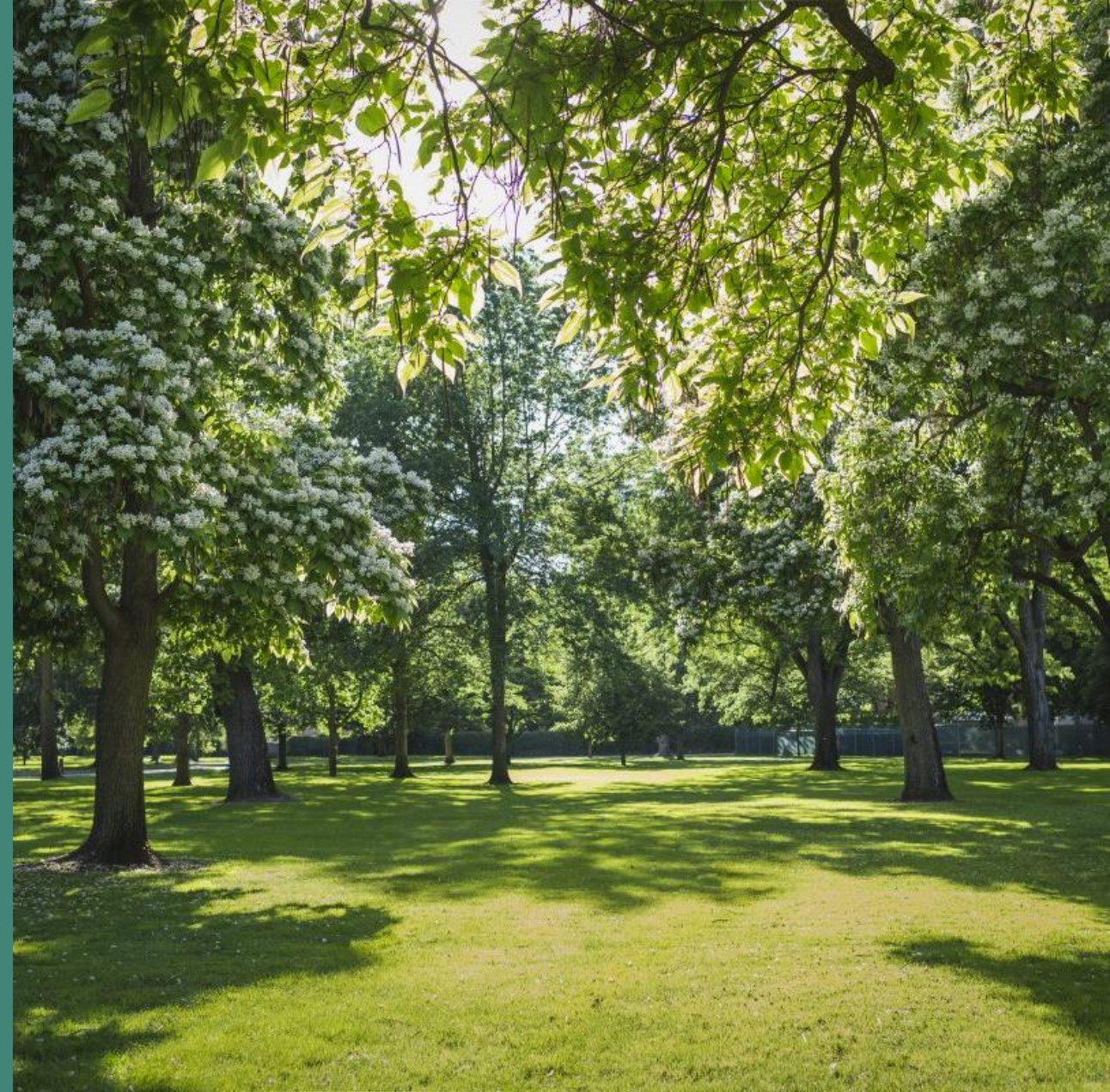


Adur District Council and Worthing
Borough Council

**Internal Audit Annual Report
2023/24 - Draft**

Prepared by: Mazars LLP

Date: May 2024



Contents

01

Introduction

02

Internal Audit Opinion

03

Internal Audit Work Finalised as of 16 May 2024

04

Internal Audit Work yet to be finalised as of 16 May 2024

05

Benchmarking

06

Performance of Internal Audit

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Adur District Council and Worthing Borough Council (the Councils) 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.

