

AUDIT COMMITTEE

Internal Audit Annual Report 2020-21

15 June 2021

Report of the outgoing Internal Audit and Assurance Manager

PURPOSE OF REPORT

To approve the Internal Audit Annual report for 2020/21.

This report is public

RECOMMENDATIONS

1. **That the outgoing Internal Audit and Assurance Manager's (IAAM) Internal Audit Annual Report for 2020/21 be accepted and considered by the Audit Committee as a key source of assurance which will be reported in the Annual Governance Statement (AGS), to be considered by the Committee at a later stage.**

1.0 Introduction

- 1.1 The Internal Audit Annual Report is produced in order to meet the requirements of the Public Sector Internal Audit Standards and to assist in meeting the Accounts and Audit Regulations 2015. The report provides details of the work carried out by the Internal Audit function in order for the IAAM to issue an annual opinion on the overall adequacy and effectiveness of the organisations framework of governance, risk management and internal control.

2.0 Proposal Details

- 2.1 The Internal Audit Annual Report attached at Appendix A seeks to demonstrate that effective leadership of audit and governance are in place across the organisation and that the necessary arrangements are in place to maintain a sound system of internal control.

3.0 Details of consultation

- 3.1 No specific consultation has been undertaken in compiling this report. The content of this report and the overall opinion is supported by the work of Internal Audit during 2020/21.

4.0 Options and options analysis (including risk assessment if applicable)

- 4.1 The proposal is that the Committee accepts the IAAM's Internal Audit Annual Report as a contribution to the overall assessment of the internal control environment and the AGS. This report should be read in conjunction with the outgoing statement of the Chief Internal Auditor and this has been published with the minutes of the Audit Committee on 28 March 2021.

5.0 Conclusion

5.1 The work of internal audit seeks to provide assurance to the council as to the appropriateness and effectiveness of its internal control, risk management and corporate governance arrangements. The IAAM’s opinion in relation to these areas, based on the work completed during 2020/21 is attached at Appendix A.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)	
This report has no direct impact on these areas.	
FINANCIAL IMPLICATIONS	
None arising directly from this report.	
SECTION 151 OFFICER’S COMMENTS	
The Section 151 Officer has been consulted and has no further comments.	
LEGAL IMPLICATIONS	
None arising directly from this report.	
MONITORING OFFICER’S COMMENTS	
The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS	Contact Officer: Joanne Billington
Internal Audit Plan 2020/21	Telephone: N/A
Outgoing Chief Internal Auditor’s Statement (28 March 2021 Audit Committee)	E-mail: N/A
	Ref:

INTERNAL AUDIT ANNUAL REPORT 2020/21

The Internal Audit and Assurance Section is responsible to the Section 151 Officer for carrying out a continuous examination of the accounting, financial and other operations of the council in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015. The latter states that **“A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk”**.

Members of the Audit Committee should note that copies of internal audit reports are published on the council's intranet. Access to the supporting files is available to members of the Audit Committee on request.





Internal Audit continues to provide the council with the necessary assurance about its various activities and associated systems, as outlined in the council's Internal Audit Strategy and Audit Charter. In addition, the Principal Auditor has recently carried out a self-assessment of effectiveness of internal audit, using the Public Sector Internal Audit Standards and the Local Government Applicate Note. The results of this self-assessment can be found later in the agenda. The council's next independent peer review is scheduled to take place in early 2023.




The 2020/21 audit plan (approved by the Audit Committee on the 19 February 2020) consisted of 305 audit days (1.2 FTE). In previous years, the audit plan has solely been completed by the in-house team with reviews being carried out by the Internal Audit and Assurance Manager to ensure that quality and standards are maintained. However, following a re-structure in 2018/19 it was agreed with the Section 151 Officer and the Audit Committee that external audit providers would be used, to assist with the completion of the audit plan should it be deemed necessary.

Internal feedback forms continue to be distributed after each audit review as part of the Internal Audit Quality Assurance Improvement Programme and feedback received demonstrates that Internal Audit continue to be a well-received, appreciated internal service, that is considered to 'add value' and 'improve controls and processes' across the council.




