

South Northamptonshire Council

Internal Audit Annual Report & Opinion 2020/2021

March 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 South Northamptonshire Council. It also summarises the activities of Internal Audit for the period 1st April 2020 to 31st 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.

Limitations to the Head of Internal Audit Opinion

Due to the combined impact of LGR and the Covid-19 pandemic on staff resources and availability, the Council requested that we suspend the work we were doing on the following audits before it was possible to complete sufficient testing to provide an audit opinion:

- Council Tax*
- Business Rates*
- Benefits*

*Also suspended on client request for 2019/20 audits.

In addition, we were not provided with the source documentation we requested for the Partnerships audit and were therefore unable to complete this audit.

It should therefore be noted that the Head of Internal Audit Opinion for the 2020/21 year is based upon the work we have been able to finalise and report upon, recognising that the above limitations in scope and coverage have impacted upon our ability to complete the planned programme of work.

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

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 and your risk management system.
- We also completed audits on a number of operational areas, including s106 Agreements, Disabled Facilities Grants and Homelessness.

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.

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

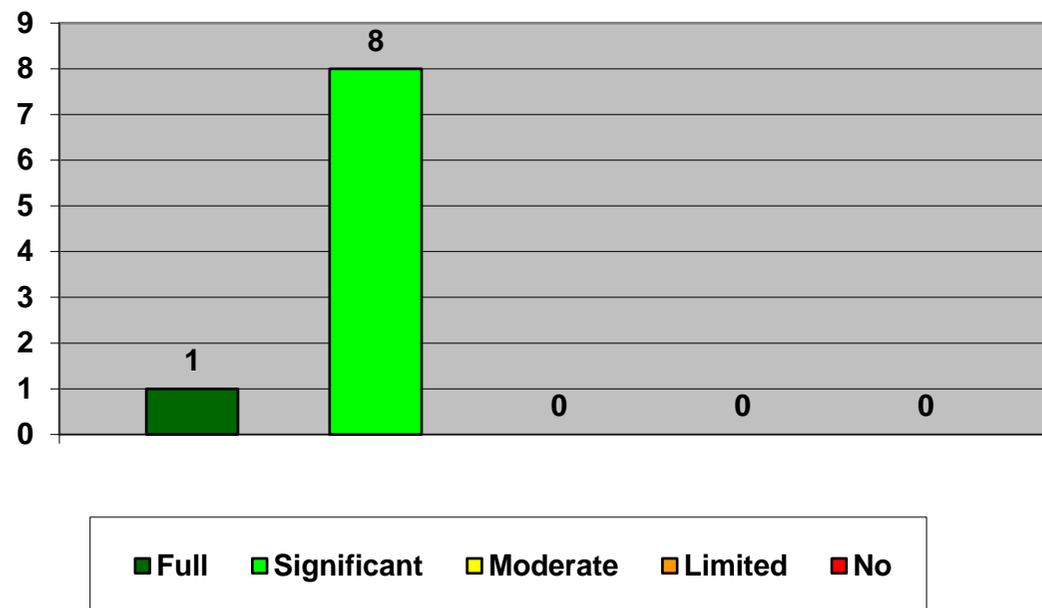
All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis and is supplemented by our 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 South Northamptonshire Council will cease to exist as a sovereign Council on 31st March 2021, all recommendations have been closed down on the tracking system. Any recommendations that remain applicable for the West 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. CW Audit's systems and processes for complying with PSIAS were confirmed as appropriate by an external assessment that was carried out in April 2018. I can confirm that all audits completed during 2020/21 were carried out in accordance with these systems and processes.

Levels of Assurance – Individual Audit Assignments

Description of audit	Assurance level
S106 Monitoring Arrangements	Significant
Homelessness	Significant
Risk Management	Significant
Partnerships	Unable to conclude this audit
Health & Safety	Advisory
Transition to New Authority	Advisory
Treasury Management	Full
Financial Management & Reporting	Significant
Creditors	Significant
Disabled Facilities Grants	Significant
Council Tax	Unable to conclude this audit
Business Rates	Unable to conclude this audit
Benefits	Unable to conclude this audit
Sundry Debtors	Significant
Payroll	Significant

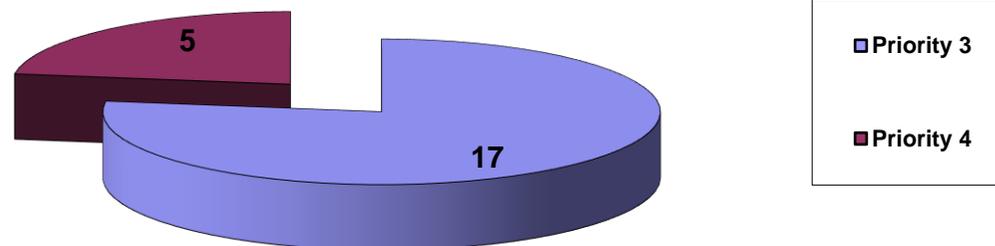


Level of assurance	Criteria
Full	No significant risk issues identified.
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review.
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable.
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	0
3	17
4	5
Total	22



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.