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| Committee: Audit and Scrutiny Committee | Date: 6 July 2021 |
| Subject: Internal Audit Annual Report 2020-21 | Wards Affected: All |
| Report of: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) | Public |
| Report Author/s: Name: Jacqueline Van Mellaerts, Corporate Director (Finance and Resources) and Section 151 Officer Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk | For Information |

Summary

This report is intended to inform the Audit and Scrutiny Committee of the annual internal audit opinion.

Overall, Internal audit have been able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. The full report is attached in Appendix A.

Main Report

Introduction and Background

1. This report is intended to inform the Audit and Scrutiny Committee of the overall results of our 2020-21 internal audit plan. It summarises our assessment of the systems reviewed and the recommendations raised.
2. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.
3. The Audit Committee approved the 2020-21 annual audit plan in March 2020. The progress against plan is reported at every Audit and Scrutiny Committee during 2020-21.

Issue, Options and Analysis of Options

4. Overall internal audit were able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

5. In forming their view they have taken into account that:
 - The Council has incurred an overspend against budget in 2020/21, although it has worked hard to contain this to £243,000 despite significant reductions in Government Funding and the pressures of the Covid-19 pandemic. It has demonstrated sound financial management, as evidenced by our substantial assurance opinion provided on the financial planning and monitoring audit in respect of the design and operational effectiveness of controls.
 - In respect of the design of the controls, substantial assurance was provided in eight out of twelve assurance audits, moderate assurance opinions were provided in three areas and limited in one operational area (Street Cleaning/Fly Tipping/Enforcement). These opinions are a slight deterioration compared with 2019-20, when there were no limited assurances (see page 19).
 - In respect of the operational effectiveness of the controls, an opinion of substantial assurance was provided in three areas, moderate assurance in six areas and limited assurance in three areas (Sickness Absence, Licensing and Street Cleaning/Fly Tipping/Enforcement). These opinions are a deterioration compared with 2019-20, when there were no limited assurances (see page 19).
 - Management has responded positively to reports issued and action plans have been developed to address the recommendations raised, although we have experienced delays in responses to reports and audit requests.
 - We have confirmed that 82% of recommendations due for implementation by the date of reporting had been completed, which is a decrease from the 94% in the prior year.
 - Overall, therefore, we have noted a deterioration in the control environment compared to last year, although not to the extent that is necessary to downgrade our overall opinion.
 - We understand that the lapse in controls in some areas this year, such as sickness absence management in the depot and the operational areas of Licensing and Street Cleaning/Fly Tipping/Enforcement is as a result of the ongoing Covid-19 pandemic and the consequent strain on resources.
6. Their annual report and head of internal audit opinion has been prepared based on the audit work undertaken in respect of the financial year ended 31 March 2021. The full report is attached in Appendix A.
7. The Audit opinion is also included within the Annual Governance Statement 2020-21.

Consultation

Not applicable.

References to Corporate Strategy

To ensure the Council is effective and efficient by delivering services that are value for money and meet the needs of our residents.

Implications

Financial Implications

Name/Title: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) and Section151 Officer.

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There are no direct financial implications arising from this report.

Legal Implications

Name & Title: Amanda Julian, Corporate Director (Law & Governance) and Monitoring Officer

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There are no legal implications arising from this report.

Economic Implications

Name/Title: Phil Drane, Corporate Director (Planning & Economy)

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There are no economic implications arising from this report.

Background Papers

None

Appendices to this report

Appendix A – Internal Audit Annual report 2020-21