



Appendix A: Annual Audit Report 2020/21

Effective	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
Reasonable	Some specific control weaknesses were noted, and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Limited	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Ineffective	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

1. HEAD OF INTERNAL AUDIT'S OPINION ON THE COUNCIL'S CONTROL ENVIRONMENT 2020/21

1.1 This document is the Head of Internal Audit's annual statement on the adequacy and effectiveness of the systems of governance, risk management and internal control of the Council for the year ended 31 March 2021.

1.2 It is my opinion that **reasonable assurance** can be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year to 31 March 2021.

1.3 One important corporate improvement area is yet to be concluded:

Procurement – there remains a lack of a procurement strategy and plan.

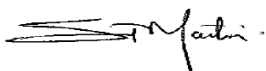
1.4 The Head of Internal Audit has performed her duties in accordance with CIPFA's guidance on the Role of the Head of Internal Audit. In giving the audit opinion it should be noted that assurance can never be absolute. The most that can be provided is a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.

2. THE IMPACT OF THE COVID-19 PANDEMIC

2.1 The impact of the COVID-19 pandemic on all public services has been considerable and resulted in a significant level of strain being placed on normal procedures and control arrangements, and the level of impact continues to change as the situation develops. As the Head of Internal Audit it has raised the question of whether I have undertaken sufficient internal audit work to gain assurance during 2020/21 to enable my opinion.

2.2 I have carefully considered the risk based internal audit work completed for the year, which includes the majority of the programmed strategic internal audit plan, along with a flexible approach taken to ensure coverage of emerging high-risk areas as the COVID-19 pandemic escalated. Internal Audit Services have undertaken risk assessments to identify and assess any changes to the Council's control environment given the Council's emergency response to the COVID-19 pandemic and this work continues. Examples include democratic decisions, statutory responsibilities, financial systems / processes, and procurement practices. The Internal Audit Service has also contributed to specific COVID-19 pandemic grant award processes to ensure good governance.

2.3 I am satisfied that internal audit priorities realigned to the new risks and changes driven by the impact of the COVID-19 pandemic throughout 2020/21 are adequate to support my Head of Internal Audit opinion.



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Siobhan Martin
Head of Internal Audit, East Suffolk Council
28 May 2021

2. RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDITORS IN RELATION TO INTERNAL CONTROL

2.1 It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Head of Internal Audit to provide an annual overall assessment of the robustness of the internal control system. The internal auditor cannot be expected to give total assurance that control weaknesses or irregularities do not exist.

3. SOUND INTERNAL CONTROLS

3.1 The main objectives of the Council's internal control systems are:

- To ensure adherence to management policies and directives in order to achieve the Council's objectives;
- To safeguard assets and protect the interests of the Council;
- To secure the relevance, reliability and integrity of information, thus ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

3.3 A sound system of internal control therefore provides reasonable, but not absolute, assurance that the Council will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against any organisation failing to meet its objectives or all material errors, losses, fraud, or breaches of laws or regulations.

4. INTERNAL AUDIT PURPOSE

4.1 Internal Audit is an independent appraisal function of the Council. It objectively examines, evaluates and reports on the adequacy of internal control and governance as a contribution to the proper, economic, efficient and effective use of resources.

4.2 The Internal Audit Service operates in accordance with the Accounts and Audit Regulations (2015), Public Sector Internal Audit Standards and Local Government Application Note (2019), the Audit Charter and professional bodies' Codes of Ethics. The service undertakes a strategic risk based annual programme of work approved by the Audit and Governance Committee. The strategic audit plan is amended throughout the year to reflect evolving risks and changes within

the Council.

- 4.3 All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports. The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters arising from internal audit work are reported to the Chief Executive, relevant Cabinet Member and the Audit and Governance Committee.

5. PURPOSE AND BACKGROUND

- 5.1 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2015 which require a local authority to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 5.2 CIPFA's Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to report periodically to senior management and the Audit & Governance Committee on Internal Audit's purpose, authority, and responsibility via the Internal Audit Charter.
- 5.3 To comply with the Internal Audit Charter, this end of year report provides a summary of the year's work of the Internal Audit Service. This report includes information on the performance of the Internal Audit Service against the audit plan; an objective evaluation and opinion from the Head of Internal Audit on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; and any significant issues related to the processes for controlling the activities of the Council. The issue of this report is timed to support the annual review of the Council's Corporate Governance and production of the Council's Annual Governance Statement.

6. PERFORMANNCE/OUTTURN FOR 2020/21 AND A SUMMARY OF WORK UNDERTAKEN IN-YEAR WHICH ENABLED THE HEAD OF INTERNAL AUDIT TO PROVIDE AN OPINION

- 6.1 For the 2020/21 year, the Head of Internal Audit's Annual Opinion states that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system. There is no qualification to this opinion, but it has been highlighted that improvements are still required in one main area as detailed within Section 1.
- 6.2 There have been no formal reports of internal frauds or Whistleblowing cases to the Head of Internal Audit.
- 6.3 Significant issues raised by the Internal Audit Service are progressed to the Corporate Risk Management Group for recording in the Council's Risk Register, which is monitored at Corporate Governance meetings.

