

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2020-21

#### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report 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 2020/21 audit plan. It also considers the effectiveness of the audit service. This provides the Audit Committee with an important source of assurance when considering the Annual Governance Statement.
- 1.2 The Internal Audit Annual report complies with 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 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. Due to the continued impact of COVID-19 the audit plan was subject to regular re-prioritisation including particular focus on the impact of it on the control environment. Appendix 2 provides a summary of the work completed by internal audit, whilst the body of the report also refers to how the Council managed the risks to the control environment as a result of the pandemic.
- 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 the Audit Team complies with the standards in all material respects and has effective arrangements in place for monitoring quality. Working with clients to improve the timeliness of audit reporting has again been highlighted as an area for further development.

### **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 2020/21. Members may wish to ask questions and seek clarification, as necessary.

#### **4. ANALYSIS OF OPTIONS**

4.1 The Internal Audit Annual Report and Opinion 2020/21 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 provides a commentary of on the Council's approach to risk management. It identifies opportunities to improve the reporting of risk within reports including proposed key decisions. 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 has therefore placed reliance where applicable on the audit of risk management commissioned from Lincolnshire County Council in 2018/19 and the work of the Strategic Lead for Risk and Governance. 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 Internal Audit Annual Report for 2020/21 on the adequacy and effectiveness of the council's internal control environment, and to take account of the content of this report when considering the Annual Governance Statement.

### **DIRECTOR OF GOVERNANCE AND PARTNERSHIPS**

Church Square House  
30 – 40 High Street  
SCUNTHORPE  
DN15 6NL

Author: Peter Hanmer  
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#### **Background Papers used in the preparation of this report:**

Internal Audit Plan 2020/21 (May 2020)  
Internal Audit Interim Report (January 2021)