



Adur District Council - Internal Audit Annual Report  
For the year ended 31 March 2023  
May 2023

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## ***Disclaimer***

This report (“Report”) was prepared by Mazars LLP at the request of Adur District Council (Council), and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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# 01 Introduction

## Background

This Annual Report covers the internal audit work we have undertaken for the year ended 31 March 2023 for Adur District Council (Council) and incorporates our internal audit opinion. Our work to the Council is delivered as part of a joint arrangement with Worthing Borough Council, contracted through the APEX Framework with the London Borough of Croydon.

The purpose of internal audit is to provide the Council, through the Joint Audit and Governance Committee (JAGC) and the Chief Finance Officer (CFO), with an independent and objective opinion on risk management, control and governance and their effectiveness. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance, and control.

Our professional responsibilities as internal auditors are set out within UK Public Sector Internal Audit Standards (PSIAS).

This annual report forms part of the framework of assurances received by the Council. It should be used to help inform the Annual Governance Statement within the Financial Statements.

## Acknowledgements

We are grateful to the CFO, Directors, and other staff throughout the Council as well as the JAGC for the assistance provided during the year.

# 02 Work Undertaken in 2022/23

Our 2022/23 Internal Audit Plan for the joint Internal Audit service was considered and approved by the JAGC at its' meeting on 22 March 2022. The Plan was for 515 days, including 55 days for IT audits, 45 days for Contract audits and 40 management days. There were 26 Adur related audits in the Plan comprising a mixture of key financial systems, service-specific (operational and financial), corporate-wide, and IT reviews.

There were some changes to the agreed areas in the Plan during the year which were agreed with the CFO and reported to the JAGC. These were:

- One audit was transferred from the 2021/22 Plan following requests from Council Officers post the 2021/22 Internal Audit Annual Report (Condition Surveys Contract – vertical audit) however, this review was subsequently cancelled;
- One audit was added (Fire Doors Contract Management); and
- Ten audits have been transferred to the 2023/24 Plan with details rationale set out in the paper presented and agreed with the JAGC on the 23 March 2023. Within this are audits related to housing, following the Council referring itself to the national social housing regulator over the standard of its homes. Adur Homes also started a transformation programme which impacted the availability of their resources during Q4 and audits planned in this period had to be deferred. The reviews transferred were: Supply of Affordable Housing, Planned Maintenance Programme, Carbon Reduction Programme, Civica/Connect HR System, Workforce Planning, Energy Supplier - procurement & contract management, Digital Strategy, EATA, Housing Repairs Contractors and Councils' response and impacts of Welfare Reform, Cost of Living, Covid-19.

. All reviews undertaken in the period were carried out remotely. Whilst there were some practical implications around approach to testing and evidence, overall, there was minimal impact on the scope and ability to conduct the work.

Details of our findings and issues raised in the reviews are included in Progress Reports that have been made available to the JAGC during the year.

A summary of the reports is included in Appendix A1. The appendix also sets out the levels of assurance provided in assessing the control environment and effectiveness of controls and the classification of our recommendations.

## 03 Annual Opinion

### Scope of the Annual Opinion

In giving our annual opinion, it should be noted that assurance can never be absolute. The Internal Audit service can provide to the Council a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.

The matters raised in this report are only those that came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all internal audits undertaken in the 2022/23 Plan;
- The results of follow up action in respect of previous internal audits;
- Whether or not any High or Medium recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the JAGC;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the entire internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

### Internal Audit Opinion

Based on the audit work performed, we consider the control framework operated within the Council to be **Satisfactory** in its overall adequacy and effectiveness. Some reviews planned for housing for the year were deferred given the acknowledged areas for improvement in this area and as such do not form part of this opinion. The Annual Opinion for 2021/22 included five audits that were in progress at the time. We have considered these to form our opinion for 2022/23.

Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

## 04 Benchmarking

### Assurance Levels

The chart below shows the distribution of assurance over the past five years. Overall, levels have remained consistent over the last two years.