- 6.4 Four categories are used to classify the overall level of assurance of the processes examined and the adequacy of the individual key control area. These are Effective, Reasonable, Limited, and Ineffective. A clear definition of each has been supplied in a table at the start of this report.
- 6.5 The table in **Appendix A** constitutes a summary of the audit work undertaken in the year (planned audit coverage for 2020/21 was presented to the Audit and Governance Committee on 22 September 2020), resulting in an individual audit opinion that has enabled (along with other audit activity) the Head of Internal Audit to provide the Annual Audit Opinion as set out in Section 1.
- 6.6 The tables in **Appendices B & C** detail work that has been undertaken where an audit opinion was not applicable, but that has contributed towards the Head of Internal Audit's yearly opinion.
- 6.7 The table in **Appendix D** details work that was planned for the 2020/21 annual plan and has not been undertaken, with commentary on the reasons why this work was either cancelled or deferred.

7. OTHER SOURCES OF ASSURANCE SUPPORTING THE HEAD OF INTERNAL AUDIT OPINION

- 7.1 The Head of Internal Audit's evaluation of the control environment is informed by a number of sources, including:
- a) The planned audit work undertaken by Internal Audit during the year 1 April 2020 to 31 March 2021;
 - b) Consultancy and additional work requested and performed by the Service throughout the year;
 - c) The representation of the Head of Internal Audit within Corporate Management Team (CMT), governance days and direct line management contact with the Chief Executive;
 - d) Reports issued by the Council's external auditors;
 - e) The involvement of the Head of Internal Audit in the Council's governance, risk management, performance monitoring and internal control arrangements; and
 - f) The on-going work with management to assess and provide assurance on the efficiency, effectiveness and reliability of key systems.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (INCLUDING A STATEMENT ON CONFORMANCE WITH PSIAS)

- 8.1 The Public Sector Internal Audit Standards (PSIAS) require periodic self-assessments and an assessment by an external person every five years.
- 8.2 East Suffolk Council was reviewed in August 2019 by a suitably qualified and competent person within the Internal Audit field by a qualified accountant with over 30 years' experience in public sector auditing. The results of the review, which were considered by the Audit & Governance

Committee in March 2020, also included checking compliance with the Local Government Application Note (LGAN) where this has requirements in addition to those in PSIAS.

- 8.3 The independent review concluded that East Suffolk Council Internal Audit Service conforms with all key elements of the PSIAS.
- 8.4 An annual self-assessment was completed prior to the external review which generated an action plan with improvement points. The self-assessment concluded continued compliance.
- 8.5 The Quality Assurance and Improvement Programme Action Plan incorporates actions from self-assessment and external quality assessment which include 6 actions which are complete, and 5 actions carried forward into 2021/22.
- 8.6 A quality review process is in place within the Internal Audit Team which includes:
 - a) All work carried out within the audit team is reviewed to ensure that audit work has been performed in accordance with the agreed objectives for that audit, and that risk based assessments and fair conclusions have been reached based on clearly demonstrable evidence.
 - b) A draft audit report is issued to management at the end of each audit which is accurate, clear, concise, and based on risk-based assessments. The draft report includes a supported opinion (if applicable) with a set of agreed actions which are achievable, make sense, and mitigate risks.
 - c) At the conclusion of each audit a customer satisfaction survey is provided to Service Managers to complete. This gives the opportunity for the customer to give their view of the quality and usefulness of the audit review undertaken. Negative feedback is rare and when received will be investigated by the Internal Audit Manager and reported to the Head of Internal Audit. During 2020/21 customer feedback received has been positive.
- 8.7 During 2020/21 the Head of Internal Audit has approved and overseen changes to the staff structure and procedural changes, both of which have been implemented to improve the service provided, and to adapt to increased demand, the ever-changing risk environment and the introduction of East Suffolk Council. These improvements are ongoing and will continue throughout 2021/22.

9. ORGANISATIONAL INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT

- 9.1 The mission of the Internal Audit Service is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. All Internal Audit activity forms part of the crucial evidence that enables the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement that accompanies the Annual Accounts and reports on the effectiveness of the Council's governance and internal control

arrangements). External Audit may also place reliance upon Internal Audit's work coverage to ensure that systems controls are adequate and effective.

- 9.2 To provide this service Internal Audit must have freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.
- 9.3 The Internal Audit Charter agreed by the Audit & Governance Committee in January 2020 sets out how the internal audit function will operate to ensure independence and objectivity.
- 9.4 The Council's Constitution clearly supports independence and objectivity and requires that the Chief Executive 'ensure that the Head of Internal Audit has direct access to and freedom to report in his or her name and without fear or favour to the Chief Executive and the CFO, the Cabinet and the Audit & Governance Committee, all levels of management, officers and elected Members'.
- 9.5 During 2020/21, the Head of Internal Audit confirms that the internal audit activity was independent and objective from the organisation, in accordance with the requirements of the PSIAS.

