



activities or systems (there were none despite the pandemic).

- e) Matters arising from previous reports to the Audit and Standards Committee.
  - f) Whether any limitations have been placed on the scope of Internal Audit (there have not been any).
  - g) The extent to which resources constraints may impinge upon the Internal Audit Manager's ability to meet the full audit needs of the Council. As detailed above, the pandemic led to a revised Internal Audit plan being agreed and during the year there were inevitably operational disruptions which impacted on the access of Internal Auditors to key staff and information.
  - h) What proportion of the Council's audit need has been covered to date; and
  - i) The results of work performed by other assurance providers including the work of the External Auditors.
6. The Internal Audit Manager is satisfied that sufficient internal audit work has been undertaken to allow a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Council's risk management, control and governance processes to be drawn.

**Based upon the results of work undertaken during the year, it is the Internal Audit Manager's overall opinion that the Council has in place adequate and effective governance, risk management arrangements and control processes. Where there have been significant issues these have been accepted by Management and promptly corrected.**

**Key governance, risk management and internal control arrangements have been maintained or revised as appropriate in response to the Covid-19 pandemic and have not deteriorated as a result Covid-19**

7. This report outlines the work undertaken by Internal Audit during the 2020/21 year and covering the period 1 April 2020 to 31 March 2021.
8. Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. On behalf of the Council, Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of these arrangements.
9. Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed

to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

10. The annual report must incorporate:

- a) The opinion;
- b) A summary of the work that supports the opinion; and
- c) A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

11. The primary role of Internal Audit is to provide assurance to the Council (management, Heads of Service and the Audit and Standards Committee) and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant organisational risks. Internal Audit helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

### **Internal Audit Work During 2020/21**

12. The 2020/21 Internal Audit Plan was originally presented to and agreed by the Audit and Standards Committee in March 2020. The plan was prepared based on the risks associated with the Council's objectives in consultation with key officers and took into account:

- a) Knowledge and experience accumulated in Internal Audit, including the results of previous reviews
- b) A review of audit themes against the Corporate risk register and Council priorities
- c) The work of other assurance providers both internally and externally
- d) The external environment including economic climate, government initiatives such as welfare reform and changes in funding
- e) Harmonisation of themes with the Borough of Broxbourne Council and Epping Forest District Council to enable benchmarking and sharing of good practice.

13. Due to the pandemic the focus of Internal Audit's work was significantly changed and a new plan for 2020/21 adopted and approved at the June

Audit and Standards Committee meeting. Both the original and revised plan were designed to allow sufficient audit coverage to support the overall opinion for the Council. Despite the changes there has been sufficient internal audit coverage in order to give this opinion.

14. At the end of each assurance review a report is issued giving a formal audit assurance rating. This rating is based on an assessment of the key management arrangements and internal controls in place and measured using the following scale:

- a) 'Substantial' assurance – Overall, there is a sound system of control. Any weaknesses which put system/service objectives at risk will be minor and does not lead the Council to significant risk exposure.
- b) 'Moderate' assurance - Basically sound control, with areas of weakness, which put system/service objectives at risk. (Any high priority recommendations will prevent this level of assessment).
- c) 'Limited' assurance – There are significant weaknesses in more than one key control area, which could put system/service objectives or the Council at risk.
- d) 'No' assurance – There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk.

### Summary of Assurance Work

15. A total of ten audit reports were issued as part of the 2020/21 Plan, nine being assurance reviews and one being a follow up audit. The moderate and limited assurance reports tend to relate to a specific area rather than represent a breakdown of controls across the Council. The table below provides a comparison between the 2020/21 and previous four financial years:

Table 1: Assurance Report Comparison

Assurance rating	2020/21	2019/20	2018/19	2017/18	2016/17
Substantial	2	4	6	2	7
Moderate	5	6	4	6	6
Limited	2	1	2	0	1
No	0	0	0	0	0
<b>TOTAL</b>	<b>9</b>	<b>11</b>	<b>12</b>	<b>8</b>	<b>14</b>

16. Appendix A sets out work carried out by Internal Audit during the year in narrative form and compares this to the plan agreed by Audit and Standards Committee in June 2020. This summary includes individual

audit reviews, investigations, consultancy and advice and other internal audit engagement activities with the Council.

17. Appendix B lists the individual audit reports issued as part of the 2020/21 Plan with their assurance rating and number of recommendations made by risk priority.

### **Tracker process**

18. Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. Recommendation categories are linked to risk and, in order of priority, are rated 'high', 'medium' and 'low'.
19. Reports on progress of the management implementation of agreed recommendations are actively monitored by the Senior Management Board. The Audit and Standards Committee receives a report of all overdue recommendations plus any fundamental recommendations from final reports issued, regardless whether they are overdue or not.
20. The process continues to work well and there are no significant issues to report regarding the implementation of audit recommendations.

### **Other Sources of Assurance**

21. The opinion given in this annual report does not rely solely on the formal audits undertaken by the section.
22. Special investigations: Internal Audit investigates any allegations of fraud and suspected irregularity. There are separate arrangements for reporting, investigating and dealing with benefits fraud. A record is maintained of all reported and alleged fraud and theft with a summary reported annually to the Audit and Standards Committee. For 2020/21 there were no significant (estimated at more than £10,000) investigations by Internal Audit into suspected fraud.
23. Advice: Internal Audit is most effective when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems. This includes Internal Audit sitting on key business groups which in 2020/21 included:
- a) Corporate Governance Group
  - b) ICT Operations Board
  - c) Information Governance Group
24. Internal Audit has also provided advice regarding implementation of the new HR/payroll system (iTrent), undertaken assurance and fraud work around business grants and helped the Council move forward with their

service planning and risk management processes and information governance arrangements.

