

**Report of Section 151 Officer**

**ANNUAL INTERNAL AUDIT OPINION 2020-21**

**1. Purpose of Report**

To present the Annual Internal Audit Report from the council's internal auditor (CWAS) in compliance with the requirements of the Accounts and Audit (England) Regulations 2015 and the Public Sector Audit Standards (PSIAS), which require the Head of Internal Audit to provide an annual opinion on the work undertaken by Internal Audit.

**2. Executive Summary**

The Head of Internal Audit's opinion is that significant assurance can be given and that there is generally a sound system of internal control, designed to meet the organisation's objectives, and that controls are generally applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

**3. Appendices**

- Appendix 1 Internal Audit Annual Report & Opinion 2020/21

**4. Proposed action:**

**4.1 The committee is invited to consider, comment upon and note this report as part of its role in reviewing internal audit coverage and the internal audit annual opinion for the year 2020-21.**

**5. Background**

- 5.1. To comply with reporting requirements, internal audit are required to give an annual opinion on the overall adequacy and effectiveness of the council's control environment.
- 5.2. This report provides that opinion.

**6. Discussion**

- 6.1. The Head of Internal Audit's opinion is based upon the results of audit work carried out in 2020-21. The Internal Audit Plan for 2020-21 enabled the Head of Internal Audit to provide a fully balanced annual audit opinion that takes account of a wide range of important control systems and processes operated by the council.

- 6.2. The internal audit opinion is used to inform weaknesses that should be regarded as significant control issues requiring disclosure in the Annual Governance Statement. The work undertaken by internal audit has not highlighted any weaknesses which require disclosure.

## **7. Legal powers**

Part 2 of the Accounts and Audit Regulations 2015 requires the council to ensure its financial management is adequate and effective, and that the body has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk. The council must conduct a review at least once a year of the effectiveness of its system of internal control, and the findings of the review must be considered by the members of the Audit Committee.

## **8. Risk analysis**

- 8.1. The Annual Audit opinion is based on the work undertaken throughout the year as agreed in the Annual Audit Plan presented to Audit Committee.
- 8.2. If the plan does not cover the key risks of the organisation or is under resourced then the opinion may not accurately reflect the actual control risks faced by the Borough. The opinion may not be robust enough to be relied upon as part of the annual governance statement and Audit Committee may not get the assurance they need to fulfil their role.
- 8.3. This is unlikely as the Audit plan is comprehensive in its coverage and its findings are regularly monitored by Internal Audit and the Section 151 officer.

## **9. Implications for Finance and value for money, Resources, Stronger and Safer Communities & Equalities**

No specific implications

## **10. Author and Contact Officer**

Shaun Darcy, Director of Resources and Section 151 Officer

## **11. Consultees**

Senior Management Team

## **12. Background Papers**

None

# Borough Council of Wellingborough

## Internal Audit Annual Report & Opinion 2020/2021

February 2021



**cw audit**  
audit and assurance services

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# 1 Introduction

This annual report provides my opinion (see section 2) as the Head of Internal Audit to The Borough Council of Wellingborough. It also summarises the activities of Internal Audit for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021.

The Council is required by the Accounts & Audit Regulations 2015 to “to undertake an adequate and effective internal audit of its accounting records and of its system of internal control, taking into account public sector internal auditing standards or guidance”. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance, to support the Annual Governance Statement, AGS), setting out:

- An opinion on the overall adequacy and effectiveness of the organisation’s control environment ;
- Disclose any qualifications to that opinion, together with the reasons for that qualification;
- Present a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances;
- Draw attention to any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS)
- Consider delivery and performance of the Internal Audit function against that planned;
- Comment on compliance with these Standards and the results of any quality assurance programme.

The Council should consider my opinion, together with management assurances, its own knowledge of the organisation and assurances received throughout the year from other review bodies (such as External Audit) when producing its AGS.

My opinion takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year. An internal audit plan was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. **A summary of the work we have performed and delivery against the plan is provided in section 3.**

Alongside the delivery of the operational internal audit work, we have met regularly with Council management to ensure any issues regarding our performance can be highlighted and any necessary action taken to resolve these. Following each audit, management are also requested to provide feedback on the service received. No significant issues or concerns regarding the internal audit service have been raised to date.