Audit Work Performed in 2020 / 2021






Summarised below are the reviews that have been performed and reports issued in 2020/21. Final reports are published in full on the council's intranet site.



Level of assurance	Image	Definition
Maximum		The Authority can place high levels of reliance on the arrangements/controls. Best practice is demonstrated in some or all areas.
Substantial		The Authority can place substantial (i.e. sufficient) reliance on the arrangements/controls. Only relatively minor control weaknesses exist.
Limited		The Authority can place only limited reliance on the arrangements/controls. Significant control issues need to be resolved.
Minimal		The Authority cannot place sufficient reliance on the arrangements/controls. Substantial control weaknesses exist.

2018/19 Audit Plan Work completed in 2020/21			
TITLE	STATUS	Level of Assurance	Summary
Recovery of Legal Fees and Court Costs	Final Report Issued May 2021	Limited 	Owing to an overall limited assurance opinion being provided, this piece of work should be followed up in 3 months to ensure that control weaknesses identified per the action plan have been fully implemented raising the assurance opinion to substantial.
Council Housing Assets	N/A	N/A	This piece of work was due to be completed jointly with Lancashire County Council. A start-up meeting took place. However, owing to the Covid-19 pandemic, this piece of work was put on hold owing to the auditor being re-deployed to Business Support. Whilst the Principal Auditor resumed normal audit work in September 2020, Lancashire County Council have stated that they will be unable to assist with this work owing to limited resources. This piece of work has not been rolled to the 2021/22 audit plan and a judgement needs to be made following the completion of the service's operational risks register as to whether this work is needed.
2019/20 Audit Plan Work Completed in 2020/21			
VAT	Final Report Issued November 2020	Substantial 	Audit completed by Principal Auditor.
Procure to Pay (P2P) – Project Assurance Work	No Report Issued	Limited 	<p>Following the successful implementation of the P2P project it has been agreed with the Exchequer Services Manager that a piece of audit work would be carried out in 2021/22 to ensure that the system is working as intended and outcomes are as expected. A piece of work has been included in the 2021/22 Audit Plan for Q1.</p> <p>For the purpose of this annual audit report, an opinion of 'limited' has been given on the basis that the project is still in its infancy and more development and testing is required before the P2P system is fully implemented.</p>

2019/20 Audit Plan Work Completed in 2020/21

<p>Payroll e-budgeting - Project Assurance Work</p>	<p>No Report Issued</p>	<p>Substantial </p>	<p>Internal Audit has been involved in this project from the outset, up until the point that it was stalled owing to the pandemic. Whilst a 'dummy budget' has been produced and balanced, the software has yet to be rolled out fully. Following a number of staffing changes within Financial Services, there is now no lead officer to drive this project forward to implementation and there is a concern that the Financial Services Team will continue to use previous budget setting processes.</p> <p>If the e-budgeting software tool is to be used, a lead officer needs to be appointed and the software rolled out enabling the 2021/22 budget exercise to be completed.</p> <p>For the purpose of this annual audit report, an opinion of 'Substantial' has been given on the basis that the software has been tested and produced a successfully balanced budget.</p>
<p>Fixed Asset Register</p>	<p>Final Report Issued November 2020</p>	<p>Substantial </p>	<p>Audit completed by Lancashire County Council.</p>
<p>Data Protection - Policy and Process Review</p>	<p>Final Report Issued May 2020</p>	<p>Limited </p>	<p>Audit completed by Merseyside Internal Audit Service. The Information Governance Manager has confirmed that owing to the ongoing pandemic minimal progress has been made implementing the action plan produced in May 2020. Given a number of actions require collaboration with various officers across the council and since the pandemic these officers have been re-deployed, there has been minimal capacity to consider the recommendations made. Given the high number of recommendations made and the risk to the council both financial and reputational if the action plan is not implemented, this has been highlighted as a quarter 1 priority in the 2021/22 Audit Plan.</p> <p>It should be noted that the Information Governance Manager has recently been given temporary responsibility for progressing and monitoring risk management following the resignation of the Principal Auditor. There is a significant concern that there is not sufficient capacity within this post or the Information Governance Team to take on this additional responsibility and execute it successfully, whilst also implementing the extensive action plan that was agreed.</p>

