

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

COMMITTEE: JOINT AUDIT AND STANDARDS COMMITTEE	REPORT NUMBER: JAC/19/17
FROM: CORPORATE MANAGER – INTERNAL AUDIT AND DATA PROTECTION	DATE OF MEETING: 27 July 2020
OFFICER: CORPORATE MANAGER – INTERNAL AUDIT AND DATA PROTECTION	

ANNUAL INTERNAL AUDIT REPORT 2019/20

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform Councillors of the work undertaken within the Internal Audit Service for the year, 2019/20 and provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

2. OPTIONS CONSIDERED

- 2.1 This is a regulatory report and there are no options to consider.

3. RECOMMENDATIONS

- 3.1 That the contents of this Internal Audit report, supported by Appendix A, be agreed.

REASON FOR DECISION

For the Committee to agree the Internal Auditors annual report for 2019/20.

4. KEY INFORMATION

- 4.1 Requirement of Internal Audit - Public Sector Internal Audit Standards (PSIAS)

The PSIAS require the Corporate Manager – Internal Audit and Data Protection to report periodically to senior management and this Committee on Internal Audit's performance relative to its Internal Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

- 4.2 As the Councils' Delivery Programme continues and re-shapes and transforms its services the demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities continues. The Corporate Manager – Internal Audit and Data Protection monitored requests, with a risk-based approach, for the re-allocation of Internal Audit resources from the approved 2019/20 Internal Audit Plan.

- 4.3 Subsequent to the 2018/19 Year End the current Specialist Lead for Internal Audit, retired, leaving a resource shortfall in the team. The position has been further compounded following the appointment of the Specialist Lead for Risk Management

to a role within the Councils' Finance Team, effective from 9th December 2019. A recent recruitment campaign for the Specialist Lead for Audit proved unsuccessful. With the latest resource shortfall, the Corporate Manager – Internal Audit and Data Protection considered a number of options with senior management.

- 4.4 In determining and managing the resource shortfall the Corporate Manager – Internal Audit and Data Protection allocated audits from the 2019/20 plan based on the level of risk and the skills and experience within the team. The situation was carefully monitored to ensure that coverage and the consequent annual audit opinion is not compromised.
- 4.5 There was due consideration in conducting this year's audits to ensure that Internal Audit maintained its objectivity and independence. As further demonstration of organisational independence, the Corporate Manager – Internal Audit and Data Protection can confirm that there has been no inappropriate scope or resource limitations placed upon him.
- 4.6 In line with the Councils' Internal Audit Charter the work was conducted to ensure that it delivers against the PSIAS and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the work conducted covered the following activities:
- Governance processes
 - Monitoring
 - Ethics
 - Information and Information technology governance
 - Risk Management
 - Fraud management
- 4.7 Audits conducted (as opposed to Audit investigations) are also split into two types, 'Fundamental' and 'Risk' reviews. 'Fundamental' reviews are conducted in the latter half of the financial year to meet with External Audit testing requirements.
- 4.8 The Corporate Manager – Internal Audit and Data Protection is responsible for the delivery of an audit opinion and report that can be used by the Councils to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no significant weaknesses in the processes reviewed. In assessing the level of assurance to be given, the Corporate Manager – Internal Audit and Data Protection has based his opinion on:

- Written reports on all internal audits completed during the course of the year, both assurance and consultancy;
- Results of any follow up exercises undertaken in respect of previous years' internal audit work;
- The results of work of other review bodies where appropriate;
- The extent of resources available to deliver the internal audit work; and

- The quality and performance of the internal audit service and the extent of compliance with the Public Sector Internal Audit Standards (PSIAS).

Audit Opinion – the Corporate Manager – Internal Audit and Data Protection is satisfied that sufficient assurance work has been carried out to allow him to form a reasonable conclusion on the adequacy and effectiveness of each Council’s internal control environment.

It is the Corporate Manager – Internal Audit and Data Protection’s opinion that the Councils’ framework of governance, risk management and internal control is ‘(Sufficient) – Reasonable Assurance’ – the system, process or activity should achieve its objectives safely and effectively. However, whilst there are some control weaknesses most key controls are in place and operating effectively. Where weaknesses have been identified through internal audit review, Internal Audit have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. LINKS TO CORPORATE PLAN

The delivery of a comprehensive Internal Audit service supports the Councils’ objectives, in particular ensuring the right people are doing the right things, in the right way, at the right time, for the right reasons.

- 5.1 However, all Internal Audit work has been associated with the Councils’ strategic themes and the attached report, Appendix A, provides a summary of the work undertaken by theme. This work will contribute to the 2019/20 overall Internal Audit opinion on the Councils’ control environment provided by the Corporate Manager – Internal Audit and Data Protection, as required by the Accounts and Audit (England) Regulations 2015.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no direct financial implications arising from this report. All Internal Audit recommendations must be considered in terms of their cost effectiveness.

7. LEGAL IMPLICATIONS

- 7.1 There are no direct legal implications arising from this report other than the statutory framework under which Internal Audit operates.

8. RISK MANAGEMENT

- 8.1 This report is not directly linked with any one of the Councils’ Significant Risks. The key risk, however, is set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective. As a result, each Council may not identify any significant weakness that could impact on	Unlikely 2	Bad 3	Councillors receive and approve the internal audit work programme and other reports on internal controls throughout the year.

the achievement of their aims and/or lead to fraud, financial loss or inefficiency.			The work programme is based on an assessment of risk for each system or operational area.
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9. CONSULTATIONS

- 9.1 The 2019/20 Internal Audit Plan was approved by the Joint Audit and Standards Committee on 11th March 2019 (Paper JAC/18/20), having previously been endorsed by the S151 Officer and the Senior Leadership Team.

As part of the preparation for this Plan, auditors engaged with senior management to identify their view of the coming year's risks linked to the Corporate Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions.

- 9.2 The half year report on progress towards completion of this report was presented to both Chairs of this Committee; Cabinet Lead Members for Customers, Digital Transformation & Improvement; the Senior Leadership Team, including the Section 151 Officer. No significant comments were forthcoming.
- 9.3 Similarly, the preparation of this report followed the same consultation process.

10. EQUALITY ANALYSIS

- 10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 There are no environmental implications arising from this report.

12. APPENDICES

Title	Location
(a) Appendix A - Overview of Internal Audit Work	Attached

13. BACKGROUND DOCUMENTS

- 13.1 Internal Audit Plan 2019/20 – Paper JAC/18/20.
- 13.2 Interim Internal Audit Report 2019/20 – Paper JAC/19/11

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