The Report was prepared solely for the use and benefit of the Councils and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.

Appendices

A1 Implementation of Recommendations

A2 Definitions of Assurance

01 Introduction

Background

This Annual Report covers the internal audit work we have undertaken in delivery of the 2023/24 Plan for Adur District Council and Worthing Borough Council (the Councils) and incorporates our internal audit opinion. Our work to the Council is delivered as part of a joint arrangement with both Councils, contracted through the APEX Framework with the London Borough of Croydon.

This is a draft report and reflects work completed as of 16 May 2024. Our annual opinion has not therefore been finalised, pending completion of remaining work.

Scope and purpose of internal audit

The purpose of internal audit is to provide the Councils, through the Joint Audit and Governance Committee (JAGC) and the Assistant Director of Finance (AD Finance), 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.

This annual report forms part of the framework of assurances received by the Councils. It should be used to help inform the Annual Governance Statement within the Financial Statements. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our work is conducted in accordance with PSIAS which includes the Core Principles for the Professional Practice of Internal Auditing and Code of Ethics and GovS 009. In conducting our work we also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life ('Nolan principles').

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the JAGC during the course of the year.

Performance against the Internal Audit Plan

Our 2023/24 Internal Audit Plan for the joint Internal Audit service was considered and approved by the JAGC at its' meeting on 23 March 2023. The Plan was for 406 days, including 35 days for IT audits, 44 days for Programme/Project and Contract audits, 30 days for NFI audits, 20 days for Follow Up, and 60 management days. There were 26 joint audits in the Plan and no Adur / Worthing-specific plans. Audits comprised a mixture of key financial systems, service-specific (operational and financial), corporate-wide, and IT reviews.

During the year changes were made to the Plan resulting three audits being deferred to the 2024/25 Plan: Carbon Reduction Programme, IT Needs Assessment Audit, and Invoicing of Housing Services – EATA. These changes were discussed with the Assistant Director of Finance and communicated to JAGC and agreed in-year.

Of the remaining audits in the Plan, nine have been finalised at the time of drafting this report, with a further eight to be finalised. Of these, three have had draft reports issued, three are currently under internal review by Mazars, and two are still in the fieldwork stage.

It should also be noted five audits remained outstanding following presentation of the previous Annual Report for 2022/23. Three of those audits (Markets, Governance of Property Disposals, and Risk Management) have since been finalised and as such the assurances incorporated within this Annual Report. Two remain in draft, awaiting management responses (Adur Leisure Contracts, and Fire Doors Contract Management).

Acknowledgements

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

02 Internal Audit Opinion

Scope of Opinion

In giving our annual opinion, it should be noted that assurance can never be absolute. The Internal Audit service can provide to the Councils is 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 2023/24 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.

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A2.

Arriving at our opinion

In the remainder of this report, we set out our opinion (Section 02) and then summarise the work we have completed to support this opinion (Sections 03 and 04), including in relation to following up completed actions (Appendix A1). This also includes a benchmarking section to compare the extent of our work and findings of our internal audit assurance work at the Councils over the last five years (Section 05).

A performance section has also been included to confirm that we meet key requirements to enable us to provide an opinion to the Councils, such as our compliance with professional standards (Section 06).

Our opinion

Draft – To be confirmed following finalisation of remaining reports

In reaching this opinion the following factors were also into consideration:

Remote Working

The majority of our audit plan was completed remotely, with walkthroughs and client interviews held virtually and all evidence being requested and provided digitally.

The annual internal audit opinion reflects the Plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.