Follow-up work completed in 2020/21			
Procurement and Project Management	Verbal update provided November 2020	Limited 	Whilst an updated Procurement Strategy and Contract Procedure Rules have been approved by the Council, the Procurement Manager has confirmed that limited progress has been made in relation to re-launching the 'procurement service' and tackling the contract management training issues identified. It is not clear which officers have undertaken training as take-up and participation has not been recorded/monitored. Given the limited assurance and the number of outstanding actions this has been highlighted as a Quarter 1 priority in the 2021/22 Audit Plan.
Dog Seizure and Kennelling Contract	Final Report Issued January 2021	Substantial 	Audit completed by Principal Auditor.
Insurance	Verbal update provided May 2021	Limited 	<p>The original piece of work was completed in November 2019 and despite several attempts over the last 18 months to work with the Insurance Officer to raise the assurance opinion to significant, the overall assurance opinion still remains at limited given that two grade one recommendations are still outstanding. It is understood that the Insurance Officer is liaising with Exchequer Services to help with facilitating these two outstanding actions, which once successfully completed will see the overall assurance opinion raised to 'substantial'.</p> <p>As per the Audit Charter, given this piece of work has remained limited after two follow-ups, the Audit Committee may wish to seek an explanation from the Insurance Officer or their Line Manager as to why the actions remain outstanding.</p>
Payroll	Final Report Issued January 2021	Substantial 	Audit completed by Principal Auditor.
Asbestos Management - Council Housing	Final Report Issued December 2020	Substantial 	Audit completed by Principal Auditor.

2020/21 Audit Plan Work			
TITLE	STATUS	Level of Assurance	Summary
Job Evaluation	N/A	Limited 	<p>As agreed with the Section 151 officer, this piece of work is to be superseded by the HR Assurance follow-up work that is scheduled for quarter 4 in the 2021/22 audit plan, which also identified a number of Job Evaluation (JE) issues that needed to be resolved.</p> <p>For the purpose of this annual audit report, an opinion of 'Limited' has been given on the basis that at the time of writing this overall opinion, it is understood that the Chairman of the Audit Committee had not been updated on the progress of the implementation of the HR Assurance Action plan as previously promised by the Corporate Director of Resources and can provide no assurance that the recommendations made in respect of JE have been actioned or progressed in any way.</p>
Housing Benefit e-claim form (Lancaster)	N/A	N/A	<p>Whilst it was reported in November 2020 that a piece of work on the Housing Benefit e-claim form for Lancaster would be covered in quarter 4 per the 2020/21 audit plan, the Business Support Manager has confirmed that this piece of work is no longer required given that additional payment checks have been introduced and therefore there is no longer a cause for concern.</p>
HR Assurance Work	Final Report Issued October 2020	Minimal 	<p>During September and October 2020, a piece of assurance work relating to Human Resources was undertaken. A minimal overall assurance opinion was given following a significant number of findings and recommendations being made.</p> <p>Whilst a piece of work has been scheduled in quarter 3 - 4 of the 2021/22 audit plan to carry out a review of the effectiveness of new HR procedures and processes, it is concerning that to date the Director of Corporate Services has failed to provide any updates to the Internal Audit and Assurance Manager, the S151 Officer or the Audit Committee Chairman on the progress made in implementing the 35 actions agreed. Given the severity of a number of the recommendations made, it is imperative that this piece of work be brought forward as at present we are unable to provide any assurance on the effectiveness of the HR service. Given this minimal assurance, this should also be documented in the Annual Governance Statement as a 'significant governance issue'.</p>

