

**Committee:** Standards and General Purposes Committee

**Date:** 22 July 2021

Agenda item:

Wards: All

**Subject:** Internal Audit Annual Report

Lead officer: Caroline Holland Director of Corporate Services

Lead member: Peter McCabe Chair of Standards and General Purposes

Contact officer: Margaret Culleton Head of Internal Audit

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**Recommendation:**

That Committee review and comment on the Internal Audit Annual Report 2020/21

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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

1.1 The council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. 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.

1.2 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.

1.3 The Annual Report summarises the work of Internal Audit in 2020/21 and provides the Head of Audit opinion on the adequacy and effectiveness of the internal control environment.

**2 DETAILS**

2.1 The overall opinion is that the internal control environment is satisfactory. During 2020/21 76% of Internal Audit reviews provided substantial or above levels of assurance.

- 2.2 There were four key financial audit completed in 2020/21, all with a substantial assurance.
- 2.3 There have been 8 limited assurance reports issued in 2020/21. In total 25 Priority 1 actions have been recommended in 2020/21, of which 17 have been implemented and 8 are currently in progress.

### **3 Head of Audit Assurance**

- 3.1 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 2020/21 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 environment.

### **4 ALTERNATIVE OPTIONS**

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

### **3 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1 No alternative consultation has taken place or is planned for this document.

### **4 TIMETABLE**

- 5.1 This report has been prepared to meet the timetable for the approval of the Statement of Accounts.

### **5 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1 None for the purposes of this report.

### **6 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1 The review of the effectiveness of the system of internal control and the annual report complies with the requirements of the Accounts and Audit Regulations 2015 as described in the report above.

### **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.1 Effective and timely auditing and advice enable departments, voluntary organisations and schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit,

therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

## **9 CRIME AND DISORDER IMPLICATIONS**

9.1 This report has already summarised activities in relation to fraud and irregularities

## **10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

10.1 A review of Risk Management has been included in this report.

10.2. 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.

## **11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

Appendix A Internal Audit Annual Report

Appendix B Internal Audit Activity 2020/21

## **12. BACKGROUND PAPERS**

Internal Audit files and papers.

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