Follow Up

We follow up on all recommendations to ensure management have addressed and implemented appropriate actions to address those recommendations. The review included a follow up of 84 recommendations, due to have been implemented as of February 2024. 62 recommendations were verified as Not Implemented, and 22 were considered to be in progress (one P1 and 21 P2).

A specific follow-up activity to Housing recommendations is ongoing as of 16 May 2024.

03 Internal Audit Work Finalised as of 16 May 2024

The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports.

In accordance with the approach set out within the Councils' Plan, we have completed (as of 16 May 2024) 11 in-depth audit reviews, covering a number of important control systems, processes and risks, one advisory review and one follow up review relating to the implementation of recommendations. The results of this work are summarised below:

Audit area	Assurance level	Recommendations				Accepted	Not Accepted
		P1	P2	P3	Total		
Events - Processing and Management	Moderate	-	-	3	3	3	-
Safeguarding (Children and Adults)	Limited	-	4	1	5	5	-
Invoicing of Housing services - Disabled Facilities Grants	Limited	-	11	-	11	11	-
Legal Services	Moderate	-	2	2	4	4	-
Discretionary Housing Payments	Limited	-	2	5	7	7	-
Planned Maintenance Programme Corporate Offices	Moderate	-	3	4	7	7	-
Corporate Health and Safety	Moderate	-	3	1	4	4	-
Bereavement Services	Limited	-	6	3	9	9	-
IT Policies (Advisory Review)	N/A	-	-	-	-	-	-
Markets*	Moderate	-	3	2	5	5	-
Governance of Property Disposals*	Moderate	-	2	2	4	-	-
Risk Management*	Moderate	-	3	-	3	3	-
Total		0	39	22	62	62	0

• Report names marked with an asterisk (*) represent audits carried forward from the 22/23 plan, completed after the conclusion of the 22/23 FY.

04 Internal Audit Work yet to be finalised as of 16 May 2024

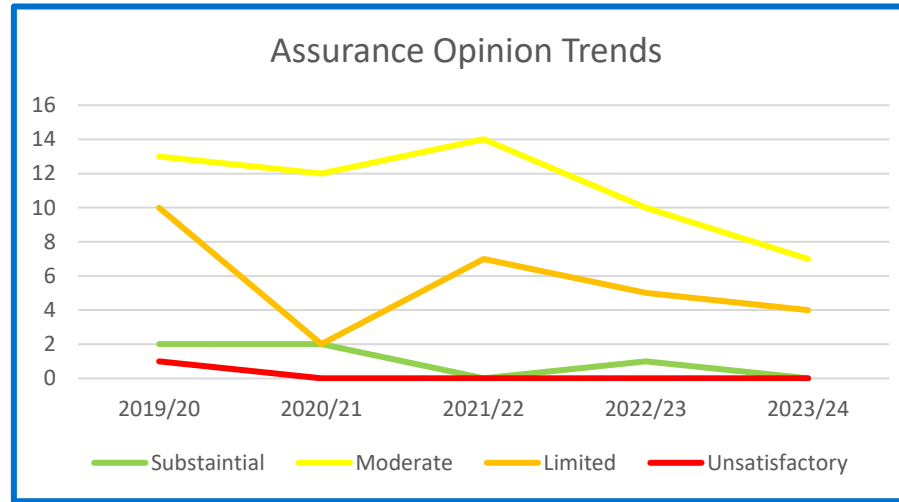
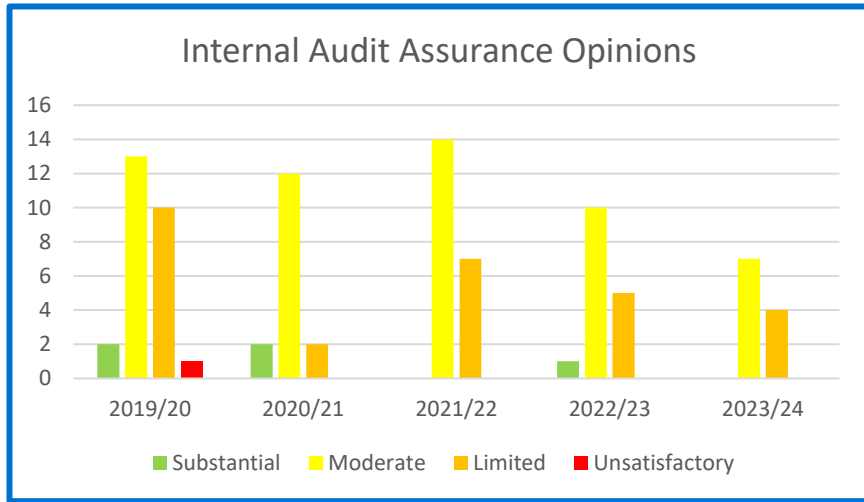
The audits detailed below were included in the 2023/24 plan (and in the 2022/23 plan) but have not yet had final reports issued. Current status is set out below.

