

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021-22

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Head of Internal Audit Annual Report and Opinion provides an opinion on the adequacy and effectiveness of the council's internal control environment based upon work carried out by Internal Audit in accordance with the approved 2021/22 audit plan.
- 1.2 The report also considers the effectiveness of the internal audit and confirms that it complies with requirements of the Public Sector Internal Audit Standards (PSIAS) and The Accounts and Audit Regulations 2015.

2. BACKGROUND INFORMATION

- 2.1 The requirement for Internal Audit is supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972. The Accounts and Audit Regulations state that a *“relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into public sector internal audit standards for guidance”*
- 2.2 Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which defines the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS define internal audit as:

“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

- 2.3 As set out in the standards there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk, and control framework (i.e. the control environment).
 - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
 - a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.
- 2.4 A copy of the Annual Report and Opinion as prepared by the Head of Internal Audit and Assurance is attached, and its main findings are summarised below.
- 2.5 Section 2 of the Annual Report refers to the work carried out from which the audit opinion is derived, and shows the work carried out compared to the original Audit Plan. Appendix 1 provides a summary of the work completed by internal audit to support its opinion.
- 2.6 As referred to in Section 3 based on the work carried out by internal audit satisfactory assurance could be provided on the Council's governance, risk, and control framework.
- 2.7 As referred to in Section 4 Internal Audit with the PSIAS in all material respects and has effective arrangements in place for monitoring quality. Where applicable areas for further development have been identified from its assessment of quality.

3. OPTIONS FOR CONSIDERATION

- 3.1 It is a requirement of internal auditing standards that the Audit Committee considers the Annual Head of Internal Audit Report and Opinion. The Committee is asked to consider whether Internal Audit's Annual Report provides sufficient assurance on the adequacy of the council's internal control environment in 2021/22. Members may wish to ask questions and seek clarification, as necessary.

4. ANALYSIS OF OPTIONS

4.1 The Internal Audit Annual Report and Opinion 2021/22 complies with professional guidance available and is designed to provide this Committee with the assurance required.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 There are no specific resource implications related to this report

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 Section 3 of the report includes a commentary of on the Council's approach to risk management. Satisfactory assurance has been provided. In addition an assessment of residual risk is included in most audit assignments as shown in Appendix 2 of the report

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 Due to the content of this report, an Integrated Impact Assessment is not required.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 The audit plan is derived is subject to consultation with the Audit Committee and Senior Management. The scope of individual assignments is subject to consultation with management, whilst the outcome of such assignments is subject to discussion.

8.2 The Head of Audit and Assurance also has responsibilities around the maintenance of the risk management process though not the risks themselves. To maintain independence, he therefore commissioned Zurich Municipal to provide an independent review of the Council's risk management arrangements and placed reliance on their conclusions (together with those of the Strategic Lead for Risk and Governance) when forming his opinion. In addition, Audit team members are asked to complete declaration forms on annual basis. If any potential conflicts are identified, then they are not allocated assignments related to the potential conflict of interest.

9. RECOMMENDATIONS

- 9.1 That the Audit Committee considers the assurance provided by the Head of Internal Audit Annual Report for 2021/22 on the adequacy and effectiveness of the council's internal control environment.

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Background Papers used in the preparation of this report:

Internal Audit Plan 2021/22 (April 2021)
Internal Audit Interim Report (January 2022)