

- 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.
 - 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.
4. 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.

5. The rest of this report outlines the work undertaken by Internal Audit during the 2021/22 year and covering the period 1 April 2021 to 31 March 2022.
6. 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.
7. 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. 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

8. The primary role of Internal Audit is to provide assurance to the Council (Senior Management Board, Assistant Directors 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 2021/22

9. The 2021/22 Internal Audit Plan was presented to and agreed by the Audit and Standards Committee in March 2021. 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.
10. 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

11. A total of eight audit reports were issued as part of the 2021/22 Plan, seven being assurance reviews and one being a formal 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 2021/22 and previous four financial years:

Table One: Assurance Report Comparison

Assurance rating	2021/22	2020/21	2019/20	2018/19	2017/18
Substantial	2	2	4	6	2
Moderate	3	5	6	4	6
Limited	2	2	1	2	0
No	0	0	0	0	0
TOTAL	7	9	11	12	8

12. 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 March 2021. This summary includes individual audit reviews, investigations, consultancy and advice and other internal audit engagement activities with the Council.
13. Appendix B lists the individual audit reports issued as part of the 2021/22 Plan with their assurance rating and number of recommendations made by risk priority.

Tracker process

14. 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'.
15. 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.

16. The process continues to work well and there are no significant issues to report regarding the implementation of audit recommendations.

Other Sources of Assurance

17. The opinion given in this annual report does not rely solely on the formal audits undertaken by the section.

- a) *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.
- b) *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 2021/22 included:

Corporate Governance Group

Information Governance Group

Project Governance Working Group (new for 2021/22)

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.

In addition, Internal Audit raises awareness of control issues throughout the Council, helps in the review of key governance documents and co-ordinates the production and analysis of service assurance statements which feeds into the Annual Governance Statement.

- c) *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.

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 November 2021

Audit and Standards Committee.

Effectiveness

18. 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.
19. In the summer 2021 the Internal Audit function underwent an External Quality Assessment (EQA), which, in line with the PSIAS, must be conducted every five years by a qualified, independent assessor from outside the Council. The EQA, which covered all three councils in the shared service, confirmed the Internal Audit service conforms to the Public Sector Internal Audit Standards and the results communicated to the November 2021 Audit and Standards Committee. This report confirms there have been no impairments to the independence and objectivity of the Internal Audit service during the year.
20. 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 Two: Performance Indicator Summary

Aspect of Service	Performance Indicator	Target	Year End 2021/22	Year End 2020/21
Audit Plan	<ul style="list-style-type: none"> Achievement of the annual Plan 	<ul style="list-style-type: none"> Sufficient internal audit work in order that the Internal Audit Manager can give their annual opinion. 	<ul style="list-style-type: none"> Achieved 	<ul style="list-style-type: none"> Achieved
Internal Audit processes	<ul style="list-style-type: none"> Issue of draft report after closing meeting 	<ul style="list-style-type: none"> Within 10 working days 	<ul style="list-style-type: none"> 9 days 	<ul style="list-style-type: none"> 6 days
	<ul style="list-style-type: none"> Issue of final report after agreement with client to draft 	<ul style="list-style-type: none"> Within 5 working days 	<ul style="list-style-type: none"> 5 days 	<ul style="list-style-type: none"> 2 days

Effective management engagement	<ul style="list-style-type: none"> • Management responses within 10 working days of draft report 	<ul style="list-style-type: none"> • 10 working days 	<ul style="list-style-type: none"> • 19 days ** 	<ul style="list-style-type: none"> • 18 days
	<ul style="list-style-type: none"> • Implementation of agreed audit recommendations 	<ul style="list-style-type: none"> • Within agreed timescales 	<ul style="list-style-type: none"> • Largely met (as reported via the tracker) 	<ul style="list-style-type: none"> • Largely met (as reported via the tracker)
Continuous Professional Development (CPD)	<ul style="list-style-type: none"> • Auditors maintain and improve their knowledge, skills and other competencies through directed and self-directed activities 	<ul style="list-style-type: none"> • 40 hours of CPD activity per auditor 	<ul style="list-style-type: none"> • Target for 2021/22 achieved 	<ul style="list-style-type: none"> • Target for 2020/21 achieved

** The majority of reports took longer to finalise than anticipated due to a mixture of the Council's senior management restructure, resulting in new areas of responsibility for some Assistant Directors, and the complexity of issues to resolve (for example facilities management).

21. 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

Strategic Growth and Regeneration

None specific.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

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, Deputy to the Chief Executive and Director of Finance

Housing

As outlined in the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

None specific.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

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

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix A – Internal Audit 2021/22 completed work plan

Appendix B – Audit Report Monitoring 2021/22

Background Papers

None

Glossary of terms/abbreviations used

EQA – External Quality Assessment

PSIAS - Public Sector Internal Audit Standards