Audit area	Current Status	Recommendations				Accepted	Not Accepted
		P1	P2	P3	Total		
Fire Doors Contract Management*	Draft Report Issued (responses outstanding)	–	–	–	–	–	–
Adur Leisure Contract Management*	Draft Report Issued (responses outstanding)	–	–	–	–	–	–
Supply of Affordable Housing	Draft Report Issued	–	–	–	–	–	–
Energy Supplier – Procurement and Contract Management	Draft Report Issued	–	–	–	–	–	–
Members Expenses	Draft Report Issued	–	–	–	–	–	–
Workforce Planning	Under Review	–	–	–	–	–	–
Civica/Connect HR System	Under Review	–	–	–	–	–	–
Accounts Receivable	Under Review	–	–	–	–	–	–
KFS – 23/24	Fieldwork Ongoing	–	–	–	–	–	–
Follow Up on Housing Recommendations (Advisory / No Assurance Opinion)	Fieldwork Ongoing	–	–	–	–	–	–
NFI – Data Matching (Advisory / No Assurance Opinion)	N/A – Additional Work Delivered. No Assurance Opinion Required.	–	–	–	–	–	–
Total		–	–	–	–	–	–

- Report names marked with an asterisk (*) represent audits carried forward from the 2022/23 plan.

05 Benchmarking

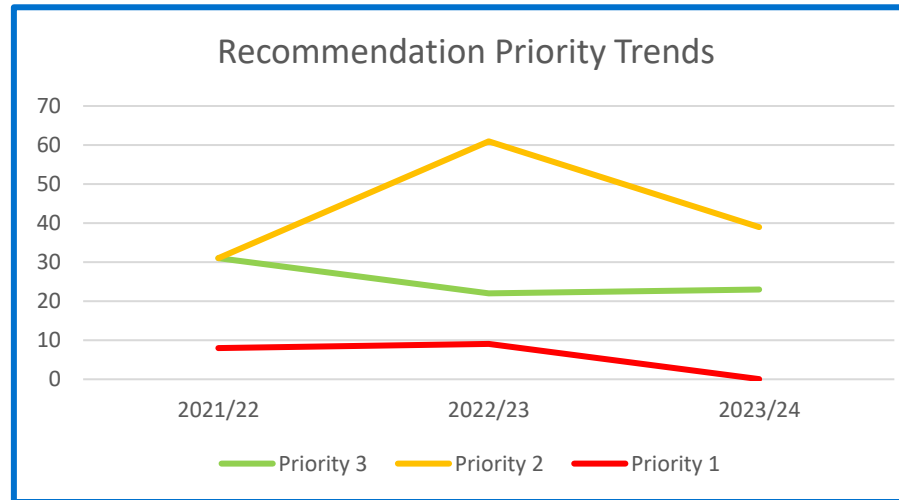
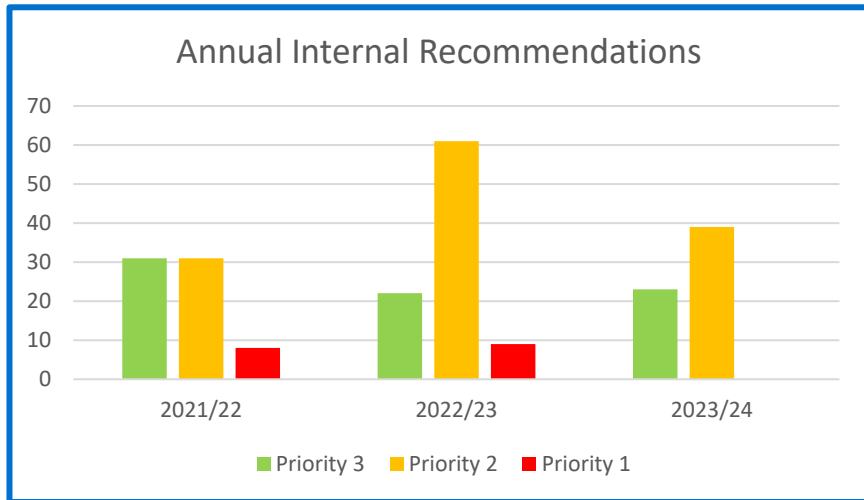
This section compares the Assurance Levels (where given) and categorisation of recommendations made at the Councils. **N.B. tables are reflective only of audits finalised as of 16 May 2024.**



