

<b>Committee:</b> Audit and Scrutiny Committee	<b>Date:</b> 25 July 2022
<b>Subject:</b> Internal Audit Annual Report 2021/22	<b>Wards Affected:</b> All
<b>Report of:</b> Jacqueline Van Mellaerts, Corporate Director (Finance & Resources)	<b>Public</b>
<b>Report Author/s:</b> Name: Jacqueline Van Mellaerts, Corporate Director (Finance and Resources) and Section 151 Officer Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk	<b>For Information</b>

### 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 2021/22 internal audit plan. It summarises the assessment of the systems reviewed and the recommendations raised.
2. The work complies with Public Sector Internal Audit Standards. As part of the audit approach, they 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 them to give assurance on the risk management and internal control processes in place to mitigate the risks identified.
3. The Audit Committee approved the 2021/22 annual audit plan in March 2021. The progress against plan is reported at every Audit and Scrutiny Committee during 2021/22.

#### **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 provisionally reported a balanced outturn against budget for 2021/22, maintaining the general fund at the same level as the prior year (being £2.874 million) and increasing general fund earmarked reserves by £1.663 million over the year. This was achieved despite the pressures of the Covid-19 pandemic and the continued suspension of a number of income-generating services during the year. The Council 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 seven out of twelve audits, moderate assurance opinions were provided in four areas and limited in one area (Section 106 agreements, including affordable housing). These opinions are a slight deterioration compared with 2020/21, when substantial assurance was provided in eight out of twelve audits, moderate assurance opinions were provided in three areas and there was one limited assurance in an operational area (see page 16 of Appendix A).
  - In respect of the operational effectiveness of the controls, an opinion of substantial assurance was provided in four areas and moderate assurance in eight areas. These opinions are an improvement compared with 2020/21, when an opinion of substantial assurance was provided in three areas, moderate assurance in six areas and limited assurance in three areas (see page 16 of Appendix A).
  - Management has responded positively to reports issued and action plans have been developed to address the recommendations raised, although we have experienced some delays in responses to reports and audit requests.
  - We have confirmed that 83% of recommendations due for implementation by the date of reporting had been completed, which is similar to the 82% in the prior year.
  - Overall, therefore, we have noted an improvement in the control environment compared to last year, although not to the extent that is necessary to upgrade our overall opinion.
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 2022. The full report is attached in Appendix A.

7. The Audit opinion is also included within the Annual Governance Statement 2021/22 which is published alongside the Draft Statement of Accounts 2021/22.

### **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 Section 151 Officer.**

**Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk**

There are no direct financial implications arising from this report.

#### **Legal Implications**

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

**Tel & Email: 01277 312500 / amanda.julian@brentwood.gov.uk**

There are no legal implications arising from this report.

#### **Economic Implications**

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

**Tel/Email: 01277 312500/philip.drane@brentwood.gov.uk**

There are no economic implications arising from this report.

### **Background Papers**

None

### **Appendices to this report**

Appendix A – Internal Audit Annual report 2021/22