

AUDIT & GOVERNANCE COMMITTEE
13 June 2022

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Internal Audit Annual Report and Opinion 2021-22

SUMMARY AND PURPOSE:

The purpose of this report is to give an opinion on the adequacy of Surrey 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 2021 to 31 March 2022 in accordance with the Internal Audit Strategy for 2021/22. A separate report on Counter Fraud work undertaken in 2021/22 forms part of this Committee agenda.

RECOMMENDATIONS:

Members are asked to:

1. Note the work undertaken and the performance of Internal Audit in 2021/22 and the resultant annual opinion of the Chief Internal Auditor;
2. Determine whether there are any matters that the Committee wishes to consider for inclusion in the Council's Annual Governance Statement; and
3. Consider whether the Council's arrangements for internal audit have proved effective during 2021/22.

BACKGROUND:

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. 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.
3. No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable assurance that Surrey County Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022.
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 Annex 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; and
 - Anti-fraud and corruption coverage.
5. A summary of the major findings from audit reviews completed during quarter 4 of 2021/22 is included in Annex B (major findings from previous quarters have already been reported).
 6. 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.

INTRODUCTION:

7. During 2021/22 the Orbis Internal Audit team has delivered the Annual Plan through the Orbis Partnership arrangement with East Sussex County Council and Brighton & Hove City Council. Collaborative working has led to changes in various aspects of Internal Audit practice and process, and has achieved economies in the delivery of audits through the development of specialisms and more effective joint working.

IMPLICATIONS:

8. Financial Equalities
Risk management and value for money
9. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report. Any such matters highlighted as part of the audit work referred to in this report would be progressed through the agreed Reporting and Escalation Policy.

WHAT HAPPENS NEXT:

10. The Chief Internal Auditor and Audit Manager will continue to update management and members through our progress reporting on the finalisation of outstanding work from the 2021/22 plan, and how information within our Annual Report informs the Council's Annual Governance Statement.

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