Of the 11 audits finalised in 2023/24 for which we provided an assurance opinion, we provided 'Moderate' assurance in seven reports, and 'Limited' in four reports.

As in the previous three years, we provided no 'Unsatisfactory' assurance opinions (to-date).

It should be noted that nine audits have not yet been finalised, and so these figures are liable to change.



The total number of recommendations made to-date in 2023/24 is 62. None of these recommendations was 'Priority 1', 23 were 'Priority 19' and 39 were categorised as 'Priority 3'.

This represents a notable decrease in Priority One recommendations from 2021/22 and 2022/23 (from eight and nine respectively, to zero).

It should be noted that nine audits have not yet been finalised, and so these figures are liable to change.

06 Performance of Internal Audit

We have provided some details below outlining our approach to our internal performance measures, which supports our overall annual opinion.

Compliance with Professional Standards

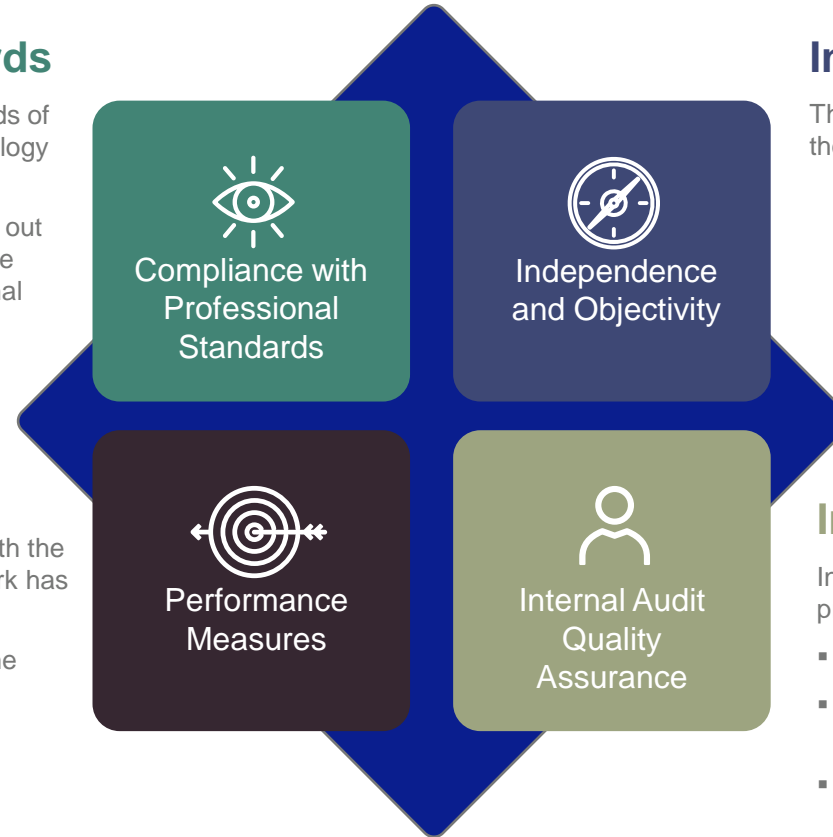
We employed a risk-based approach to determining the audit needs of the Councils at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

Performance Measures

Further to 02, we have completed our audit work in accordance with the agreed Plan, other than where changes were agreed. Delayed work has been highlighted in Section 04.

