

# AUDIT AND GOVERNANCE COMMITTEE

<b>DATE</b>	22 July 2021
<b>REPORT OF</b>	Peter Hanmer - Head of Audit and Assurance
<b>SUBJECT</b>	Head of Internal Audit Annual Report and Opinion 2020/21
<b>STATUS</b>	Open

## CONTRIBUTION TO OUR AIMS

An effective control framework, good governance and risk management is fundamental to the effective delivery of the Council's services and its strategic aims. Internal Audit supports this by providing assurance, challenge and advice on their design and operation. Furthermore, the Internal Audit programme is risk based with specific priority given to those systems and processes which support the delivery of the Council's strategic aims.

## EXECUTIVE SUMMARY

As set out in the Public Sector Internal Audit Standards (PSIAS) there is a requirement under PSIAS 2450 for the Chief Audit Executive to provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. At North East Lincolnshire Council, the Head of Audit and Assurance carries out the functions of the Chief Audit Executive as defined in the standards.

This report provides satisfactory assurance on the overall arrangements for governance, risk and the internal control framework, taking into account those areas where additional improvements have been identified.

## RECOMMENDATIONS

It is recommended that as part of its role in reviewing the effectiveness of the Council's governance arrangements (including the content of the Annual Governance Statement), the Audit and Governance Committee considers and receives this report, including the control issues identified within it.

## REASONS FOR DECISION

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive to produce an Annual Report incorporating his/ her opinion on the design and operation of the control environment.

## 1. BACKGROUND AND ISSUES

As set out in the Public Sector Internal Audit standards (PSIAS), there is a requirement under PSIAS 2450, for the Chief Audit Executive to 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);
- 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

A copy of the Annual Report and Opinion is attached. The key points identified in the 2020/21 the Head of Internal Annual report and opinion are as follows:

- 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 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. Although the pandemic has inevitably had some impact on the scope of our work sufficient work has been carried out to provide a reliable opinion, and no major control failures have been identified.
- 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. . However, as highlighted in some of our work, the Council will need to ensure there is sufficient and appropriate capacity overall to support and deliver its ambitious aspirations to make sustained improvements to the "Place", as well the implementation of its post-Pandemic recovery programme and to continue to strengthen arrangements within Children's Services.
- 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 remains an area for further development.

## **2. RISKS AND OPPORTUNITIES**

The Head of Internal Audit's Annual Report and Opinions are a regulatory requirement and there is potential reputational risk if it was not produced or if did not provide sufficient assurance that Internal Audit carried out its responsibilities in line with the standards.

As well as individual audit assignments identifying specific areas of potential risk, it is a requirement to provide an overall opinion on the Council's risk management arrangements as shown in section 3 of the report.

## **3. OTHER OPTIONS CONSIDERED**

Not applicable. The production of this report is a requirement of the Public Sector Internal Audit Standards.

#### **4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

There are no specific reputation issues in relation to this report. The main messages relating to this report have been communicated with the Leadership Team, and the report will be publicised on the Council's intranet.

#### **5. FINANCIAL CONSIDERATIONS**

One of the key aspects of internal audit work is to consider the Council's systems of financial control. This is considered not only in specific audits of its key financial systems, but in most of its other audit work.

#### **6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

The Council's environmental arrangements are subject to regular audit review. In 2020/21 we intended to carry out a review of the Council's environmental strategy. However, in 2021 the Council has begun a detailed review of its approach to the environment and therefore it was agreed to defer a full audit until 2021/22. We found that considerable work has already been carried out in establishing its baseline position, determining its vision and priorities, and developing a work programme with timelines.

#### **7. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report. However the report provides assurance over the reliability of the systems supporting the financial information provided within the statement of accounts.

#### **8. LEGAL IMPLICATIONS**

There are no specific legal implications associated with this report.

#### **9. HUMAN RESOURCES IMPLICATIONS**

There are no direct specific human resources implications associated with this report.

#### **10. WARD IMPLICATIONS**

The report covers issues affecting the whole operation of the council and therefore is relevant to all wards.

#### **11. BACKGROUND PAPERS**

The Public Sector Internal Audit Standards 2017  
Internal Audit Plan 2019/20 (July 2000)  
Internal Audit Interim Report (January 2021)

#### **12. CONTACT OFFICER(S)**

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**Peter Hanmer**  
**Head of Audit and Assurance**



The  
Assurance  
People

The logo for Northern Lincolnshire Business Connect features a stylized green and white graphic of a mountain range. Below the graphic, the text "NORTHERN LINCOLNSHIRE BUSINESS CONNECT" is written in blue.

NORTHERN LINCOLNSHIRE  
BUSINESS CONNECT

# **Head of Internal Audit Annual Report and Opinion 2020/21**

## **North East Lincolnshire Council**

**Peter Hanmer  
Head of Audit and Assurance  
July 2021**

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# 1 Introduction

1.1 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”*.

1.2 Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which define 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.”*

1.3 As set out in the standards there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report which must:

- consider the strategies, objectives and risks of the organisation and the expectations of senior management, the Audit and Governance Committee and other stakeholders.
- be supported by sufficient, reliable, relevant and useful information.
- include an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- include an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control; and
- include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

1.4 This report provides a summary for each of these areas. At North East Lincolnshire Council, the Head of Audit and Assurance carries out the functions of the Chief Audit Executive as defined in the standards.

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## 2 Audit work from which the opinion is derived

- 2.1 Internal Audit carried out its work in accordance with its 2020/21 plan, which was formally approved by the Audit Committee on 23 July 2020. This described how it was compiled, considering the Council's strategies, objectives and risks. The scope of Internal Audit activity is clearly set out in each audit assignment specification and report.
- 2.2 As laid out in the audit plan the work of Internal Audit is split into a number of key areas. It is critical that in forming an opinion on the overall control environment, the Annual Plan is designed to ensure that specific assurance is provided for each of these areas all of which can potentially feed into the annual governance statement:
- strategic and operational risks relating to the delivery of the Council's strategic outcomes and/ or a key part of the Council's Code of Governance.
  - the key financial systems to support the S151 Officer's statement provided as part of the Annual Statement of Accounts in relation to the reliability of the systems supporting the accounts.
  - other key areas which support the Council's control environment (e.g. human resources, ICT, procurement).
  - providing assurance on the control environment within maintained schools; and
  - work such as providing advice and support, the mandatory certification of external grants claims, and audit team's contribution to the Council's approach to counter fraud, including specific audits testing anti-fraud controls.
- 2.3 During 2020/21 the audit plan was subject to regular review. As new risks emerged that required audit coverage they were added to the plan, whilst other areas were either taken out because of reduced level of risk due to changing circumstances, or where there had been internal or external reviews either carried out or pending.
- 2.4 As communicated to the Committee when the plan was approved, due to the impact of the pandemic there was likely to be a greater degree of ongoing amendment and re-prioritisation to the plan than in previous years. On 21 January 2021, the Audit Committee received an interim report which informed Members as to how Internal Audit had responded

to the pandemic was informed of the amendments to the plan, and how it been amended to reflect the following:

- the audit team provided considerable advisory support during the pandemic including Covid-19 related grants, advice on stock control for PPE and the Shielding Hubs, advice on applying changes to procurement rules during the pandemic, whilst some staff were temporarily seconded to support the distribution of food parcels;
- in those areas facing significant challenges leading the Council's response to the pandemic it was agreed to defer some of the less urgent audit work to 2021/22;
- given that the transformation framework has been launched in relation to Children's services, together with a transformation plan as well scrutiny from OFSTED and the DFE, audit's focus is on the governance arrangements for the delivery of the plan, with some full audits being deferred until once new arrangements are in place; and
- additional work was built into the audit plan for 2020/21 to provide assurance on the Council's response to COVID-19 and its recovery programme: this will cover three strands: assessing how services have managed the response to the pandemic when carrying out the audit plan, providing assurance on the use of additional resources received by the Council, and providing assurance on the governance of the recovery plan.

The summary of changes to the audit plan reported to the Audit Committee in January 2021 are re-shown in Appendix 1 of this report.

2.5 The position on 30 June 2021 is shown on the table below.

***Days charged against the audit plan as of 30 June 2021.***

Area	Planned days	Revised days	Actual days
Strategic risks, operational risks, and governance (including Union related work as part of CCG plan)	525	485	366
Financial systems	145	145	127
ICT	55	55	41
Procurement and contract management	25	35	27
Grants	25	30	36
Schools	15	15	17
Follow up	40	40	27
Fraud and investigation	60	84	66
Advisory	50	70	70
Audit Management	75	75	78
Contingency	35	21	
Total	970	970	855

2.6 Overall, as of 30 June 2021 audit delivered a total of days compared to the plan of 970, a difference of 115 days. The reason for the differences were as follows:

- some ICT work was deferred to 2021/22 to allow the ICT staff to focus on the challenges brought by the pandemic.
- some of the audits related to strategic and operational risks took quicker to complete than anticipated and the completion of a small number was postponed for the reasons laid out in Appendix 2;
- the planned recruitment of two new staff in early 2021 took slightly longer than anticipated meaning that some lower risk audits needed to be reprioritised.

2.7 A summary of the audit work to support the opinion is shown on Appendix 2. For most audits we provide two opinions as shown below; one relates to the overall control effectiveness, whilst the other relates to the residual risk exposure. Against a planned target of 65 as of 30 June 2021, 54 audits had been completed, and four were in draft. We derive our overall opinion on the control framework by considering the outcome of individual audits. Typically, those areas where the assurance on the control environment is “limited”, and the residual risk is at least “medium”

will be considered for specific reference in the overall opinion on the Council's overall control environment, with particular focus on those areas which are critical to the Council's financial management and governance arrangements, including the potential impact of any weaknesses identified. Although some planned audits had not been reported by 30 June there is nothing to suggest from the work carried out so far that they would adversely impact on the overall opinion,

### Overall Control Effectiveness

<b>Substantial</b>	Strong controls support achievement of the business objectives.
<b>Satisfactory</b>	Controls support business objectives, but some improvements should be made.
<b>Limited</b>	Controls provide some support for business objectives, but improvements are essential.
<b>None</b>	Controls do not support the achievement of business objectives.

### Residual Risk Exposure

Priority Level	Action Level
<b>High</b>	Significant possibility for substantial financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Action must be taken to mitigate the risk.
<b>Medium</b>	Potential for financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Depending on risk appetite, action should be taken to either mitigate the risk or accept that an event could occur and manage its impact.
<b>Low</b>	Risk is being suitably managed based on current knowledge. Should be regularly reviewed and monitored.

2.8 In forming our overall opinion, we also consider of the following:

- As shown on Appendix 2, there were some audits where we found that new process or systems were in development and, therefore, we were not able to provide an opinion in 2020/21, but instead have provided a short commentary on the current position. Due to the impact of the pandemic this has been more prevalent than in previous years. Where

appropriate we have taken this work into account when assessing the Council's control environment.

- The outcome of external inspections- During 2020/21 we kept a “watching brief” on the governance arrangements for monitoring the delivery of the improvement plan arising from previous OFSTED visits, and saw evidence that the implementation of actions was being monitored. In May 2021 OFSTED carried out a further focused visit of the “front door”. As reported in the Annual Governance Statement, the inspection found that significant progress has been made on its previous visit, but advised that the scope of the assurance visit was relatively narrow and the DfE may not remove its Improvement Notice at the current time. Consequently, the Improvement notice and governance of the improvement/transformation plan currently remain in place.
- As listed at Appendix 4, Internal Audit has carried out advisory work for the Council and where appropriate we have considered any issues arising from this work.
- Any significant issues identified in Adult Social Care related audits, which were carried out at, and reported to, the North East Lincolnshire Clinical Commissioning Group's (NELCCG) Audit and Governance Committee as part of the “Union arrangements” which impact on the Council's statutory responsibilities. A key focus of our work in 2020/21 was providing assurance on the application of infection control grants and the response to COVID-19. There were no areas identified from our work, or other sources, that would materially detrimentally impact on the opinion of the Council's control environment.
- As part of the wider Audit and Assurance Team, Internal Audit makes a significant contribution to the delivery of the Council's approach to anti-fraud and corruption. This was shown in the Annual Fraud Report 2020/21 which was reported to the Audit Committee on 22 April 2021. Although there were no issues of significant concern raised in the report, it did identify potential opportunities to further promote the Whistleblowing Policy.

2.9 Covid-19 has inevitably had an impact on the operation of the Council's control environment. Rather than carrying out a separate audit on the response to COVID-19 as described in paragraph 2.4 we incorporated it into our existing work programme and reviewed key documents and reports about the Council's response as they arose. Despite the challenges it has brought we have not identified, or aware of, any major

control failures directly resulting from it. Our main observations are as follows:

- Some planned developments to the control environment had to be deferred as the Council's resources were prioritised to dealing with the response. Some of these are referred to in Appendix 2.
- As shown on the summary of our work on Appendix 2, COVID-19 did significantly impact the control environment on those areas subject to audit subject to a few exceptions, whilst in some areas it has increased the level of risk.
- The Council responded put in new working and emergency arrangements at an early stage. including the implementation of emergency decision making that ensured that it was able to operate within its agreed governance framework. The Council quickly set up a log of changes in legislation and guidance and ensured that key staff were aware of it and acted upon it.
- The Council has put in processes to manage the substantial grant funding it has received in relation to COVID-19, including systems for recording the grants received and payments made. Through our work and support we have identified an effective control environment for things such as business grants and infection control. During 2021/22 internal audit will be asked from grant paying departments to provide assurance on a number of grant schemes and we will provide further updates when that work is complete.
- Recovery plans were put in place during the "first wave" of the pandemic and were then monitored by the Cabinet, Health and Wellbeing Board, and the Strategic Leadership Team. In February 2021 the recovery plans were absorbed into the Council's Commissioning Plans. In addition, two COVID-19 related risks were set up on the risk register. The impact of the pandemic is likely to be long lasting and so it is important that the Council continues to monitor the impact of Covid-19 on the delivery of its outcomes its recovery plans via the monitoring of the delivery of its commissioning plans.