I have discussed and agreed this Annual Report and Head of Internal Audit Opinion with the Section 151 Officer. Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are detailed within the progress reports and individual assignment reports that have been issued to the Committee during the year.

# 2 Annual Head of Internal Audit Opinion

## Roles and responsibilities

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit provides an independent and objective opinion to the organisation on the control environment and plays a vital part in advising the organisation whether these arrangements are in place and operating correctly.

In accordance with PSIAS, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. As such, it is one component that the organisation takes into account in making its AGS.

## The Head of Internal Audit Opinion

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;

My **overall opinion** is that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk. The basis for forming my opinion is as follows:

1. An initial assessment of the design and operation of the underpinning risk management framework and supporting processes; and
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.



# 3 Work undertaken during the year

## Summary of assurances provided

During the course of the year we have conducted work to provide assurance over financial, governance and operational systems. Appendix One summarises the assurance levels we have given.

## Delivery of the plan

An internal audit plan for 2020/21 was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. At an early stage in the year the plan had to be significantly flexed to take account of the emerging Covid-19 pandemic, with action agreed with the Director of Resources to accommodate two separate covid-19 related business grant audits. It also became impossible to undertake on-site audits, so we amended our approach to conduct audits remotely. A summary of work undertaken is included below:

- During the year we have undertaken reviews of the key controls operating in your core financial systems. Full or significant assurance opinions were provided for all such systems we reviewed, as summarised in Appendix One.
- Reviews of the Small Business, Retail, Hospitality & Leisure and Discretionary Grant Funds introduced by central government in response to the Covid-19 pandemic confirmed that appropriate systems and processes had been put in place to make these payments to businesses.
- Our review of risk management arrangements in place during the 2020/21 confirmed that improvements had been made since the last audit was delivered in 2019/20 and we were therefore able to provide an improved level of assurance from moderate in 2019/20 to significant in 2020/21.

- We are pleased to report that our work has not highlighted any weaknesses that should be regarded as Significant Internal Control Issues that would require disclosure within your AGS. We did however identify some weaknesses in control that caused us to limit the level of assurance we could give in the following areas:
  - **GDPR** – The review highlighted a number of weaknesses in the systems and processes in place in place to ensure compliance with GDPR, including the need to ensure written contracts are in place with all data processors used by the Council; ensure all privacy notices used by departments contain at least the minimum required information; establish a programme to undertake spot-checks and reviews of GDPR compliance and undertake a formal IT security and records management risk assessment. It is acknowledged that the Policy and Compliance Officer (Data Protection Officer) was already aware of these and had an action plan in place to strengthen GDPR controls in key areas, but that implementation of this action plan had been unavoidably delayed by the requirement for the Policy and Compliance Officer to get involved in COVID-19 response work. All action required is being managed and delivered through the information governance workstream for the new unitary Council.
  - **Cyber Security** – The 2018/19 Cyber Security Internal Audit report, which provided a limited assurance opinion, made a total of 37 findings/recommendations, 19 of which were ranked as level 2 (high) risk and 18 ranked as level 3 (medium) risk. The follow up review undertaken in 19/20 concluded that action was still required to implement 24 of these recommendations, although in a number of cases the progress made in implementing these had enabled the risk ranking applied to improve. One further new recommendation was also made. In total, six level 2 (high) risk findings/recommendations remained and an overall moderate assurance opinion was provided. The 2020/21 audit concluded that further progress has been made in addressing the issues previously raised, with the total number of finding/recommendations made reducing to 18, although one of these is a newly raised level 2 (high) risk issue. The total number of level 2 (high) risk findings/recommendations made has further reduced to four.

## Third party assurances

In arriving at our overall Annual Head of Internal Audit Opinion, we have not sought to place reliance on any third party assurances.