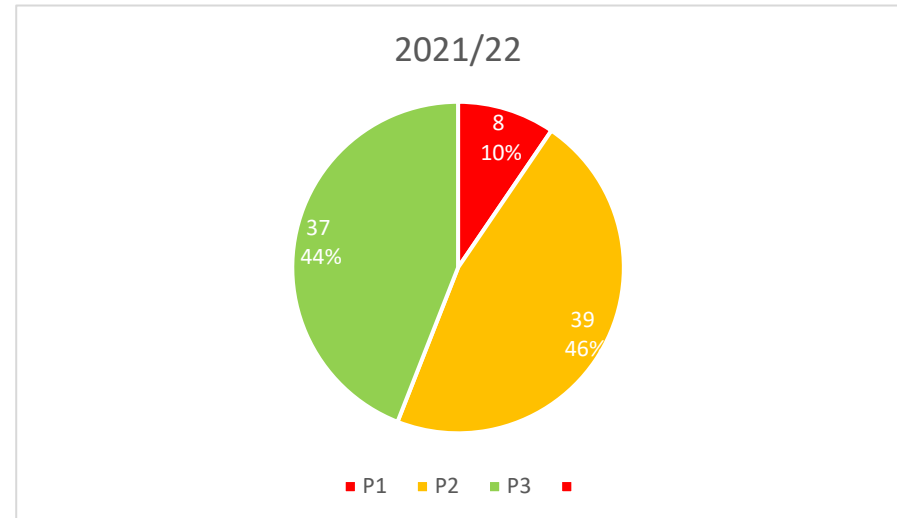
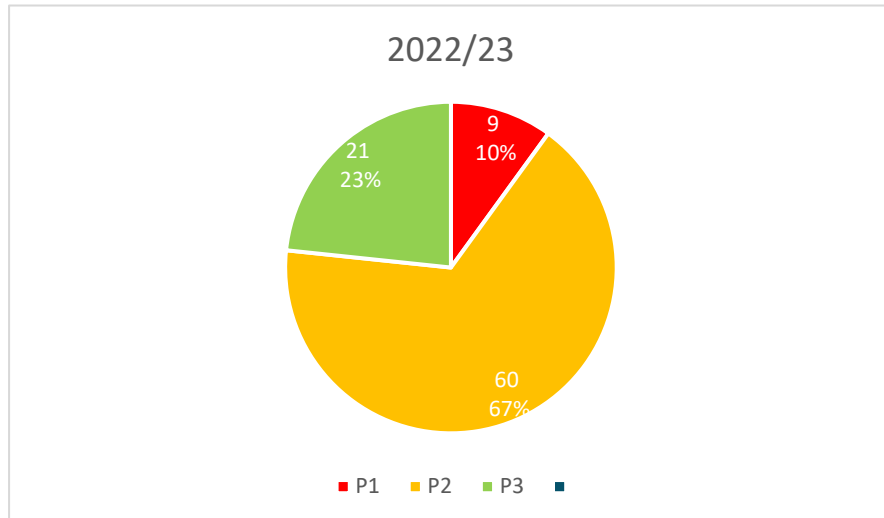
During 2022/23, nine (60%) of the internal audit projects which have so far been completed were rated 'Satisfactory assurance' compared with 13 (56%) in the prior year. One 'Full assurance' opinion have been issued in 2022/23 compared with none in 2021/22. We did not issue 'No assurance' opinions in 2022/23 so far, in line with 2021/22. Five reports (33%) have been issued with 'limited assurance' opinions compared with ten (44%) in the previous year. Two audits are currently in progress (ADC Leisure Centre and Fire Doors Contract Management) .

