

Harborough District Council

Report to the Audit & Standards Committee 28 June 2022



Report Number:	2
Title:	Annual Internal Audit Report & Opinion 2021/22
Status:	Public
Key Decision:	No
Report Author:	Mr Clive Mason. Director; Finance, ICT and Assets <i>On behalf of Rachel Ashley-Caunt, Chief Internal Auditor, North Northamptonshire Council</i>
Portfolio Holder:	Cllr James Hallam
Appendices:	Appendix Annual Internal Audit Report & Opinion 2021/22

Executive Summary

This report provides details on the:

- i. annual opinion of the Chief Internal Auditor for 2021/22, as required by the Public Sector Internal Audit Standards. The opinion is based on and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control).
- ii. work undertaken by Internal Audit for the year ended 31st March 2022, and

In respect of the:

- Annual opinion, the Chief Internal Auditor has provided an overall "Satisfactory Assurance" opinion for 2021/22.
- The work undertaken by Internal Audit; they have:
 - a. provided opinions in respect of 12 audit areas. In respect of assurance for each audit area; for both "design of control environment" and "compliance" all areas were either good or substantial.
 - b. agreed 47 recommendations were with management; 57% are implemented, 43% have not yet pass their implementation date.
 - c. 4 recommendations from earlier years that are yet to be implemented.
 - d. delivered 79% of the audit plan to draft report stage by 31st March 2022.
 - e. achieved a Good customer rating, and
 - f. supported the Council more widely in respect of fraud alerts, supporting whistleblowing, working with external audit, and providing ad-hoc advice and assistance.

Recommendations
The committee considers the Annual Internal Audit Report & Opinion for 2021/22 and comments as it considers necessary.
Reasons for Recommendations
It is essential that “those charged with governance” have an opportunity to consider and comment as they consider necessary on the annual internal audit report and opinion 2021/22.

1. Purpose of Report

- 1.1 To update members on both the annual opinion of the Chief Internal Auditor, as required by the Public Sector Internal Audit Standards and the work undertaken by Internal Audit for the year ended 31st March 2022.

2. Background

Internal Audit

- 2.1. The Councils internal audit service is provided, under delegation, by North Northamptonshire Council. The Audit & Standards Committee (ASC) agreed a new delegation at the meeting held on 2nd February 2022 (link to report [here](#)).

Annual Opinion + Work Undertaken

- 2.2 As required by Public Sector Internal Audit Standards, the Chief Internal Auditor is required to provide an opinion on their determined assurance of internal control. At the same time, the Chief Internal Auditor reports on the work undertaken over the past year.

3. Detail

- 3.1 The following paragraphs summarise the main items discussed with the Annual Internal Audit Report & Opinion 2021/22, the report is attached at **Appendix 1**.

Annual Opinion

- 3.2 The Chief Internal Auditor has issued a **Satisfactory Assurance** opinion in respect of the adequacy and effectiveness of the Council’s control environment for 2021/22. This control environment comprises of the system of internal control, governance arrangements and risk management. However, there are some specific limitations or exceptions to the opinion, these are in respect of:
- i. **Financial Control**; no independent audit assurance has been received in relation to the Council’s delegated revenues and benefits system in 2021/22. The accountable authority for the Leicestershire Revenues and Benefits Partnership is Hinkley & Bosworth District Council (HBDC). HBDC has just procured a new

internal auditor and our Chief Internal Auditor has been assured that an audit of the revenues and benefits system will be undertaken during 2022.

- ii. **Risk Management**; has been further embedded during 2021/22 with the use of a new electronic system.
- iii. **Internal Control**; in respect of:
 - **Audits completed in 2021/22**, all opinions relating to the control environment and compliance have achieved at least Satisfactory Assurance.
 - **Recommendations agreed in 2021/22**, all due for implementation by the agreed date have been implemented. However, four recommendations remain not implemented from earlier years.
 - Internal Audit assessment of **fundamental risk or weakness during 2021/22**, there have not been any incidences, and with regard to
 - **Special Investigations**, a body of work was completed in 2021/22 which was reported to ASC earlier this year. This related to incidents that occurred in the 2018/19 and 2019/20 years.

Work Undertaken and Other Considerations

3.3 In respect of:

- i. **Audit opinions (reports) issued**, internal audit issued 12 reports, which covered the following audit themes:
 - Financial Systems (1 report)
 - Governance & Counter Fraud (2 reports)
 - Corporate & Cross Cutting (2 reports)
 - Delivery of Corporate Objectives (7 reports)
- ii. **Audit recommendations**, 47 were agreed with management, 27 (57%) have been implemented and 23 (43%) have yet to be at their implementation date.
- iii. **Audit Performance**;
 - of the agreed audit plan,
 - 79% of audits were completed to at least draft report stage by 31st March 2022.
 - All audits were completed to at least draft report stage for when the Annual Report was to be issued.
 - Internal Audit achieved a customer feedback score of Good.

3.4 Internal Audit, as well as providing the Council assurance over its internal control environment, has over the past year:

- Shared advice in respect of fraud in relation to Covid-19 business grants.
- Been the point of contact for Whistleblowing.
- Maintained good working relationships with External Audit, and
- Provided Ad-hoc advice and assistance.

3.6 The Chief Internal Auditor confirms that there has not been any evidence of impairment of the independence of the internal audit team during 2021/22 and no auditors have reviewed systems/controls which they have been responsible for delivering.

4. **Implications of Decisions**

4.1. **Corporate Priorities**; internal audit provides assurance to the Council in respect of internal control and other governance issues, which directly supports the delivery of the Councils corporate priorities.

4.2. **Financial**; there are no direct financial implications arising from this report. There is budgetary provision in respect of the audit fee. However, the audit fee may increase if Internal Audit are required to undertake additional audit review work outside of the agreed audit plan.

4.3. **Legal**; there are no direct legal implications arising from this report. The relevant statutory provisions relating to the audit are noted within the report or appendix.

4.4. **Policy**; there are no direct policy implications arising from this report.

4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**; there are no direct environmental implications arising from this report.

4.6. **Risk Management**; there are no direct risk management implications arising from this report. However, members must not that the audit approach is “risk-based” and an effective internal audit service is one means by which the Council is able to effectively manage risk.

4.7. **Equalities Impact**; there are no direct equalities implications arising from the report.

4.8. **Data Protection**; there are no direct data protection implications arising from the report.

5. **Summary of Consultation and Outcome**

5.1 The Chief Internal Auditors has consulted with the Councils s.151 and Deputy 151 officers in the development of the Annual Internal Audit Report & Opinion. This report is Internal Audits consultation with “those charged with governance”.

6. **Alternative Options Considered**

6.1 No alternative options considered as none are appropriate.

7. **Background papers**

7.1 None