25. In addition, Internal Audit raises awareness of control issues throughout the Council; in particular during the Covid-19 lockdown when more remote processes were introduced. Also through the update of key governance documents and the co-ordination and analysis of service assurance statements which feeds into the Annual Governance Statement.
26. Anti-Fraud and Corruption work: Harlow Council participates in the National Fraud Initiative which is a data matching exercise run annually by the Cabinet Office. The exercise seeks to identify fraud spanning public bodies and Internal Audit is the key point of contact and facilitates and supports the Council's involvement.
27. Internal Audit continues to be an active member of the Corporate Fraud Group, sharing good practice seen elsewhere and helping to deliver anti-fraud initiatives which supports the Council's anti-fraud and corruption strategy which was approved at the August 2020 Audit and Standards Committee.

### **Effectiveness**

28. In line with good practice, the Internal Audit service should on an annual basis ensure it is compliant with the 2017 Public Sector Internal Audit Standards (PSIAS), notifying the Audit and Standards Committee of any areas of non-compliance.
29. Following an external assessment, which is required every five years, the service was confirmed as fully compliant in November 2016 and this is still the case as there have been no significant changes in the way the Internal Audit service is delivered or operates, and the Internal Audit Manager has not taken on any additional responsibilities that could compromise the service's independence and objectivity. An External Quality Assessment (EQA) is planned July 2021, the results of which will be reported to the November 2021 Audit and Standards Committee.
30. Performance indicators are in place to monitor service performance and reported at each Audit and Standards Committee with a summary for the year presented below with a comparison with last years' results. The amount of time to obtain management responses has been brought to Senior Management Board's attention:

Table 2: Performance Indicator Summary

Aspect of Service	Performance Indicator	Target	Year End 2020/21	Year End 2019/20
Audit Plan	<ul style="list-style-type: none"> <li>Achievement of the annual Plan</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient internal audit work in order that the Internal Audit Manager can give their annual opinion.</li> </ul>	<ul style="list-style-type: none"> <li>Achieved</li> </ul>	<ul style="list-style-type: none"> <li>Achieved</li> </ul>
Internal Audit processes	<ul style="list-style-type: none"> <li>Issue of draft report after closing meeting</li> </ul>	<ul style="list-style-type: none"> <li>Within 10 working days</li> </ul>	<ul style="list-style-type: none"> <li>6 days</li> </ul>	<ul style="list-style-type: none"> <li>5 days</li> </ul>
	<ul style="list-style-type: none"> <li>Issue of final report after agreement with client to draft</li> </ul>	<ul style="list-style-type: none"> <li>Within 5 working days</li> </ul>	<ul style="list-style-type: none"> <li>2 days</li> </ul>	<ul style="list-style-type: none"> <li>3 days</li> </ul>
Effective management engagement	<ul style="list-style-type: none"> <li>Management responses within 10 working days of draft report</li> </ul>	<ul style="list-style-type: none"> <li>10 working days</li> </ul>	<ul style="list-style-type: none"> <li>18 days **</li> </ul>	<ul style="list-style-type: none"> <li>24 days *</li> </ul>
	<ul style="list-style-type: none"> <li>Implementation of agreed audit recommendations</li> </ul>	<ul style="list-style-type: none"> <li>Within agreed timescales</li> </ul>	<ul style="list-style-type: none"> <li>Largely met (as reported via the tracker)</li> </ul>	<ul style="list-style-type: none"> <li>Largely met (as reported by tracker)</li> </ul>
Continuous Professional Development (CPD)	<ul style="list-style-type: none"> <li>Auditors maintain and improve their knowledge, skills and other competencies through directed and self-directed activities</li> </ul>	<ul style="list-style-type: none"> <li>40 hours of CPD activity per auditor</li> </ul>	<ul style="list-style-type: none"> <li>Target for 2020/21 achieved</li> </ul>	<ul style="list-style-type: none"> <li>Target for 2019/20 achieved.</li> </ul>

\* The figures are higher than expected because it took longer than would normally be expected for the responses to three of the reports to be

received as a result of changes to working arrangements directly linked to the Covid-19 pandemic.

\*\* The majority of reports took longer to finalise than anticipated due to a mixture of Covid-19 and complexity of issues to resolve (for example data retention and disposals)

31. Internal Audit staff participate in Continuous Professional Development including keeping abreast of best professional practice. Members of the Internal Audit team participate in various networking groups including the Essex Audit Group, the Midland Audit Group and the London Audit Group, where speakers on topical issues give presentations. There are also close working relationships with other councils.

## **IMPLICATIONS**

### **Environment and Planning (includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (includes ICT)**

The results of this report and the Internal Audit Manager's overall opinion provide sources of assurance for the Annual Governance Statement.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### **Housing**

None specific

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing**

None specific

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance**

The review ensures that the Council fulfils the requirements of the Accounts & Audit Regulations (England) 2015.

**Author: Simon Hill, Head of Governance**

### **Background Papers**

NB: There are papers referred to in the preparation of the report that are not attached as appendices but that are available for public or Councillor study.

Public Sector Internal Auditing Standards (PSIAS) 2017  
Accounts and Audit Regulations (England) 2015

### **Appendices**

Appendix A – Internal Audit 2020/21 Outcomes  
Appendix B – Audit Report Monitoring 2020/21

## **Glossary of terms/abbreviations used**

EQA - External Quality Assessment

PSIAS - Public Sector Internal Audit Standards