

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

Report to:	Audit Committee
Date:	11 July 2022
Subject:	Internal Audit Annual Report 2021/22

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 2021/22.

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:

Governance 	Performing Well - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.
Risk 	Performing Well - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.
Internal Control 	Performing Adequately – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.
Financial Control 	Performing Well - No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.

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 2022

Delivery of Internal Audit Plan

10. Having skilled and effective people remains at the heart of our workforce strategy. The team has provision for 23 full time equivalent posts – established to deliver both the County Council and external contracts internal audit plans.
11. It has been another challenging year with resources being low – and whilst we have recently appointed six new auditors, we have also had four resignations. We secured additional temporary resources with external contractors - which has helped deliver the internal audit plan for 2021/22. However, the impact on the teams' availability to deliver cannot be underestimated - given the mix of the remaining team there will be continuing mentoring, coaching and supervision demands alongside the delivery of audits to ensure sustainability of the service going forward. Our resource planning includes time for training & development, supervision, together with some contingency to enable us to respond to changing assurance needs.
12. Despite these challenges - we have delivered **91%** of revised planned activity – acknowledging that the plan had been reduced.
13. We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.
14. 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.

15. I do not consider these restrictions to have had an adverse effect on my ability to deliver my overall opinion.

Quality Assurance

16. All public sector internal audit services are required to measure how well they conform to the UK Public Sector Internal Audit Standards. An External Quality Assessment must be undertaken every 5 years – Assurance Lincolnshire’s second external assessment was undertaken in February 2022. They concluded that:

“the Assurance Lincolnshire Partnership’s self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note”.

17. No significant improvement recommendations were made. The final report from the External Quality Assessment will be shared with the Committee.
18. Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following:
- **Workforce strategy** – building capacity and growing our own talent in both leadership and professional skills.
 - **Improving the audit process** – working with client senior management to improve progress and delivery of audits in a remote (hybrid) working environment.
 - **Continuing professional development** - around new and emerging practice guidance.
 - **Enhance digital capabilities** - in line with our digital strategy, including data analytics.
19. 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.
21. The audit and counter fraud team actual expenditure (net) is £739,383 compared to a budget of £678,223 – an over-spend of £61,160. This was due to increased costs of backfilling vacancies through agency and external suppliers.
22. The Corporate Audit and Risk service as a whole had a slight over-spend of £45,027 (4%). This was due to increased costs of backfilling vacancies through agency and external suppliers.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) 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 2021/22

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 or lucy.pledge@lincolnshire.gov.uk.

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