Conversely, 2 (11%) have been assessed as providing limited assurance.

### **Overall Assessment**

2.5 Overall, Internal Audit has assessed that 89.2% of the areas audited have demonstrated High/Moderate levels of control over the risk environment. Therefore, it is the Head of Internal Audit's opinion that the Royal Borough can have a reasonable level of confidence in its financial and management control systems. This outcome is an improvement compared to previous years, which further supports this opinion.

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**May 2024**