Assurance Gradings	Number of Projects									
	2022/23		2021/22		2020/21		2019/20		2018/19	
<b>Full</b>	1	7%	0	0%	2	10%	1	3.5%	0	0%
<b>Satisfactory</b>	9	60%	13	56%	14	74%	15	52%	18	62%
<b>Limited</b>	5	33%	10	44%	3	16%	12	41%	10	34.5%
<b>No</b>	0	0%	0	0%	0	0%	1	3.5%	1	3.5%
<b>Sub-Total</b>	<b>15</b>		<b>23</b>		<b>19</b>		<b>29</b>		<b>29</b>	
Work for which no Assurance provided	1		2		1		0		1	
<b>Total Audits Delivered</b>	<b>16</b>		<b>25</b>		<b>20</b>		<b>29</b>		<b>30</b>	
Audits in progress	2		0		0		0		0	
<b>Total</b>	<b>*18</b>		<b>25</b>		<b>20</b>		<b>29</b>		<b>30</b>	

\* The total number of audits delivered was lower in 2022/23 given the ten audits deferred to 2023/24. This include audits related to Adur Homes and work that will start in the 2023/24 Plan instead.

Recommendations

Comparison of Recommendations by categorisation



During 2022/22, we have made a total of 90 new recommendations. Nine of these recommendations were Priority 1, 60 were Priority 2, and 21 categorised as Priority 3. Details are shown in Appendix 1 below. In comparison the total number of recommendations made in 2021/22 was 84 (eight Priority 1, 39 Priority 2 and 37 Priority 3).

## A1 Internal Audit Work Undertaken in 2022/23 and finalised since previous Annual Report

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
<b>Reports finalised from the 2021/22 Plan since the previous Annual Report</b>					
Key controls testing – financial systems	Final	Limited	3	4	1
Equalities Act Compliance	Final	Limited	-	6	1
Staff Wellbeing	Final	Satisfactory	-	3	1
Workspaces AW - Accommodation Review	Final	Limited	1	2	-
Cloud Management	Final	Satisfactory	-	5	2
<b>Sub-Total for 2021/22</b>			<b>4</b>	<b>20</b>	<b>5</b>
<b>Internal Audit work from the 2022/23 Plan</b>					
Housing Complaints	Draft*	Limited	3	6	-
Recruitment & Selection	Final	Satisfactory	-	3	2
BEIS Grants – Post Assurance Payment Plan	Complete	Not Opinion Work	-	-	-
IT Device Management	Final	Satisfactory	-	4	3
Commercial Waste	Draft*	Limited	1	11	3
Creditors	Draft*	Limited	-	5	2
Information Governance	Final	Limited	4	5	1
Self-isolation Grants	Final	Full	-	-	-
Fire Safety – Commercial Provision	Final	Satisfactory	-	4	2
Economic Development – Small Business and Apprenticeships Grants	Draft*	Satisfactory	-	5	1
Governance of Property Disposals	Draft*	Satisfactory	-	3	1

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
IT Applications Development	Final	Satisfactory	-	1	2
Markets	Final	Satisfactory	-	3	2
Safety of Commercially Leased Buildings	Draft*	Limited	1	7	2
Risk Management	Draft*	Satisfactory	-	3	-
Adur Leisure Contract Management	WIP**	-	-	-	-
Fire Doors – Contract Management	WIP**	-	-	-	-
<b>Sub-Total for 2022/23</b>			<b>9</b>	<b>60</b>	<b>21</b>
<b>Totals</b>			<b>13</b>	<b>80</b>	<b>26</b>

\*Draft reports currently awaiting management responses, which may lead to changes in content including assurance levels and/or recommendations. Any changes in assurance on draft reports will also be taken into account, in the Annual Opinion for 2023/24.

\*\*These two audits were still in progress when this report was drafted and will be summarised in our quarterly reports to the Joint Audit and Governance Committee when the final reports are issued, the results will be updated in our Annual Internal Audit Report for 2023/24.



## A2 Assurance rating, recommendation level, and audit opinion definitions

We use the following levels of assurance and recommendation classifications within our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Full Assurance</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance</b>	While there is a basically sound system of internal control, there are weaknesses which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Recommendation Grading	Definition
<b>Priority 1 (Fundamental)</b>	Major issues for the attention of senior management and the JAGC.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## A3 Statement of Responsibility

We take responsibility to Adur District Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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