

Report to: **Audit Committee**

Date: **6 July 2021**

By: **Orbis Chief Internal Auditor, Business Services Department**

Title of report: **Internal Audit Annual Report and Opinion 2020/21**

Purpose of report: **To give an opinion on the County Council's control environment for the year from 1 April 2020 to 31 March 2021**

RECOMMENDATIONS

Members are recommended to:

- 1. note the Internal Audit Service's opinion on the Council's control environment;**
 - 2. consider whether there are any significant control issues that should be included in the Council's Annual Governance Statement for 2020/21;**
 - 3. consider whether the Council's system for internal audit has proved effective during 2020/21.**
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1. Background

1.1 The purpose of this report is to give an opinion on the adequacy of East Sussex County Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2020 to 31 March 2021 in accordance with the Internal Audit Strategy for 2020/21.

2. Supporting Information

2.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

2.3 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable assurance that East Sussex County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2020 to 31 March 2021.

2.4 This opinion, and the evidence that underpins it, is further explained in the full Internal Audit Service's Annual Report and Opinion which forms Annexe A of this report. The report highlights:

- Key issues for the year, including a summary of all audit opinions provided;
- Key financial systems;
- Other internal audit activity; and
- Anti-fraud and corruption.

2.5 As highlighted in the report, the impact of Covid 19 has made 2020/21 a unique year for Internal Audit, as was the case for the services we have audited. This has meant that we have had to adapt our working practices, reschedule audits and make a much greater number of amendments to the year's audit plan than would normally be the case. The significant changes to our workplan meant that it was necessary to produce a revised audit plan part way through the year.

2.6 A summary of the major findings from audit reviews completed during quarter 4 of 2020/2021 is included in Annexe B (major findings from previous quarters have already been reported).

2.7 Finally, Section 6 of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

3. Conclusions and Reasons for Recommendation

3.1 Audit Committee is recommended to note the Internal Audit Service's opinion on the Council's control environment, consider whether there are any significant issues that should be included in the Council's annual governance statement for 2020/21 and consider whether the Council's system for internal audit has proved effective. Cabinet will be recommended to note the Internal Audit Service's opinion on the Council's control environment at its meeting on 13 July 2021.

PHIL HALL, CHIEF OPERATING OFFICER

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BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2020/21