			<p>It is also understood that a second action plan has since been produced by the Director of Corporate Services to amalgamate the actions agreed per the above internal HR Assurance Audit with the actions resulting from the Grievance that was investigated externally and the expected outcomes from the HR Service review that is currently underway. Given that again neither the Internal Audit and Assurance Manager, the S151 Officer nor the Audit Committee Chairman has had sight of this combined action plan, it is imperative that the original audit action plan and this combined action plan is appropriately reconciled to ensure that the combined action plan suitably addresses all the concerns that were originally raised. There is a concern that the current HR Service review may not address all the recommendations that were originally agreed.</p> <p>It should be noted that evidence supporting the 35 recommendations made within the original audit report has been retained and this can be shared if required in order to provide clarity in relation to each of the findings reported.</p>
2020/21 Audit Plan Work			
National Fraud Initiative	N/A	N/A	Both the bi-annual and the annual Single Person Discount exercises have now been completed as well as an additional exercise relating to the Covid Business Grants, and the Corporate Enquiry Team are in the process of investigating all appropriate matches. The results of which will be reported by the Corporate Fraud Manager in her annual report to the Audit Committee.
Risk Management – Operational	N/A	N/A	<p>Work is continuing at pace to progress the embedding of operational risk management. Following the refresh and approval of the Risk Management Policy in March 2021, the Grace Risk Management system is now being populated with individual services key operational risks, which will assist with future audit planning.</p> <p>See ‘Risk Management’ section below for further details.</p>
Risk Management - Strategic	N/A	N/A	<p>Whilst the council has a Strategic Risk Register, it still requires significant improvement as it currently does not reflect all of the council’s key risks and priorities.</p> <p>See ‘Risk Management’ section below for further details.</p>
2020/21 Audit Plan Work			

<p>Assurance Mapping Exercise</p>	<p>N/A</p>	<p>N/A</p>	<p>An assurance mapping exercise is completed each year to assist with the development of the audit plan and also help identify other assurance streams across the council, other than those provided by Internal Audit that the Chief Internal Auditor can rely on when making and reporting their overall opinion on the council's control framework.</p> <p>Whilst all Service Managers completed and returned their assurance mapping declarations in January / February 2021, following examination it was identified that very few updates had been made from the previous year (2019/20) despite the on-going pandemic. The council is effectively being asked to accept that Service Managers continued to obtain the same additional assurance from other sources (other than internal audit) during 2020/21 and throughout the pandemic. Whilst no validation work has been carried out by Internal Audit to validate the content of these statements as normal, it is highly unlikely, given the pandemic, that this is correct and feasible for all or possibly even the majority of services. In addition to concerns around the reliability of the statements sign off of these declarations has only been completed by one of the Directors. Whilst in previous years a strong reliance has been placed on these declarations, given these concerns, a decision has been made not to place full reliance on these additional assurance streams when formulating the overall opinion on the internal control environment for 2020/21.</p> <p>Assurance mapping is a vital exercise, more so when resources are limited. Therefore it is imperative that both the Executive Team and Service Managers understand the importance of this exercise and participate fully, rather than paying lip service when completing the declarations. This exercise assists when deploying audit resources, prevents duplication of work/effort and also assists the Chief Internal Auditor make an accurate overall opinion which can be relied upon as a source of assurance in the Annual Governance Statement.</p>
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Other audit work undertaken:

Investigations

There have been no internal investigations carried out by Internal Audit or the Corporate Enquiry Team during 2020/21.

Corporate Enquiry Team

The council has a duty to protect public funds and has a shared Corporate Fraud Team with Preston and Fylde Councils. The team is called the Corporate Enquiry Team and its role is to investigate allegations of fraud against the council, undertake pro-active investigations in high risk areas, act as single point of contact between the council and the Department for Work and Pensions fraud team and to participate in multi-agency working to prevent and detect crime with partner agencies. A detailed report of the outcomes will be reported to the Audit Committee and is attached later in this agenda.

Information governance – judgement of security and use of business assets

The council's Information Governance (IG) Team continue to work on compliance with the General Data Protection Regulations which came into force on the 25 May 2018. It was agreed that a piece of audit work would be scheduled as part of the 2019/20 audit plan to obtain an updated position statement on progress made in implementing the action plan from BLS. Merseyside Internal Audit Service, who specialise in data protection work were commissioned to carry out the audit on behalf of Internal Audit. Whilst the original work was completed during the 2019/20 audit year, owing to the Covid-19 pandemic, the results of this piece of work were only received as draft at the time of the last annual report. The draft report and recommendations recognised that significant progress has been made in some areas. However there were still a number of areas that required immediate attention, therefore only 'limited' assurance was provided.