## Recommendation tracking

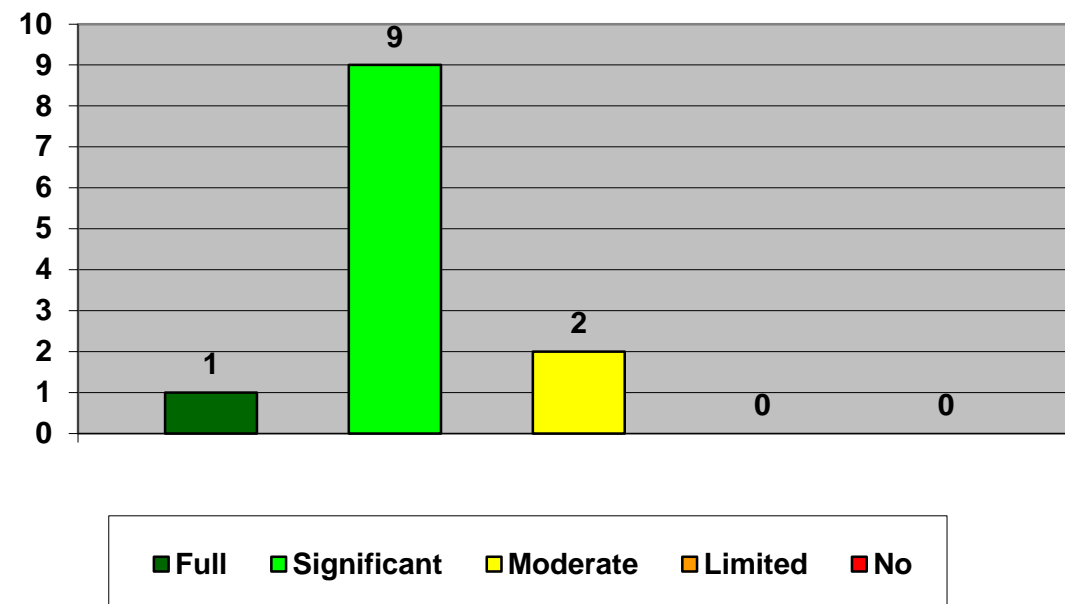
All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our independent follow-up reviews where this is deemed necessary. Our annual report would normally include a summary of the latest status for each recommendation on the tracking system as at the year-end. However, due to the fact that Wellingborough Borough Council will cease to exist as a sovereign Council on 31<sup>st</sup> March 2021, all recommendations have been closed down on the tracking system. Any recommendations that remain applicable for the North Northamptonshire Council will be shared with the new internal audit team for inclusion on their recommendation tracking system.

# 4 Quality Assurance

All audits have been conducted in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), which includes evidenced review by senior management of all audit files and reports produced. I can confirm that there have been no issues of non-compliance with the PSIAS during the course of the year.

## Levels of Assurance – Individual Audit Assignments

Description of audit	Assurance level
Financial Management & Reporting	Significant
Creditors	Significant
Debtors	Significant
Payroll	Full
Treasury Management	Significant
Business Grants – SBGF & RHLGF	Significant
Discretionary Business Grants	Significant
Safeguarding	Significant
Risk Management	Significant
GDPR	Moderate
Cyber Security	Moderate
Health & Safety	Significant
DFG Certification	Certification provided
Future Internal Audit arrangements – support	N/A
Procurement	Significant

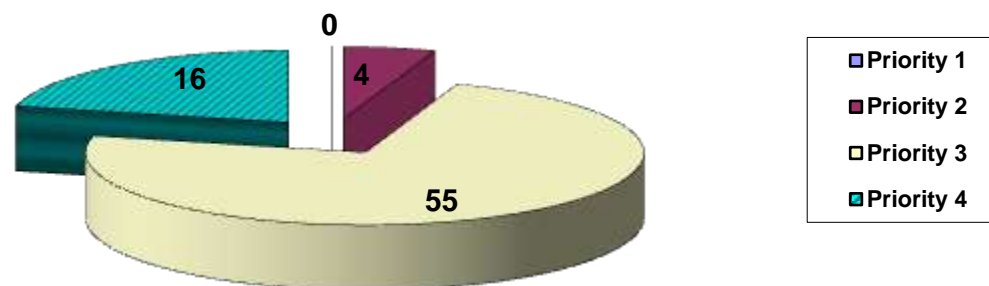


Level of assurance	Criteria
Full	No significant risk issues identified.
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review.
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable.
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review.
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole.

## Summary of Internal Audit Recommendations

### Recommendations made in 2020/21

Priority	Number
1	0
2	4
3	55
4	16
<b>Total</b>	<b>75</b>



### Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.