Discussions on progress against the Plan have taken place with the JAGC in-year.



Independence and Objectivity

There have been no impairments to independence and objectivity during the period covered by this Annual Report.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the creation of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Appendices

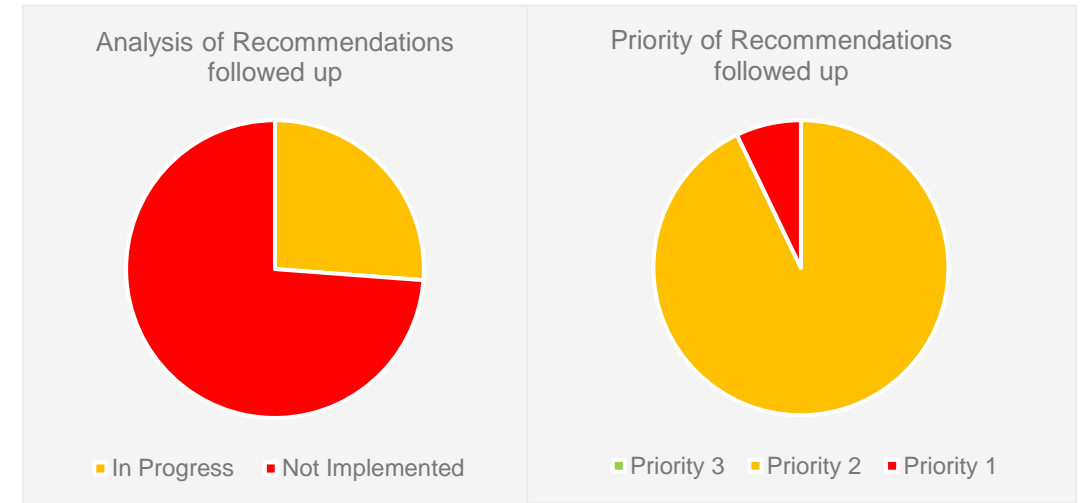
A1 Implementation of Recommendations

A2 Definitions of Assurance

A1 Implementation of Recommendations

The following table is an extract of our Follow-up work during the 2023/24 year, where we sought to verify that the Councils had accurately reported actions considered complete.

	Number Followed Up	In Progress	Not Implemented	Superseded
Priority 1	6	1	5	-
Priority 2	78	21	57	-
Priority 3	0	-	-	-
Total	84	22	62	0
In Progress Rate		26%		



In our Follow Up we considered the status of 84 recommendations due to have been implemented as of February 2024.

62 recommendations were identified as Not Implemented, and 22 were considered to be in progress (one P1 and 21 P2). It should be noted that in the majority of these instances, we were not provided with a management update over status, and assessment is therefore based default Not Implemented Status.

A specific follow-up activity to Housing recommendations is ongoing as of 16 May 2024.

A2 Definitions of Assurance

Assurance Gradings

We use categories to classify our assurance over the processes we examine and provide an assurance opinion within each internal audit report. These are defined as follows:

Assurance Level	Definition
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows :

Recommendation Priority	Definition
Priority 1 (High)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Medium)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Low)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Annual Opinions

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows :

Assurance Level	Definition
Substantial	The framework of governance, risk management and control are adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Contacts

Graeme Clarke

Partner, Mazars

Graeme.Clarke@mazars.co.uk

Sam Lowe

Manager, Mazars

Samuel.Lowe@mazars.co.uk

We take responsibility to Adur District Council and Worthing Borough 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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London, EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299.