Much of the work required under the recommendations is collaborative and requires significant participation from all council departments. Unfortunately, owing to the need to prioritise the response to the pandemic and the re-allocation of large numbers of staff it has not been possible to progress the action plan to any significant degree. As the pandemic response is cautiously moving towards the recovery phase, it is hoped that significant progress can be made this audit year, providing staffing resource in Information Governance is at least maintained. Based on the limited progression made during 2020/21, again, this needs to be raised as a 'significant concern' in the Annual Governance Statement.

Counter Fraud and Corruption Policies

The council has a number of counter fraud policies in place across the organisation, namely, Raising Concerns Policy, Anti-Fraud, Corruption and Bribery Policy, Anti-Money Laundering Policy and the Sanction Policy. Following the preparation of the 2018/19 Annual Governance Statement it was identified that all the counter fraud policies were out of date and had not been reviewed for some time. It was also identified that the ownership and responsibility for these policies sat in several places, e.g. Human Resources, Legal Services, Internal Audit and Assurance and the

Corporate Fraud Team. To ensure these policies were independently and consistently applied, reviewed and approved by Audit Committee on a regular basis, a decision was made to move all the policies to the control of the council's Corporate Fraud Team, with the exception of the Anti-Money Laundering Policy, which was moved to the Finance Team. This exception was made recognising that the council's Money Laundering Reporting Officer is the council's Section 151 Officer. Prior to the annual review in March 2021, it was identified that the Raising Concerns Policy should be reviewed by Personnel Committee not the Audit Committee as per their Terms of Reference. Therefore this policy was not reviewed as normal with the other counter-fraud policies. Per the minutes of the Audit Committee meeting on the 24 March 2021, the Audit Committee were advised to monitor any significant changes made to this policy given one of the Audit Committee's responsibilities is the oversight of the council's counter-fraud arrangements

The Audit Committee should also note that the Anti-Money Laundering Policy still needs to be reviewed following slight changes to legislation and also changes to the council's Money Laundering Reporting Officer and their Deputy.

Effectiveness of Internal Audit Review

In accordance with the Accounts and Audit Regulations 2015, paragraph 6 (1) requires the relevant body, each financial year to conduct a review of the effectiveness of its system of internal audit. The review recognises the important role that internal audit play in the assurance process and the need to continually ensure that it remains effective. Self-assessments are completed using both the 'Public Sector Internal Audit Standards' and the 'Local Government Application Guidance Note' issued by CIPFA. The self-assessment completed in July 2020 reported to the Audit Committee that 'overall compliance was achieved with only minor observations made'. A number of 'partial' completed actions in relation to risk management were highlighted, some of which have since been actioned, whilst some still remain outstanding. This year's self-assessment was completed by the Principal Auditor before her departure, to accompany the Annual Audit Opinion. The self-assessment covers the period 1 April 2020 to 31 March 2021. At the time of writing this opinion, it is understood that from the 1 June 2021 there is no internal audit service within the council. Therefore a further self-assessment will need to be completed, once a service has been put in place.

In order to comply with the PSIAS an external assessment must be conducted at least once every five years by a qualified independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment in-house with independent external validation. It was agreed by the Lancashire District Chief Auditors group and validated by the Audit Committee, that peer reviews would be used to obtain the independent external validation. Lancaster City Council's last external assessment was completed in March 2018 and the report was presented to the Audit Committee on the 23 May 2018. This reported that overall, the council's Internal Audit Section was fully compliant with the PSIAS with only four points for consideration made, all of which have been considered and implemented where appropriate. The next peer review is scheduled to take place in February 2023. However at the time of writing this report, it is unclear if Lancaster City Council will be able to participate in this round of peer reviews, given there is no Chief Internal Auditor in post or a 'qualified' equivalent within the organisation to reciprocate the 'peer review' process which has already commenced. This will need

to be addressed as a matter of urgency if the council is to avoid having to seek alternative arrangements to the established peer review process.