10. **BASIS OF OPINION**

- 10.1 My evaluation of the control environment is informed by a number of sources: the planned audit work undertaken by internal audit during the year; consultancy and additional work requested and performed throughout the year; reactive risk based work performed as a direct result of the COVID-19 pandemic; the preparation and ongoing review of the strategic internal audit plan; reports issued by the Council's external auditors; my knowledge of the Council's governance, risk management, performance monitoring and internal control arrangements; and the on-going work with management to assess and provide assurance on the efficiency, effectiveness and reliability of key systems.

11. **OPINION**

- 11.1 The Head of Internal Audit is required to provide an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework which includes consideration of any significant risk or governance issues and control failures which arise.
- 11.2 75% of internal audit work completed during 2020/21 has yielded an acceptable level of assurance (good or adequate). For those audit reviews that have presented concern, actions have been agreed to improve controls and are closely monitored until such time as they are addressed. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit. Senior officers have agreed an improvement action plan to enable governance improvements as part of the Annual Governance Statement assurance process; these are also monitored within the Corporate Risk Register and overseen

by the governance arrangements in place at the Council.

APPENDIX A – Reviews completed with an assurance audit opinion

Audit	ASSURANCE
Payroll (KS & P) ¹	Reasonable (draft)
Coronavirus Business Grants Phase 1 – Small Business Grant (P & C)	Reasonable (draft)
Coronavirus Business Grants Phase 2 – Retail, Hospitality and Leisure (P & C)	Reasonable (draft)
Coronavirus Business Grants Phase 3 – Local Authority Discretionary Grant (P & C)	Reasonable (draft)
Local Government Transparency Code (P)	Limited
Key Financial Controls (KS & P)	Reasonable (draft)
Treasury Management (KS & P)	Effective
Disabled Facilities Grant (Certification) (P)	Reasonable
Asset Management Follow-up (P)	Reasonable
National Non Domestic Rates * Undertaken by East Suffolk Council Internal Audit (P)	Adequate/Reasonable (draft)
Housing Benefits Overpayments Recovery and Council Tax Recovery Undertaken by West Suffolk Council Internal Audit (P)	Adequate/Reasonable (draft)
Housing Benefits and Council Tax Undertaken by West Suffolk Council Internal Audit (P)	Adequate/Reasonable (draft)
ARP Enforcement Undertaken by Fenland District Council Internal Audit (P)	Good/Substantial (draft)

* The assurance for audits relating to the Anglia Revenues Partnership uses the former opinion categories of Good, Adequate, Limited and No Assurance.

¹ Work performed comprises consultancy (C), probity (P), computer audit (CA), or key systems (KS) which feed into the general ledger.

APPENDIX B – All other audit work undertaken where no formal report has been issued that has contributed towards the Head of Internal Audit annual opinion.

Audit	COMMENTS
Corporate Governance and Risk Management Support	Head of Internal Audit attendance on Corporate Governance days, and provision of independent professional advice.
Annual Governance Statement Framework	Attendance on AGS Working Group to support changes arising from any revisions to the CIPFA & SOLACE code of practice and provide controls advice/gap analysis in connection with Internal Audit work.
Members' Requests	As agreed by the Audit and Governance Committee.
National Fraud Initiative (NFI)	Participation in mandatory exercises and identification of fraud through data matching exercises with the Cabinet Office.
Information Governance Strategic Support and Advice 2020/21 (excluding data protection)	Attending project meetings and providing advice throughout the year.
Port Health PRS due diligence	To attend project meetings and support the Port Health Technical programme.

APPENDIX C - Special investigations, consultancy and compliance work

Audit	COMMENTS
Coronavirus Business Grants	The Council has administered critical grant funding to local businesses on behalf of central government. Work provided assurance to management and supported government returns required, as well as any counter fraud activities.
Port Health PRS due diligence	To attend project meetings and support Port the Health Technical programme.

APPENDIX D – Reviews that have been cancelled or deferred and the reasons why

Audit	Status	COMMENTS
Declarations of Interests (follow up and re-visit) (P)	Deferred	Deferred due to Coronavirus.
Port Health Cyber Essentials Accreditation (CA)	Deferred	Deferred due to Coronavirus.
Income (Paye.net) (P)	Deferred	Deferred due to Coronavirus.
User Role Management (CA)	Deferred	Deferred due to Coronavirus.
CCTV Review (C)	Deferred	Deferred due to Coronavirus.
Public Sector Internal Audit Standards (PSIAS) self-assessment	Deferred	Deferred due to Coronavirus.