

Agenda Item 6

Name of decision-maker Standards and General Purposes Committee	DATE: 18 July 2024
REPORT/DECISION TITLE Internal Audit Annual Report	WARD(S): All
CHIEF OFFICER Asad Mushtaq Executive Director of Finance and Digital Signed Asad Mushtaq Date: 27/6/24	CABINET/LEAD MEMBER Councillor Billy Christie Signed: Councillor Christie Date: 15/7/24
DECISION CLASSIFICATION Non-exempt report Non-exempt appendices	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes

1. **Recommendation:**

- A. That Committee review and comment on the Internal Audit Annual Report 2023/24
-

2. **Purpose of Report and Executive Summary**

- 2.1 The council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control, risk, and governance. The review of effectiveness of the system of internal control is informed by the work of the internal auditors. This is detailed in the Accounts and Audit Regulations 2015

Regulation 5 requires an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, and taking into account public sector internal auditing standards or guidance.

Regulation 6 requires bodies to review the effectiveness of the system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 5.

- 2.2 The guidance accompanying the Regulations states that in practice councils are likely to take assurance from the work of Internal Audit when discharging their responsibility for maintaining and reviewing the system of internal control.

External Audit and other review agencies and inspectorates are also potential sources of assurance.

- 2.3 This report supports the Annual Governance Statement, which is required to support the Councils Annual accounts.

3 Links to the Merton Priorities

- 3.1 This report relates to all the Council's Strategic priorities:

- Nurturing Civic Pride
- Building a Sustainable Future
- Borough of Sport

- 3.2 The Council recognises the benefits of strong internal control, governance and risk gives us an ability to achieve all our strategic priorities, with: -

- Better decision making as we are more aware of control risks.
- Better governance and the ability to demonstrate it to our stakeholders.
- Reduction in failure, error, and fraud risks
- Improvement in our corporate governance
- Compliance with statutory and regulatory requirements

4. Introduction and Background

- 4.1 The Annual Report summarises the work of Internal Audit in 2023/24 and provides the Head of Audit opinion on the adequacy and effectiveness of the internal control environment.

- 4.2 The overall opinion is that the internal control environment is satisfactory. During 2023/24 84% of Internal Audit reviews provided substantial or above levels of assurance. This is an increase from 2022/23 from 79% substantial assurance.

- 4.3 There have been 6 limited assurance reports issued in 2023/24, with a total 22 Priority 1 actions recommended. We had 2 priority 1 actions carried over from previous years, giving a total of 24 PI's, of which 12 have been implemented and 12 are currently in progress. We have received good engagement with officers during 2023/24 on outstanding audit actions and significant progress has been made to implement these.

5 Head of Audit Assurance

- 5.1 The Head of Audit is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In the Annual Report on the work of Internal Audit during 2023/24 the:

Head of Internal Audit is satisfied that sufficient internal audit work has been undertaken to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control, risk, and governance environment.

- 5.2 The report sets out a framework for Internal Audit to provide an annual report for 2023/24. The Local Government Act 1972 and subsequent legislation sets out a

duty for Merton and other Councils to make arrangements for the proper administration of their financial affairs. The provision of an Internal Audit service is integral to the financial management of Merton and assists in the discharge of these statutory duties.

5.3 This report is designed to meet the requirements of the Accounts and Audit Regulations 2015.

6. **Available Options & Preferred Option**

6.1 There are no alternative options as the annual report is a key component of the Annual Governance Statement, which is a statutory requirement.

7. **Reasons for Recommendations**

7.1 The recommendations are required by Accounts and Audit Regulations.

8. **Consultation Results**

8.1 n/a

9. **Report Appendices**

9.1 The following documents are to be published with and form part of the report:

- Appendix A Annual Report
- Appendix B Audit Assurance Opinions 2023/24

10. **Background Papers**

10.1 None

11. **Cross-Cutting Issues and Implications and Sign-Off**

Issue	Implications	Sign-off
<p>Legal including Human Rights Act</p>	<p>The report sets out a framework for Internal Audit to provide an annual report for 2023/24.</p> <p>The Local Government Act 1972 and subsequent legislation sets out a duty for the Council to make arrangements for the proper administration of its financial affairs.</p> <p>The provision of an Internal Audit service is integral to the financial management of the Council and assists in the discharge of these statutory duties.</p>	<p>John Scarborough, Monitoring Officer, 21 June 2024</p>

	This report is designed to meet the requirements of the Accounts and Audit Regulations 2015.	
Finance and other resources	The internal audit work for 2023/24 was completed within the revenue budget allocated to the service.	Ellis Kelly, Head of Accountancy, 24/6/24
Risk Management	The Audit Plan has a risk assessment formula built into the process. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit	<i>Margaret Culleton Head of Internal Audit</i> 11/7/24
Executive Director	<i>Clearance/Approval of Report</i>	Asad Mushtaq 26/7/24
Cabinet Member/s	<i>Clearance/Approval of Report</i>	<i>Councillor Christie 15/7/24</i>
<p>REPORT AUTHOR: Margaret Culleton Head of Internal Audit Tel No. 020 8545 3149 Email. Margaret.culleton@merton.gov.uk</p>		