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## 3 Chief Audit Executive Annual Opinion 2020/21

- 3.1 The overall opinion for each of the three areas of the control environment is shown below. This opinion is subject to the limitation of scope and statement of responsibilities laid out in Appendix 4. It is based on work reported by Internal Audit up to 30 June 2021.

### Control Framework

- 3.2 Overall, we can provide **satisfactory assurance** on the effectiveness of the Council's control framework in relation to 2020/21 as highlighted on the list of audits shown on Appendix 2. Although COVID-19 has inevitably had some impact on the scope of our work and some planned developments in the control environment, sufficient work has been carried out to provide a reliable opinion, and no major control failures have been identified.
- 3.3 Moving forward, however as highlighted in some of our work, the Council will need to ensure there is sufficient and appropriate capacity overall to support and deliver its ambitious aspirations to make sustained improvements to the "Place", as well the implementation of its post-Pandemic recovery programme and to continue to strengthen arrangements within Children's Services.
- 3.4 We were able to provide substantial assurance in relation to the audits of those systems which support the annual financial statements. Despite the impact of COVID-19 the Council's key financial systems continued to produce materially reliable financial information. However, it is recognised by the Council that efficiencies will be generated by the adoption of updated financial and human resources systems. The target implementation date of April 2021 for Payroll/ Human Resources was largely met, but the target date of September 2021 for Finance has been pushed back into April 2022. It is important that sufficient focus is provided to ensure that this target is met, and that sufficient work is carried out around the design of the new system to ensure that the anticipated efficiencies will be delivered and at the same time ensuring that they will produce accurate and reliable information.

### Governance

- 3.5 Our audit programme is designed around the Council's Code of Governance which was based on the principles designed by CIPFA/SOLACE. Overall, we can provide **satisfactory assurance** in relation to its governance arrangements and the processes which support them, and from our work and other sources we are not aware of

any material governance failures occurring in 2020/21. Both the Constitution and the Code of Corporate Governance have both been subject to extensive annual review, whilst the Council quickly put in place adaptations to its governance framework in response to the pandemic.

### **Risk Management**

- 3.6 As reported in 2018/19 an audit carried out on our behalf by Lincolnshire County Council's Assurance team provided **substantial** assurance in relation to the Council's risk management arrangements. As shown in the Strategic Lead's (Risk and Governance) Annual Report, the Council continues to maintain a comprehensive strategic risk register, although there are still opportunities for a consistent approach to the maintenance of operational risk registers. Our audit of risk in cabinet reporting found that most reports contained a good description of risks related to proposed key decisions.

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## **4 Quality Assurance Arrangements**

- 4.1 A quality assurance process is in place to ensure that work is carried out to Public Sector Internal Audit Standards (PSIAS) and that the opinions provided for individual assignments are supported by sufficient evidence. On 26 January 2017 the team's Quality and Assurance Improvement Programme (QAIP) was presented to the Audit Committee and remains in operation. Under the standards the annual report is obliged to report on the outcome of, and any issues arising from, the QAIP
- 4.2 An important element of the standards is that every five years audit teams are subject to an external inspection in order to assess compliance with the Public Sector Internal Audit Standards, and where appropriate identify area for further development. As reported in the 2017/18 Head of Internal Audit Report an inspection was carried out in March 2018, and the report was issued in May 2018. Its overall conclusion was that:

"It is our overall conclusion that the internal audit function for North East Lincolnshire Council generally conforms with the Public Sector Internal Audit Standards"

- 4.3 'Generally conforms' is the top rating available, and is defined as:

*"the internal audit activity has a charter, policies, and processes that are judged to be in conformance with the standards. There may be opportunities for improvement, but these do not represent situations where*

*the internal audit activity has not implemented the Standards, the Code of Ethics or is not achieving their stated objectives”.*

4.4 Other sources of evidence for the QAIP included:

- a review carried out by the Head of Audit and Assurance of a sample of assignments including reports; the review found that overall, the work compliant with the team’s quality standards and processes, but there were some opportunities to make improvements, and these will be reflected in an updated action plan and further guidance within the audit manual;
- the annual self-assessment against the standards (Appendix 5).
- Self-assessment against the five principles contained in the updated CIPFA document “The Role of the Head of Internal Audit” (2019). (Appendix 6) demonstrates that we comply with each of the principles.
- Self-assessment against the internal audit principles introduced in January 2017 (Appendix 7). This review demonstrates that the audit team complies with each of the principles, although some potential areas for further development have been identified.
- Every assignment is subject to supervision and any common issues identified are discussed at team meetings and where appropriate have contributed to the update of the audit manual.
- The post-audit customer satisfaction questionnaires found that of those questionnaires returned, 100% of respondents indicated that they were satisfied with the way the audits were conducted and felt that the audits added value.
- Monitoring performance against key indicators (Appendix 8). They demonstrate that audit operates efficiently and effectively and has good customer satisfaction. It is pleasing to see an improvement in the implementation of agreed actions compared to previous years. However, there is still work to do in conjunction with management in ensuring audits are completed in a timely manner.

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## **5 Closing Remarks**

- 5.1 We would like to take this opportunity to thank Members, Management and Staff for their continued support as we carry out audit work during a period of continued significant organisational change. We will strive to continue to provide an effective and supportive internal audit service as the Council deals with the challenges it faces in the future.