Quality Assurance Improvement Programme

In accordance with the PSIAS, the Chief Internal Auditor (Internal Audit and Assurance Manager) must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal, and external assessments. Up until the 31 March 2021, the QAIP programme was as follows;

The internal assessments include the following:

- An annual self-assessment of the effectiveness of the audit service using the PSIAS and CIPFA's Local Government Application Guidance Note; and
- Day-to-day monitoring of compliance with the Definition of Internal Auditing and the Code of Ethics documented within the section's Audit Charter and also in the PSIAS.

External assessments include:

- A 5 yearly independent assessment of compliance to the PSIAS and CIPFA's Local Government Application Guidance Note;
- An annual review of the Council's Annual Governance Statement which accompanies the Statement of Accounts;
- Regular attendance at the Audit Committee by the Council's External Auditor with the opportunity to meet in private with the Committee; and
- External Audit and the Audit Committee's continual review and challenge of all internal audit reports.

Compliance to the Public Sector International Audit Standards (PSIAS)

In April 2014, the International Standard setters developed a comprehensive set of standards (PSIAS) that are expected to be in place within any effective audit organisation. The PSIAS replaced CIPFA's 'Code of Practice for Internal Audit in Local Government'. The PSIAS requires that areas of non-compliance with the PSIAS Definition of Internal Auditing and the Code of Ethics are reported in the Annual Internal Audit report and that significant deviation requires inclusion in the Council's Annual Governance Statement. It should be noted that following the external validation in March 2018 and the self-assessment completed as at the 31 March 2021, there are no areas of non-compliance or deviations to report. However, the AGS for 2020/21 does need to reflect that whilst a self-assessment against the PSIAS and Local Government Application Guidance Note has been completed this year, its content relates to the period 1 April 2020 to 31 March 2021.

Risk Management

Significant work was completed during 2019/20 to strengthen the council's risk management processes across the organisation. A Risk Management Policy was approved by the Audit Committee in November 2019 and a Strategic Risk Register was populated. In February 2020, the council procured and implemented risk management software (GRACE) to assist with the administration of both strategic

and operational risks. Following the procurement of this risk management software a slight amendment was needed to the Risk Management Policy to reflect new processes and this amendment was subsequently agreed by the Audit Committee on 24 March 2021. Since early 2021, the Principal Auditor has been working with service managers across the authority to produce a comprehensive suite of key operational risk registers which are now available in GRACE. These will assist with future audit planning.

Following the resignation of the Principal Auditor, the management of operational risk and the risk registers has been temporarily transferred to the Information Governance Manager. However, given the limited resources already within this team and the extensive GDPR action plan that needs urgent attention also, there is a significant concern going forward that progress in embedding risk management will stall. Regular updates should be brought to the Audit Committee by the Information Governance Manager to allow them to monitor progress and seek the assurances they require in order to fulfil the duties outlined in their Terms of Reference.

Whilst the council has a Strategic Risk Register, it still requires significant improvement as it currently does not reflect all of the council's key risks and priorities. Therefore, Internal Audit have not been able to utilise this risk register to drive and prioritise their audit work as was hoped and reported in previous updates to the Audit Committee. To date, the strategic risk register has been driven by the Internal Audit Team with little / no input from the Executive Team. Responsibility for this register should sit with the Executive Team and as such it is their responsibility to ensure that it is updated on a regular basis and reflects the council's key risks and priorities. In order for Internal Audit to effectively delivery its responsibilities as outlined in the Internal Audit Strategy, significant improvement in this area is needed and it is therefore recommended that this also be documented in the Annual Governance Statement as a significant governance issue.

System of Internal Control

In accordance with the Accounts and Audit Regulations 2015, Internal Audit is required to form an opinion on the adequacy and effectiveness of the council's internal control environment, which includes consideration of any significant risk or governance issues and control failures that have been identified throughout the year.

In providing an overall opinion on the council's system of internal control, it should be noted that assurance can never be absolute. Internal Audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed. In arriving at an opinion, consideration is given to;

- The findings from the audit work undertaken during the year;
- The amount of audit work undertaken in the year compared with work planned;
- The results of follow up action in respect of audit work;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The risk management arrangements and the framework of assurance; and
- The production and the issues identified in the Annual Governance Statement.

Internal Audit and Assurance Manager's overall opinion on the council's internal control environment, risk management and governance arrangements

This overall opinion should be read in conjunction with the 'out-going statement of the Chief Internal Auditor' that has been published with the minutes of the Audit Committee held on 28 March 2021.

Following the internal audit work carried out during 2020/21, it is my opinion, that of the work completed the council has 'adequate' controls in place in the majority of the areas examined to be able to maintain an adequate and effective internal control environment. There are several areas where a 'limited assurance' opinion has been given and, in these instances, mitigating action plans have been agreed.

Unfortunately one area of work did receive a 'minimal' assurance opinion and despite it being over seven months since Internal Audit issued their final report, no updates have yet been received as to how the 35 control weaknesses have been or are to be addressed. Whilst audit were informed at the time that a HR Service Review would address all the recommendations made, it would appear that this may not be the case. Therefore this needs to be re-visited immediately. If assurance is not provided to the Section 151 Officer and the Audit Committee Chairman that the control environment has significantly improved and evidence is provided to substantiate this improvement in control, this needs to be documented as a 'significant governance issue' in the Annual Governance Statement.

The temporary 'pause' in audit work owing to the pandemic and the additional HR assurance work did affect the delivery of the audit plan as previously reported to the Audit Committee in November 2020. It was hoped that the assurance mapping exercise would assist me in making my overall opinion on the control environment. However as reported above, I have taken a decision not to place full reliance on these declarations, contra to the approach in previous years, as it would appear that Managers and Directors may not have given them their full attention during the pandemic. It is understandable given the enormous pressure caused by the pandemic that some individuals may not have given this process their full attention but Managers and Directors need to understand going forward that this is a critical measure for the organisation and recommit to the process. This is essential to ensure that the limited audit resources available are utilised effectively and that duplication of work is avoided.

Following the withdrawal of myself from the contractual arrangement with the council to take up a promotion and the resignation of the Principal Auditor, it is understood at the time of writing this report, no firm arrangements had been made for our replacement. This will mean that there is no Internal Audit provision in place from the 1 June 2021. If this is not resolved at the time of agreeing the Annual Governance Statement, this also should to be raised as a 'significant' governance issue.

Risk Management

It is pleasing to report that operational risk management has progressed well during 2020/21, despite the pandemic. Service managers have been responding well to the request to populate risk registers and it is hoped that these registers will drive future audit work. There is a concern that progress may stall going forward given the workload of the Information Governance Manager, therefore it is recommended that

the Audit Committee Chairman requests regular updates in relation to progress on this.

Strategic risk management continues to be an area of concern. Whilst a risk register is in place, it still requires significant improvement as it does not reflect all of the council's key risks and priorities. In addition during 2020/21, Internal Audit were still the drivers of the register with the Executive Team having little / no input into the register's development / update. As in previous years, this needs to be documented in the Annual Governance Statement as a 'significant' governance issue.

Governance Arrangements

Whilst in previous years, I have been responsible for compiling the Annual Governance Statement, it is my understanding that following my departure on the 31 March 2021, the council has yet to start work on the production of the 2020/21 statement and responsibility for this task has not yet been allocated to another officer. This demonstrates a lack of understanding about the importance of this statutory statement which is ultimately designed to document the council's compliance to CIPFA's Delivering Good Governance Framework and evidence to local tax payers and service users that the council maintains high standards of governance.

In summary, going forward, if the areas of weakness identified above in relation to risk management and the overall governance assurance framework are not addressed immediately, there is a concern that serious weaknesses within the organisation may not be identified which could have a detrimental impact on the council.