

Report to: **Audit Committee**

Date: **10 July 2020**

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

Title of report: **Internal Audit Annual Report and Opinion 2019/20**

Purpose of report: **To give an opinion on the County Council's control environment for the year from 1 April 2019 to 31 March 2020**

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 2019/20;**
 - 3. consider whether the Council's system for internal audit has proved effective during 2019/20.**
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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 2019 to 31 March 2020 in accordance with the Internal Audit Strategy for 2019/20.

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;
- Progress on implementation of high risk recommendations;
- Key financial systems;
- Other internal audit activity;
- Anti-fraud and corruption.

2.5 Whilst it did not make a material difference to our overall audit plan delivery for the year and our subsequent annual audit opinion, the Coronavirus pandemic meant that a number of reviews in progress at the time were not completed to final report stage. Where appropriate, the findings from these audits were still reported to services for information, with a view to finalising the reports at a future date. In other cases, planned work was suspended as a result of the Coronavirus pandemic and has therefore been considered for inclusion within our 2020/21 audit plan and any revisions to this.

2.6 A summary of the major findings from audit reviews completed during quarter 4 of 2019/20 is included in Annexe B. Member's should note the two Pension Fund audits completed during the quarter in which opinions of minimal and partial assurance were given. Pension Fund management have recently reported their progress in implementing the agreed actions arising from the findings of these reviews to Pension Board and Pension Committee. Internal Audit will complete follow-up reviews in these areas in 2020/21, as previously planned.

2.7 In addition, the major findings from audits reviews completed during quarter 3 of 2019/20 are included in Annexe C. These have not previously been reported to Audit Committee due to the pandemic.

2.8 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 2019/20 and consider whether the Council's system for internal audit has proved effective.

3.2 This report will be presented to Cabinet on 14 July 2020.

RUSSELL BANKS, ORBIS CHIEF INTERNAL AUDITOR, BUSINESS SERVICES DEPARTMENT

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BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2019/20