## Appendix 1: Changes to the audit plan relating to strategic and operational risks as reported to the Audit Committee in January 2021

Area	Original planned days	Revised planned days	Reason for budget change
Strategic and operational risk/ governance (including CCG led audits)	445	405	See below for more detailed explanations to changes to this part of the plan
Procurement and contract management	25	30	Additional time included to provide assurance and support to the adoption of government guidance on procurement as result of the pandemic
Grant Certification	25	30	Additional time required time required due to covid-19 related grants
Advisory	50	70	Additional time required for advisory support in relation to the Council's response to the pandemic
Probity and Counter Fraud	60	84	Additional time identified to take account of biennial NFI
Contingency	35	21	
Total	970	970	

### **New audit assignments, or where the scope has been amended**

COVID-19 Recovery Programme	Governance arrangements relating to the delivery of the Council's COVID-19 Recovery Plan
Special Educational Needs and Disability (SEND)	Increased audit resource to assess the governance arrangements of the Council's review of its approach to SEND
Looked after Children and Fostering	Scope amended to focus on arrangements for protecting the assets of looked after children and managing the impact of COVID-19
Public Health Peer Review	Carried forward from 2019/20
Fixed Penalty Notices	Carried forward from 2019/20

### **Assignments which will not be carried out in 2020/21 or the scope of the work has been reduced**

Children's Home Standards	Audit postponed due to accessibility to children's homes although some areas incorporated into the audit of looked after children
Child protection	Audit postponed to reflect that the arrangements for child protection are under review. Governance arrangements for this review to be considered as part of the Children's and Families Services Transformation programme, with a full audit to be carried out in 2021/22.
Children's public law	Audit postponed as not appropriate time to carry out an audit due to the emergency arrangements currently in place in relation to the operation of family courts
Economic plan delivery	Audit postponed until 2021/22 as the economic plan will need to be re-considered to take account of the impacts of Covid-19. Economic development team currently focused on business grants and the recovery plan which are covered elsewhere in the audit plan.
Joint Strategic Needs Assessment (JSNA)	Scope of the audit reduced to take account of the arrangements for producing and using the JSNA (and data intelligence general) being subject to revision
Role of Local Authority Designated Officer	Audit completed more quickly than initially budgeted for
Shared Services	Audit no longer a priority given the change to the scope of shared services and the governance arrangements during 2020/21

Smarter Energy	Specific audit no longer required as can place reliance on the MHCLG's own positive review of compliance with the grant requirements and the outcome of our own quarterly grant certification work
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## **Appendix 2: Summary of Audit work supporting the Audit opinion**

See separate attachment

## **Appendix 3: Summary of advisory work provided by Internal Audit in 2020/21**

- Provided considerable support to the Council's response to Covid-19, including business grants, advice on stock control for PPE and the Shielding Hubs, advice on applying changes to procurement rules during the pandemic, co-ordinating the Council's submission on the initial impact of the pandemic on the provision of services for Yorkshire and Humber Chief Executives
- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties
- The certification of grants in relation to Covid-19, transport, highways, and troubled families
- Preparing a paper for the senior leadership team on the potential impact of the independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting - "Redmond review"
- Facilitating a fraud risk assessment with the Procurement team
- Co-ordinating the production of the "Partnership Stocktake" for the Audit and Governance Committee
- Providing advice on governance and internal control arrangements around joint ventures
- Leading the refresh of the Council's "Manager's Guide to the Control Environment" and its promotion
- Co-ordinating the production of the Audit Committee Annual Report
- Assurance Mapping
- Membership of the Business Development Group responsible for evaluating business cases
- Membership of the Information Security and Assurance Board, including support on the investigation of potential breaches

- Membership of the Smarter Neighbourhoods Operational Group
- Responding to various accounting queries
- Providing support and assurance on the Council's submission regarding the NHS IT Governance toolkit
- Where appropriate providing advice on the design of the control environment relating to the Human Resources/ Payroll and Finance systems in the process of being implemented
- As part of audit's probity and fraud work co-ordinating the submission of data for the 2020/21 National Fraud Initiative
- As part of audit's probity and fraud work supporting investigations into allegations of fraud or financial misconduct

## **Appendix 4: Limitations of Scope and Responsibilities**

Internal Audit has prepared the Annual Report and undertaken a programme of work agreed by the Council's senior management and approved by the Audit and Governance Committee subject to the limitations outlined below:

### **Opinion**

The Opinion is based, primarily on work undertaken as part of the agreed 2019/20 Audit Plan. Each audit assignment undertaken addressed the control objectives agreed with the relevant, responsible managers.

There may be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work or were not brought to our attention. As a consequence, the Audit Committee should be aware that the opinion might have differed if our programme of work, or the scope of individual assignments was extended, or other relevant matters were brought to our attention.

### **Internal Control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls and unforeseeable circumstances.

### **Future Periods**

Our assessment of the Council's control framework is based on completed audit work up to 30<sup>th</sup> June 2021. In a small number of cases the finalisation of audits has been delayed the outcome of this work will be considered for the 2021/22 audit opinion.

This historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; and
- the degree of compliance with policies and procedures may deteriorate.

## **Responsibilities of Management and Internal Audit**

It is the responsibility of management to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our work should not be relied upon to disclose all fraud or other irregularities that might exist.

## Appendix 5: Comparison of Audit Approach against the Public Sector Internal Audit Standards

<b>Conformance with the PSIAS and the Local Government Application Note Standards/Requirements</b>	<b>Evaluation/Comments</b>
<b>Code of Ethics</b>	Requirement met - referred to in the audit charter and communicated to all audit staff. Team members were asked to confirm they have read and understood annually- last request February 2020
<b>Attribute Standards</b>	
1.Purpose, Authority and Responsibility	Requirement met and defined in the audit charter
2.Independence and Objectivity	Requirements met and defined in the audit charter. Potential conflicts are appropriately managed
3.Proficiency and Due Professional Care	Requirements met and defined in the audit charter. Will develop a competency framework and a team training plan in 2021/22.
4.Quality Assurance and Improvement Programme	Requirements met - Quality Assurance and Improvement Programme in place, and the outcome of the annual review of the programme included in the Head of Audit annual report. Five yearly external inspection carried out in 2017/18.
<b>Performance Standards</b>	
1.Managing the Internal Audit Activity	Requirements met
2. Nature of Work	Requirements met
2. Engagement Planning	Requirements met
3. Performing the audit engagement	Requirements met - all assignments are subject to review, and the audit manual is regularly updated
4. Communicating Results	Requirements met - the report template is subject to at least annual review to ensure that reports are clear, insightful and promote improvements.
5. Monitoring Progress	Requirements met. Follow up arrangements were further updated in 19/20 and regular reminders sent out to managers. Exploring ways of improving the reporting of this work
6. Communicating the Acceptance of Risks	Requirements met

## Appendix 6: Comparison of Audit Approach against the 5 key principles contained in “The Role of the Head of Internal Audit” (2019)

Principle	How Compliance is demonstrated
<p>championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;</p>	<ul style="list-style-type: none"> <li>• Promotes good governance and conduct e.g. facilitates the production of the code of governance and the Annual Governance Statement, lead officer on the update of the council’s anti-fraud and corruption framework,</li> <li>• Promotes the role of internal audit via the “Audit offer” and accompanying “frequently asked questions”</li> <li>• Promotes good governance and internal control through the role on the assurance group, although scope to extend this throughout the organisation</li> <li>• The audit plan is based upon the Council’s strategic risk register, the Council’s governance arrangements and the systems of internal control.</li> <li>• HOIA reports on the adequacy of such arrangements both individually and in aggregate via the annual Head of Internal Audit Report.</li> <li>• Provides commentary on emerging risks both to the Audit Committee and the Assurance Board.</li> <li>• Whilst ensuring it remains management’s responsibility, facilitates the embedding of effective risk management throughout the Council.</li> <li>• Provides comment on proposed developments, with increased involvement at an earlier stage</li> </ul>
<p>giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control</p>	<ul style="list-style-type: none"> <li>• The Audit Charter, laying out the role and responsibilities of internal audit, is updated and approved annual by the Audit Committee</li> <li>• Process in place for providing independent assurance for those areas where HAA has managerial responsibilities</li> <li>• Audit plan aligned to the Council’s strategic aims</li> <li>• Producing an evidence based annual internal audit opinion on the organisation’s control environment.</li> <li>• Risk based approach to developing the audit plan, and for carting out audit assignments</li> <li>• Seeks assurance on the Council’s key partnerships</li> </ul>

	<ul style="list-style-type: none"> <li>• Where applicable, seeks to rely on assurance provided by external audit and inspectorates</li> </ul>
<b>Principle</b>	<b>How Compliance is demonstrated</b>
The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee	<ul style="list-style-type: none"> <li>• Reports directly to the Monitoring Officer, who is a member of the Council's strategic leadership team, and member of his management team</li> <li>• Member of the Executive Director of Environment, Economy and Resources extended management team</li> <li>• Regular 1 to 1 meetings with the Director of Environment Economy and Resources</li> <li>• Quarterly 1 to 1 meetings with the Chief Executive</li> <li>• Consults with the Strategic Leadership Team on the content of the audit plan</li> <li>• Meets with members of the leadership team,</li> <li>• Member of the Council's Assurance Board chaired by the Chief Executive</li> <li>• Reports to the Audit Committee in own name</li> <li>• Supports the Audit Committee in assessing its own effectiveness</li> <li>• As laid out in the Audit Charter unfettered access to documentation and staff</li> </ul>
The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.	<ul style="list-style-type: none"> <li>• Sufficient resource and staff mix in place in 2020/21 to deliver a PSIAS compliant Internal Audit Plan and to provide sufficient evidence in relation to the Council's control environment and key risks to support the Head of Internal Audit opinion statement.</li> <li>• Quality assurance and improvement programme in place, including key performance indicators which are reported upon annually</li> <li>• Staff development programme in place. In the process of enhancing this to continue to ensure that they have adequate skills to meet the changing requirements and expectations of audit</li> <li>• Keeps up to date with developments in governance, risk management, control and internal auditing through professional memberships and membership of CIPFA's Better Governance Forum, including networking with other HIAs (including membership of CIPFA's national Audit Special Interest Group). Learns from them and implements improvements where appropriate</li> </ul>

<p>The HIA in a public service organisation must be professionally qualified and suitably experienced</p>	<p>CIPFA Member since 1993 and ICAS Member since 2017. Chartered Member of the Institute of Internal Audit (CMAA) and Qualification in Audit Leadership (QIAL). Also, up to date "Continuing Professional Development" (CPD), 32 years of internal and external audit experience, 19 years of which at senior level, and has carried out the Head of Internal Audit role at NELC since April 2008.</p>
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## Appendix 7: Comparison of Audit Approach against the 10 principles as laid down in the audit standards)

Principle	How comply?
Demonstrates integrity.	The code of ethics, including integrity, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics, and at least one session a year is held with team members to discuss ethics. Last update April 2021
Demonstrates competence and due professional care.	<ul style="list-style-type: none"> <li>• The required levels of competence and experience are laid out in each job description, and training needs are considered in regular 1 to 1 meeting.</li> <li>• Audit good practice prepared by IIA, and others is discussed at team meetings.</li> <li>• There is a Quality Assurance and Improvement Programme in place to ensure that professional care is maintained.</li> <li>• Sufficient background research as part of engagement planning to have informed discussions with the audit client.</li> <li>• Each assignment is subject to supervision and review.</li> <li>• The performance of each assignment is assessed through supervision sheets.</li> <li>• Auditors engage with and validate fieldwork and findings through ongoing communication with management in the areas under review.</li> </ul> <p><b>Potential area for development</b></p> <p>The development of a competency framework for team members, and to fully develop a team training plan.</p>
Is objective and free from undue influence (independent)	<ul style="list-style-type: none"> <li>• The code of ethics, including independence, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics, and annually declare any interests which could impact on their independence.</li> </ul>

	<ul style="list-style-type: none"> <li>• The HOIA has responsibilities for risk, counter fraud, and insurance as well as audit. to preserve independence audits in these areas are carried out by other audit organisations.</li> <li>• The audit manual provides guidance on reporting to ensure that audit communications are clear, factual, reliable, and relevant.</li> <li>• Functional reporting to the audit committee is defined in the internal audit charter.</li> <li>• The HOIA has direct access to the audit committee as defined in the internal audit charter.</li> <li>• Scope of internal audit work is defined in the internal audit charter.</li> <li>• The HOIA can meet with the Audit Committee without management present.</li> </ul>
<p>Aligns with the strategies, objectives, and risks of the organisation.</p>	<ul style="list-style-type: none"> <li>• A strategic council wide approach, as opposed to a service based one, is used to prioritise work and compile the audit plan.</li> <li>• The Council Plan, the Council's strategic outcomes, the strategic risk register and the operational risk registers are key components compiling the audit plan. The key components of an effective control environment, and the risks to it, are also considered.</li> <li>• The audit strategy is updated based on changes to the internal or external environment.</li> <li>• The audit plan is updated based on changes in the organisation's strategies and/or objectives.</li> <li>• Internal audit plan links engagements to a strategic objective and or risks</li> <li>• Post audit questionnaires indicates that the internal audit activity is operating in alignment with stakeholders' view of priorities.</li> <li>• The HOIA is invited to and attends strategy discussion meetings e.g., Assurance Board, extended leadership team, etc.</li> <li>• The HOIA is a senior enough level in the organisation to give them the appropriate standing, access, and authority in the organisation.</li> <li>• High percentage of internal audit plan covering strategic projects and/or initiatives.</li> <li>• Performance management and project management are regularly subject to audit</li> </ul>

