

**Open Report on behalf of Andrew Crookham – (Executive Director of Resources)**

Report to:	<b>Audit Committee</b>
Date:	<b>12 July 2021</b>
Subject:	<b>Internal Audit Annual Report 2020/21</b>

**Summary:**

This report gives the Head of Internal Audit opinion on the adequacy of the Council's Governance, Risk and Control environment and delivery of the Internal Audit plan for 2020/21.

**Recommendation(s):**

That the Committee:

1. Consider the content of the Head of Internal Audit Annual Opinion and Report and any actions it may wish to take.
2. Review the results of Internal Audit work and delivery of the Internal Audit Plan - evaluating the overall effectiveness` of the Internal Audit function in discharging its statutory responsibilities and meeting the Council's 'third line of defence' assurance needs.

**Background**

1. The Annual Internal Audit Report aims to present a summary of the audit work undertaken over the past year. In particular:
  - Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council can rely on it;
  - Inform how the plan was discharged and of overall outcomes of the work undertaken;
  - Draw attention to any issues particularly relevant to the Annual Governance Statement.

**Assurances being sought by the Audit Committee**

2. Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why.
3. To consider how well the Internal Audit Function is performing:

- Is it what you want – independent, objective and provides a knowledgeable view of how well the Council is being run?
  - To the Public Sector Internal Audit Standards?
  - Has an effective Quality Assurance framework?
  - Successfully delivers results that make a difference in how well the Council is run?
4. The detailed report is attached in Appendix A.

## Conclusion

### Annual Opinion

5. Our internal audit service continues to work with the Audit Committee and management to help the Council maintain effective governance, risk and control processes.
6. In forming my opinion I have also drawn upon other assurance intelligence in the Council.
7. The Council continued to provide services effectively through the pandemic but also had to do things differently – adapting to remote working. My opinion is based on assurances gathered across the Council during the response and recovery periods and the overall impact on the framework of governance, risk management and control.
8. Taking all the information into account - I have assessed:

<b>Governance</b> 	<b>Performing Adequately</b> – Some improvements identified over the Council's governance and control framework.
<b>Risk</b> 	<b>Performing Well</b> – No concerns that significantly affect the risk management framework.
<b>Internal Control</b> 	<b>Performing Adequately</b> – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.
<b>Financial Control</b> 	<b>Performing Adequately</b> – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.

Details supporting my opinion can be found in the Annual Report – Appendix A.

9. The content of the Internal Audit Annual report has also informed the development of the Councils' Annual Governance Statement 2021 – considered by the governance group and the Corporate Leadership Team in May 2021.

### Delivery of Internal Audit Plan

10. In the first half of the year our focus was on completing work impacted by the pandemic and responding to requests for advice and rapid assurance needed by management. This work included the Temporary Mortuary review and Personal Protective Equipment Root Cause Analysis.

11. The Audit Committee approved the revised 2020/21 audit plan of 540 days in September 2020 for the rest of the year.
12. It has been an incredibly demanding year for staff due to the impact of lockdowns – both professionally and personally. Delivery of the audit plan has been impacted by:
  - Reduction in resources available through loss of staff / sickness absence / competing priorities.
  - Impact of Covid-19 – service area unavailability, pauses in audits when underway, delays in receiving information.

Actions have been taken to increase capacity. We will review our audit processes in light of SMARTER working.
13. I'm pleased to report that we have delivered **92%** of revised planned activity.
14. We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.
15. We identified no unexpected restrictions to the scope of our work but have had difficulties in gaining access to some staff which resulted in delay to planned work within expected timescales.
16. The delivery of our ICT Audit remains challenging. We continue to utilise specialised ICT audit to deliver the most technical reviews. The Executive Director – Commercial helps support the audit process.
17. I do not consider these restrictions to have had an adverse effect on my ability to deliver my overall opinion.

### **Quality Assurance**

18. Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. This has been assessed through our Quality Assurance Framework and self-assessment as well as an external quality assessment completed autumn of 2016. We are due for an external assessment in 2022.
19. Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following:
  - Working with senior management, improve progress and delivery monitoring / audit scheduling.
  - Continuing professional development around new and emerging practice guidance – including agile assurance.
  - Review audit processes in light of SMARTER working to deliver efficiencies, improve productivity and optimise the way we work- including better use of technology / data analytics.
  - Future proof the service – aligning audit and counter fraud work, building capacity and succession planning.
  - Preparing for the External Quality Assessment that is planned for January/February 2022.

We continue to receive excellent feedback on our work and have a quality assurance improvement plan in place to help us continually improve and develop.

### Financial Implications

20. Our external clients help Corporate Audit and Risk Management operate within existing budgets. In 2020/21 we also received £132,234 covid grant – relating to loss of income and staffing.
21. The audit team actual expenditure (net) is £617,746 compared to a budget of £642,948 – an **under-spend of £25,202**.
22. The Corporate Audit and Risk service as a whole had a slight **over-spend of £26,031 (2%)**.

#### a) Risks and Impact Analysis

N/A

### Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Annual Report 2020/21

### Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 07557 498932 or [lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk)