



Report of: Corporate Director - Resources

Meeting of	Date	Ward(s)
Audit Committee	29 th September 2020	All

Delete as appropriate		Non-exempt
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SUBJECT: Internal Audit Annual Report – 2019/20

1. Synopsis

- 1.1 The provision of a continuous internal audit service provides independent and objective assurance on the control environment that supports the delivery of the Council's objectives.
- 1.2 This report is intended to support the Audit Committee in obtaining assurance surrounding the Council's governance, risk management and internal control environment. It does this by demonstrating that the Internal Audit plan is being delivered, highlighting service areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

2. Recommendation

- 2.1 To note the report.

3. Background

- 3.1 The 2019-20 Internal Audit Plan was approved by the Audit Committee in March 2019. This report presents a summary of the work that Internal Audit has undertaken as part of the 2019-20 audit plan.
- 3.2 The work of Internal Audit, in accordance with the annual audit plan, is directed towards key risk areas as identified with the Council's Principal Risk Report. Internal Audit provide assurance on the actions being taken to mitigate principal risks through delivery of the audit plan.

- 3.3 The audit plan is delivered by the in-house team across the Shared Internal Audit Service (with LB Camden) and a co-sourced partner (currently PwC).

Annual opinion

- 3.4 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit provide an annual audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual opinion categories range from No Assurance, Limited Assurance, and Moderate Assurance to Substantial Assurance. The annual opinion given for 2017-18 and 2018-19 was Moderate Assurance.
- 3.5 While it should be noted that assurance could never be absolute, the work undertaken during 2019-20, including follow up activity, has enabled the Head of Internal Audit to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2020, the Head of Internal Audit's opinion is that the adequacy and effectiveness of the Council's arrangements is Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Revision to assurance ratings and residual risks will be closely monitored through follow-up reviews to be undertaken in 2020-21. The Council's risk management framework has also been further embedded in 2019-20; with the Council enhancing its risk maturity and building a more risk aware culture by embedding risk management into business as usual practices. Outcomes from risk management activity has informed the overall assurance framework. Further detail on the outcomes of delivery of the Internal Audit plan is provided in the appendices to this report.

Outcomes and follow up activity

- 3.6 The report details the outcomes of delivery of the 2019-20 audit plan at Appendices 1-2, and outcomes of follow up audits in Appendix 3. The report also identifies and gives more detail on those areas where the overall assurance statements were less than 'moderate' at Appendix 2.
- 3.7 Internal audit projects result in a statement of assurance of either 'substantial', 'moderate', 'limited' or 'no' assurance. These conclusions are based on the number of critical and high priority risks identified in the report. These statements are indicators of the assurance we can give at the time of the audit and may reflect control design or compliance issues. In 2019-20, we are pleased to report a positive response to all final audit reports, with audit recommendations being accepted by management, and evidence of implementation on follow up.
- 3.8 Outcomes of follow up activity in 2019-20 is detailed at Appendix 3. Follow up audits on recommendations arising from our work in 2019-20 will be conducted in 2020-21.

Internal Audit response – Covid 19

- 3.9 Due to the Covid-19 emergency and the immediate response that followed, Internal Audit was required to temporarily pause completion of 6 audit reviews (2 core reviews as auditees were engaged in the Council's Covid-19 response, and 4 school reviews); further details are included at section 1.9 in Appendix 1). Internal Audit utilised this time to provide risk and control advice surrounding the Council's Covid-19 response, including in areas such as purchase ordering and the payment of suppliers. The Internal Audit team also supported the Council's Audit Manager (Investigations) to formulate advice related to Covid-19 related anti-fraud measures. While the completion of the reviews listed above were temporarily paused, Key Financial System reviews, as included on the 2019-20 Internal Audit plan approved by the Audit Committee in March 2019, continued. This ensured that Internal Audit provided assurance to the Council and External Audit on the effectiveness of the Council's key financial systems. As detailed in Appendix 1, reviews that

were paused as auditees were engaged in the Council's Covid-19 response have now either resumed or will be conducted as part of the 2020-21 plan, and outcomes will be reported to Audit Committee in 2020-21.

- 3.10 In terms of maximising productivity of the Internal Audit team during lockdown, key monitoring controls that existed pre-lockdown continued to be applied during lockdown i.e. outcomes monitoring and a weekly progress tracker detailing how auditor time had been spent on a weekly basis, The Internal Audit team also utilised Microsoft Teams to conduct video meetings with auditees and within the Internal Audit team. A functionality on Microsoft Teams which indicates individual officer availability during working hours has also been utilised i.e. green/red/yellow indicator demonstrating whether the audit team (including management) were on desk time, in meetings etc, throughout the working day. In addition to 1:1 catch up meetings, the Internal Audit team have stayed connected via weekly team meetings to review the progress of delivery of the audit plan including follow up activity. In terms of access to auditees during lockdown, Internal Audit have successfully obtained electronic access to documents/audit evidence and held video meetings.
- 3.11 In terms of resourcing of the team, two new members have joined the Internal Audit team (a dedicated Audit Manager and Principal Auditor). One further vacancy remains which we intend to fill in the coming months.

4. Implications

4.1. Financial implications

The programme of work has been met from within the existing Internal Audit budget. The financial implications of individual audit recommendations are met by local budgets.

4.2. Legal Implications

There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual risks.

4.3. Environmental implications

There are no environmental implications arising from the recommendation in this report.

4.4. Resident Impact Assessment

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding. A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

5. Reason for recommendations

5.1 To note outcomes of delivery of the audit plan at **Appendices 1-3.**

Appendices:

Appendix 1 – 2019-20 Internal Audit Plan update

Appendix 2 – High priority recommendations

Appendix 3 – Follow Up Outcomes

Final report clearance:

Signed by:

Date: 14 September 2020

A handwritten signature in grey ink, appearing to read 'DH', followed by a long horizontal flourish.

Dave Hodgkinson – Corporate Director – Resources

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REPORT ENDS