<p>Is appropriately positioned and adequately resourced.</p>	<ul style="list-style-type: none"> <li>• The HOIA has unfettered accesses to the CFO, Chief Executive, and audit committee at both Councils. Also sits on both Council's Assurance Board/ Group.</li> <li>• When compiling the plan, the level of resource available is compared to the resource required to provide a reliable and standards compliant opinion. Although COVID-19 has required the need to re-prioritise audit work, sufficient work was carried out to provide a reliable audit opinion.</li> <li>• A documented and customised internal audit charter, aligned with the IPPF, is in place.</li> <li>• Functional reporting to the audit committee and senior management is defined in the charter.</li> <li>• Internal audit activity's mandate is broad and aligned to organisational needs.</li> <li>• A sufficient operating budget is available to internal audit.</li> <li>• Periodic discussions occur with the audit committee on QAIP, resource availability (capability and capacity), and any limitations.</li> <li>• Access to the Council's Human resources, technology, and tools are provided to internal audit enabling it to execute its engagements effectively and efficiently.</li> <li>• The HOIA is of a senior enough position within the organisation and is involved in numerous senior management groups e.g., extended leadership team, assurance board/ group etc.</li> <li>• Evidence that the HOIA has challenged management when needed.</li> <li>• The results of audit are given due consideration e.g., audit committee, compilation of the AGS, assurance board/ group meetings, senior management groups.</li> </ul> <p><b>Potential area for the development</b></p> <p>Since the demise of CIPFA benchmarking need to develop periodic benchmarking of resources is compared to similar size/profile organisations.</p>
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<p>Demonstrates quality and continuous improvement</p>	<ul style="list-style-type: none"> <li>• A Quality Assurance and Improvement Programme is in place, and the team had a successful five yearly external inspection of its processes.</li> <li>• All assignments are subject to supervision and review, and the overall arrangements are subject to annual self-assessments.</li> <li>• Quality issues are discussed at each monthly team meeting and any relevant issues arising are included in the improvement plan.</li> <li>• An Audit Manual is in place defining methodology is in place and subject to regular update as issues arise.</li> <li>• Through membership of accounting and auditing bodies keep up to date with developments in audit practice</li> <li>• Mechanisms are in place to solicit feedback from audit clients and key stakeholders via questionnaires.</li> <li>• Operational KPIs are defined and monitored, including KPIs to promote internal audit activity improvements and innovations.</li> <li>• The audit committee is provided with a twice-yearly update on the QAIP.</li> <li>• Co-sourced internal audit activities (e.g., ICT audit) are required to conform with the IIA's Standards and Code of Ethics, and to have demonstrated that they have had a successful external inspection within previous five years</li> </ul>
<p>Communicates effectively.</p>	<ul style="list-style-type: none"> <li>• The team has a report template which meets the requirements of the audit standards. Reports are subject to regular review and update, and any common issues are included in the quality improvement plan. Team members are provided with guidance on effective reporting, and this updated regularly following on from internal quality reviews and feedback from clients.</li> <li>• Periodic reporting and some engagement reports are customised for key stakeholders (senior management, audit committee. Assurance Board) as needed.</li> <li>• Reports are factually accurate, highlight risk, address root causes, and encourage action from management responsible for the area or process under review.</li> </ul>

	<ul style="list-style-type: none"><li>• Reports are succinct, aligned with key risks, and use graphics or visuals where appropriate.</li><li>• Engagement reports and other periodic reporting provide a holistic view of assurance, and positive performance is acknowledged.</li><li>• Internal audit activity raises awareness of its role and promotes its value contribution via the FAQs and “Audit Offer”.</li><li>• A structure exists to encourage active, two-way communication with stakeholders (receiving and delivering information via client meetings, meetings with senior management teams, assurance board/ group</li><li>• Internal audit has implemented controls to secure the confidentiality of the data it receives, accesses, and issues e.g., section in manual on GPPR compliance, taking part in council wide mandatory training on data protection, and the team regularly reminded of data protection and confidentiality issues.</li><li>• Internal audit reports clearly link to the engagement scope and objectives.</li><li>• Feedback from audit client and key stakeholders indicate that internal audit reports are fit for purpose and add value.</li><li>• No cases of major errors or omissions are identified after final reports are issued.</li><li>• Monitoring is undertaken through the review process and KPIs to ensure that reports are issued within defined timescales.</li><li>• No cases of unauthorised or erroneous disclosure of confidential data by internal auditors.</li></ul>
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<p>Provides risk-based assurance.</p>	<ul style="list-style-type: none"> <li>• The strategic and operational risk registers are a key source of evidence for determining the content of the audit plan.</li> <li>• Both local and national emerging risks are an important part of the audit planning process. Identified through the review of agenda papers, papers and guidance prepared by CIPFA, CIIA and others, and planning discussions with senior managers.</li> <li>• The Internal Audit plan is regularly reviewed throughout the year, and where appropriate amended, to take account of emerging risks.</li> <li>• Individual engagement objectives target the effectiveness of controls over the most important risks. When considering the work programme for individual assignments team members consider the inherent impact of each of the five key areas of an effective control environment on the area, the local and national risk related to it, and the completeness of the risk register.</li> <li>• The audit opinion in each audit assignment includes an assessment of the residual risk based on the effectiveness of the controls tested.</li> <li>• Audit and risk management are both part of the Audit and Assurance team. Although kept operationally separate it fosters very close links between the two functions,</li> </ul> <p><b>Potential area for development</b></p> <p>Scope to be more explicit in reports about the quality of risk management within individual services</p>
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Promotes organisational improvement.

The audit team promotes organisational improvement in several ways including:

- Aligning the audit programme to the strategic objectives of the council
- Shares emerging good practice with management.
- Ensuring assignments are based on key risks, and reports have meaningful actions which add value.
- Provide advisory work to support the development of an effective control environment.
- Carry out follow up work to provide assurance that actions are being implemented and improvements made.
- Increasingly consulted about business initiatives and process and system transformations during initial assessments and pre-implementations (though scope for it to be more universal)
- Adopted three lines of assurance model and works closely with other sources of assurance e.g., through membership of the assurance board/ group, corporate governance group, role of in management teams etc.

**Potential area for development**

Continue to identify opportunities and promote the role of audit in supporting new initiatives at the initial assessment and pre-implementation stage.

## Appendix 8: Key Performance Indicators 2020/21

	Annual target	Outturn	Variance	Comments
<b>What did we do?</b>				
Actual outturn forecast v budgeted outturn (shared service combined)	£588K	£532K	-£56K	Staff vacancies, 3rd party ICT audit requirement below budget, underspend on travel due to the pandemic, and some additional income above budget
Audit days delivered as at 31/5/21	970	815	155	Staff vacancies, 3rd party ICT audit less than anticipated, some audits deferred to 2021/22 after discussion with client. As shown on Appendix 2 for some audits not all planned time was required.
Number of audits completed by 30 June 2020 (not including those in draft)	65	54	-11	Audits not completed by 30 June (including those in draft) are shown on Appendix 2.
% of audits issued in final within 20 working days of the issue of the draft	90%	51%	-39%	Similar position to previous years. Still scope to improve this, including enforcement of the escalation policy

<b>How well did we do it?</b>				
Did we carry out the audit well? (customer satisfaction questionnaires)	100%	100%	+10%	Shows very good customer satisfaction
Chargeable time days per employee excluding HOIA compared to CIPFA average	177	171	-6	Impacted by some staff doing other duties at the beginning of the pandemic in April 2020.
Cost per chargeable day within 10% of unitary average (shared service wide)	£297	£299	+£2	Demonstrates that the audit service continues to be economic compared to other teams.
% of audits issued in draft by the agreed date	90%	51%	-39%	Represents an approval on previous years but still a need to work alongside managers in improving the timelines of the completion of audits.

<b>Did we add value?</b>				
Did we add value? (customer satisfaction questionnaires)	90%	100%	+10%	Demonstrates very good customer satisfaction and how audit adds value
% agreed actions implemented by the agreed date	70%	69%	-1%	Represents an improvement in recent years.

Audit work contributing to the 2021 audit opinion as at 30 June 2021

Audit Assignment	Director	Assurance	Residual Risk	Comments
<b>Governance, Strategic Risk and operational risks</b>				
Adoption Agency	Children and Families	Substantial	Medium	Joint audit of the Regional Adoption Agency led by the York audit team
Alcohol and Drug Framework	Public Health	Substantial	Medium	Though substantial assurance could be provided in relation to the current monitoring arrangements, the medium risk score reflects that the governance arrangements will be subject to change in 2021
Business Intelligence and Joint Strategic Needs Assessment (JSNA)	Environment, Economy and Resources Resilient Public Health	Substantial	Medium	It was originally intended that an audit would be carried out the Council's use of data, in particular the completion of the Joint Strategic Needs Assessment (JSNA) and the development of a data hub. Due to the impact of Covid-19 though development of these areas continued but not reached a position in which it was appropriate to do a full audit. From the work we did carry out, however, we could conclude that developments are moving in a positive direction. Once the changes are fully implemented, we anticipate that it will result in more effective business intelligence. As part of the 2021/22 audit plan we will review progress on implementing the Council's aspirations in relation to business intelligence.
Capital programme governance and delivery	Environment, Economy and Resources	Substantial	Medium	As reported in previous years in order to manage the delivery of the capital programme the Council the Council has developed a Business Development Framework (BDF) to try to ensure that the only risks with strong business cases are included in the capital programme, and the delivery of those capital projects is closely monitored and reported on quarterly basis. We have previously tested the systems for the accuracy of those reports and the challenge provided by the Estate and Business Development Manager when significant stepping occurs. This concluded that they provide good assurance in relation to the monitoring arrangements and therefore we did not have to carry out detailed audit work in 2021/22. The delivery of the capital programme, however, remains challenging as at 31 December 2020 the year end and current forecast was only, although very, when required for capital expenditure slipped into 2021/22. In mitigation for some of the project Covid-19 has had some impact on delivery. In response the Estate and Business Development Manager has continued to strengthen governance arrangements to find any likely weaknesses identified as early as possible to enable suitable adjustments to be made so as not to impact on the end of year position and adjust borrowing requirements, while the risk of the BDF has been reviewed and published.
Child Criminal Exploitation (CCE), Child Sexual Exploitation (CSE) and Modern Day Slavery	Children and Families	Satisfactory	Medium	
Children's Homes- financial compliance	Children and Families	Limited	Medium	Although the audit found there was some good practice in place there was a need to review the management of expenditure Children and Families has recently carried out a full service review jointly with Financial Services on the management of expenditure and both areas on implementing financial processes agreed. A further audit review of financial and operational practices has been agreed as part of the 2021/22 audit plan
Children to Adults Transitions	Children and Families Families Adults			Report in draft. Will be reported in 2021/2022
Cultural Development Fund	Environment, Economy and Resources			Audit in progress. Will be reported in 2021/2022
Disabled Facilities Grants	Environment, Economy and Resources			Audit in progress. Will be reported in 2021/2022
Early Help and prevention	Children and Families			Audit in progress. Will be reported in 2021/2022
Economic Strategy	Environment, Economy and Resources			The 2020/21 audit plan included an audit to review the governance arrangements for actions, and then monitoring the delivery of the economic strategy. However, once the Pandemic began there was an early realisation that it would possibly have a very significant impact on the economy, and therefore the development of the economic strategy was understandably paused. Instead the economy team would focus on developing a recovery plan, an updated Local Economic Assessment, and then revise the strategy in early 2021/22 taking into account any changes to the economic landscape as a result of COVID-19. Overall although we cannot be limited on the development of the economic strategy, we are pleased to report that throughout the Pandemic the Council has developed an accessible economic recovery plan, and is on track to meet its revised timetable to relaunch the economic strategy.
Educational Standards	Children and Families	Satisfactory	Medium	
Environmental Services- Regulatory Compliance	Environment, Economy and Resources	Substantial	Medium	
Environmental Strategy/ Climate Change	Environment, Economy and Resources			In 2020/21 we intended to carry out a review of the Council's environmental strategy, however, in 2021 the Council has begun a detailed review of its approach to the environment and therefore it was agreed to defer a full audit until 2021/22. We found that considerable work has already been carried out in establishing its baseline position, determining its vision and priorities, and developing a work programme with timelines.
EU Transition	Assistant Chief Executive	Substantial	Medium	We have assessed the residual risk as medium, because although we found Council is well prepared and has established governance arrangements in place, there remain inherent uncertainties about the long term impact of EU transition as identified in the strategic risk register.
Financial Sustainability	Environment, Economy and Resources	Substantial	High	In these unprecedented times with a financial landscape continually changing that impacts so significantly on the council's income streams, as well as continued demand pressures there remains high residual risk despite the effective controls in place to deliver the Medium Term Financial Plan (MTFP) and monitor its delivery. This inherent risk is reflected in the strategic risk register.
Fixed Penalty Notices	Environment, Economy and Resources	Satisfactory	Low	
Flood management	Environment, Economy and Resources			Report in draft, will be reported in 2021/22.
Health and Safety	Environment, Economy and Resources	Limited	Medium	Although there is a suitably qualified team in place, due to the availability of resources and the considerable time required to ensure that the Council was Covid compliant, there is a backlog of statutory inspections that have not been done, whilst the Health and Safety policy has been due for review since 2019.
Highways management	Environment, Economy and Resources			Audit in progress. Will be reported in 2021/2022
Housing Development	Environment, Economy and Resources			Audit in progress. Will be reported in 2021/2022
Independent Review Team	Children and Families			In 2020/21 the arrangements for the Independent Review Team have been under a review. A development plan is in place and is subject to monitoring to ensure that it is complete. Once the revised arrangements are in place, a more detailed audit of the Independent Review team will take place, with particular focus on a specific area of its work to be agreed with the Assistant Director and the team.
Libraries	Environment, Economy and Resources	Limited	Medium	At the time of the audit there were no clear monitoring methods in place to ensure that the contract was delivered in line with contract and within the legal requirements relating to library services. However, during Covid the pandemic response, Council and Lincs Inspire officers have worked very closely together to develop the relationship and support each other to try and limit the impact of Covid to residents and services. As such, the Council and Lincs Inspire are now agreed to further jointly develop and improve the partnership monitoring methods including Libraries, and this will be subject to a follow-up audit review in 2021/22.
People and Culture- Workforce Development	Environment, Economy and Resources	Satisfactory	Medium	
Public Health Peer Review follow up	Public Health			Despite the pressures on Public Health as a result of the pandemic, it has continued to make progress with the action plan arising from the peer review undertaken in October 2018.
Regeneration Partnership Governance	Environment, Economy and Resources	Substantial	Medium	
Regeneration Partnership Performance Information	Environment, Economy and Resources			Audit in progress. Will be reported in 2021/2022
Regional growth Fund	Environment, Economy and Resources	Substantial	Low	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Risk management - Cabinet reporting	Environment, Economy and Resources	Satisfactory	Medium	
Role of LADO	Children and Families	Satisfactory	Medium	
Search Fees	Environment, Economy and Resources	Substantial	Low	
SENK action plan implementation	Children and Families	Satisfactory	Medium	
South Humber Industrial Investment Programme (SHIP) Implementation	Environment, Economy and Resources	Satisfactory	Medium	
Town Deal phase 1	Environment, Economy and Resources			The audit plan included an assignment to review the governance and internal arrangements relating to the schemes covered in phase 1 of the town deal. The intention is to do a post implementation review so that any "lessons learnt" could be fed into the next phase of schemes. However, we have been unable to complete this work in 2020/21 as there were some delays in the schemes implementation and some key staff involved in the scheme had left the Council's independent partner. We are therefore intending to complete this work by September 2021
<b>Financial systems</b>				
Creditors	Environment, Economy and Resources	Substantial	Low	
Debtors	Environment, Economy and Resources	Substantial	Medium	Although we have provided substantial assurance on the control environment, we have assessed the risk as medium due to the potential impact the pandemic may have on the wider economy and therefore potentially on the recovery of debt.
e- financials	Environment, Economy and Resources	Substantial	Low	
Income receipting	Environment, Economy and Resources	Satisfactory	Low	
Local Taxation and Benefits	Environment, Economy and Resources	Satisfactory	Medium	
Payroll	Environment, Economy and Resources	Substantial	Low	
Treasury management	Environment, Economy and Resources	Substantial	Low	
Implementation of the new finance system	Environment, Economy and Resources			Due to a number of issues, the anticipated implementation date for the new finance system has been revised from October 2021 to April 2022. However, this revised date is likely to remain challenging, and the Councils will need to ensure that sufficient and specialist resources are put towards it during 2021/22. Although we appreciate that this could be difficult due to available capacity, it is critical that the programme plan is kept up to date, that any delays to the project total immediately, determine the level of independent assurance required, and that the Project Board takes decisive and prompt action to mitigate risks identified
Implementation of new HRP System	Environment, Economy and Resources			A finding note was completed by Internal Audit highlighting the progress made with the implementation of the HRP system, which is anticipated to be available for full use from the June 2021. No significant concerns were identified
Feeder Systems				To support our audit of the key financial systems, we carry out audits of feeder systems on a cyclical basis. We have carried to audits on education fees, the early year system and the use of local spreadsheets for specific items of regular expenditure which do not have invoices associated with them, and no issues of concern were identified
<b>ICT</b>				
Finance System Resilience	Environment, Economy and Resources	Substantial	Low	Provided assurance that the ICT controls relating to the systems to be replaced in 2021/22 can still be relied upon
HR and Payroll System Resilience	Environment, Economy and Resources	Satisfactory	Medium	Provided assurance that the ICT controls relating to the systems to be replaced in 2021/22 can still be relied upon
Information Governance	Environment, Economy and Resources	Substantial	Low	
ICT Helpdesk	Environment, Economy and Resources			Report in draft, will be reported in 2021/22.
ICT Project Management	Environment, Economy and Resources			Report in draft, will be reported in 2021/22.
<b>Procurement</b>				We provide an overall opinion on procurement arrangements by a mixture of a review of overall arrangements and reviewing a sample of procurement exercises
Overall arrangements including social value				During 2021 the procurement team were repurposed to deal with the emergency situation caused by the covid 19 pandemic. The most original plans for procurement activities were put on hold or delayed as a result. There remains a commitment to embed social value within the Council, with most procurements seeking some form of social value, however as with other councils in the Yorkshire and Humber region, measuring and monitoring of the outcomes proves more challenging. There are however plans in place to review and strengthen the aspect during 21/22, that will also take into account national priorities for public procurement published by Government in June 2021. In addition the Council's approach to procurement will face a number of further challenges in 2021/22 such as the impact of the Green Paper on procurement reforms issued in late 2020 in response to leaving the European Union, compliance with the National Procurement Statement, and ensuring that the contracts regular is kept up to date with exceptions and direct awards being fully recorded. We will review progress in these areas as part of the 2021/22 audit plan
Procurement - Clinical Waste				RFIs need to be introduced for monitoring purposes in relation to future related contracts
Procurement - Mental Health				No areas of concern identified
<b>Follow up</b>				
Housing Strategy Follow up	Environment, Economy and Resources	Satisfactory	Medium	
Heritage Assets Follow Up	Environment, Economy and Resources	Satisfactory	Medium	
Commercial Estates	Environment, Economy and Resources	Satisfactory	Low	
Young Minds Matter (CAMHS)	Children and Families	Satisfactory	Medium	
Leisure & Culture Follow Up	Environment, Economy and Resources	Limited	Medium	In the time of audit the actions from the previous reports on operational performance and financial monitoring by the council had not sufficiently addressed, and there was a need to update the contract to reflect the expectations for all parties in relation to facilities management. However, during Covid the pandemic response, Council and Leeds Regain officers have worked very closely together to develop the relationship and support the each other to try and limit the impact of Covid-19 on residents and services. As such the Council and Leeds Regain are now agreed to further jointly develop and improve the partnership monitoring methods in relation to leisure and Culture Services, as a result of the partnership securing DCMS funding to support the reopening of the Leisure Centre and the Auditorium, which will be subject to a follow up audit review in 2021/22.
<b>Subsidiaries</b>				
Humberston CDE	Children and Families	Satisfactory	Low	Audit report issued in draft
Southwark Nursery School	Children and Families			Audit work in progress

Audit Assignment	Director	Assurance	Residual Risk	Comments
Probing audits				
Agency Workers	Environment, Economy and Resources	Substantial	Low	
Data Matching				Exercises were carried out matching payroll creditors, debtors' creditors and duplicate payments. No evidence of fraud or significant number of duplicate payments was identified
Imprest accounts	Environment, Economy and Resources	Satisfactory	Medium	
Regions Income	Accounting Chief Executive	Substantial	Low	