



Internal Audit

DRAFT

## Colchester Borough Council

Internal Audit Annual Report

**2021/22**

April 2022

# Internal Audit Annual Report

## Introduction

This is the 2021/22 Annual Report by TIAA on the internal control environment at Colchester Borough Council. The annual internal audit report summaries the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control.

## Limitations on our opinion arising from Covid-19

The impact of COVID-19 on many organisations has continued to be felt throughout 2021/22 with restrictions continuing to be applied. This has been compounded by the emergence of new variants which has required the vaccination and booster programme to be accelerated. These have impacted staff availability and organisational capacity. It is acknowledged that this has affected some sectors more than others.

For internal audit the question remains as to whether sufficient internal audit work has been undertaken to gain assurance during 2021/22. This is a key consideration under internal auditing standards (IIA) when issuing an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that many organisations rely on for their Annual Governance Statement. Factors that need to be taken in to account in reaching a conclusion include:

- Has any reduction in coverage compared to what was planned resulted in insufficient assurance work?
- Have any limitations in the scope of individual assignments resulted in it only being possible to place partial assurance on the outcome?
- Have changes in ways of working led to gaps in the governance, risk management and control arrangements?

TIAA understands the considerable challenges and the difficult decisions that organisations are having to deal with, however, there remains a professional and regulatory expectation that their internal audit arrangements conform with applicable standards. In this difficult situation, heads of internal audit will need to consider whether they can still issue an annual opinion or whether there will need to be a limitation of scope.

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

## What this means for Colchester Borough Council

There has been minimal or no impact on the delivery of the internal audit work for 2021/22 as a result of the COVID-19 pandemic. Whilst there was an impact on delivery of the work in the early part of the year during the initial lockdown, we are able to deliver the planned work by year-end (or shortly thereafter). There have been no changes to the planned work as a result of COVID-19; any changes to the plan were based on purely on business/operational need.

### HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

**TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Homes has reasonable and effective risk management, control and governance processes in place. Not having completed all of the planned work due to the global Covid-19 pandemic has not impacted on our overall assessment.**

**This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Colchester Borough Homes from its various sources of assurance.**

## Internal Audit Planned Coverage and Output

The 2021/22 Annual Audit Plan approved by the Governance and Audit Committee was for 310 days (Including 10 days brought forward) of internal audit coverage in the year.

During the year there were two audits were added to the Audit Plan and the contingency days in the plan were used for one of the audits. The planned work that has been carried out against the plan and the status of work not completed is set out at Annex A.

## Assurance

TIAA completed 19 reviews of the 23 reviews in the plan. Three of the reviews were carried forward and will be completed in 2022/23. The remaining ICT audit is in progress. The reviews were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve Colchester Borough Homes' objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below. These figures include those areas where our inability to complete the work due to restrictions brought about by Covid-19 has resulted in an Indicative assurance assessment.

| Assurance Assessments | Number of Reviews* | Previous Year |
|-----------------------|--------------------|---------------|
| Substantial Assurance | 12                 | 11            |
| Reasonable Assurance  | 5                  | 13            |
| Limited Assurance     | 2                  | 1             |
| No Assurance          | 0                  | 0             |

- One audit does not require an assurance assessment

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2021/22. The numbers in brackets relate to 2020/21 recommendations

| Urgent | Important | Routine |
|--------|-----------|---------|
| 3 (3)  | 19 (35)   | 20 (42) |

## Audit Summary

**Control weaknesses:** There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'.

**Recommendations Made:** We have analysed our findings/recommendations by risk area and these are summarised below.

| Risk Area              | Urgent | Important | Routine |
|------------------------|--------|-----------|---------|
| Directed               |        |           |         |
| Governance Framework   | 0      | 3         | 1       |
| Risk Mitigation        | 0      | 0         | 0       |
| Compliance             | 3      | 16        | 15      |
| Delivery               |        |           |         |
| Performance Monitoring | 0      | 0         | 4       |
| Financial Constraint   | 0      | 0         | 0       |
| Resilience             | 0      | 0         | 0       |

**Operational Effectiveness Opportunities:** One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

| Operational |
|-------------|
| 5 (9)       |

### Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

### Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

| Performance Measure  | Target | Attained |
|--|--------|----------|
| Completion of Planned Audits                                       | 100%   | 100%     |
| Audits Completed in Time Allocation                                | 100%   | 100%     |
| Final report issued within 10 working days of receipt of responses | 95%    | 100%     |
| Compliance with IIA Internal Audit Standards                       | 100%   | 100%     |

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. Our work complies with the IIA-UK Professional Standards. An independent external review was carried out of our compliance in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards.

### Release of Report

The table below sets out the history of this Annual Report.

|                                  |                             |
|----------------------------------|-----------------------------|
| <b>Date Draft Report issued:</b> | 27 <sup>th</sup> April 2022 |
|----------------------------------|-----------------------------|

## Annexes

### Annex A

#### Actual against planned Internal Audit Work 2021/22

| System   | Type       | Planned Days | Actual Days | Assurance Assessment | Comments            |
|--|------------|--------------|-------------|----------------------|---------------------|
| Working with Volunteers and Police (Partnership services and Community safety) | Assurance  | 12           | 12          | Substantial          | Final Report Issued |
| Cybersecurity  | ICT        | 10           | 10          |                      | Work is in progress |
| Land Charges   | Assurance  | 12           | 12          | Substantial          | Final Report Issued |
| Performance Management (including staff training)                              | Assurance  | 12           | 12          | Reasonable           | Final Report Issued |
| Tendring Colchester Borders Project  | Assurance  | 14           | 14          | Substantial          | Final Report Issued |
| Homelessness – Impact of COVID   | Assurance  | 12           | 12          | Substantial          | Final Report Issued |
| COVID Discretionary Grant  | Assurance  | 12           | 12          | Substantial          | Final Report Issued |
| Mobile Device Management   | ICT        | 12           | 0           |                      | Moved to 22/23      |
| Procurement  | Assurance  | 12           | 12          | Limited              | Draft Report Issued |
| COVID Management review  | Assurance  | 10           | 10          | Substantial          | Final Report Issued |
| Key Financial Controls (including Museums and Parking Services)                | Assurance  | 20           | 20          | Reasonable           | Final Report Issued |
| Council Tax and NNDR   | Assurance  | 14           | 14          | Substantial          | Final Report Issued |
| Housing Benefit and LCTS   | Assurance  | 16           | 16          | Substantial          | Final Report Issued |
| Staff wellbeing and Sickness absence   | Assurance  | 12           | 12          | Reasonable           | Final Report Issued |
| Budgetary Control - Income stream not realised                                 | Assurance  | 12           | 12          | Substantial          | Final Report Issued |
| Corporate Governance and Democratic (including Policies)                       | Governance | 12           | 12          | Substantial          | Final Report Issued |
| Waste Management   | Assurance  | 12           | 0           |                      | Postponed to 22/23  |
| Climate Emergency  | Assurance  | 14           | 14          | Substantial          | Draft Report Issued |

| System  | Type               | Planned Days | Actual Days | Assurance Assessment | Comments            |
|---|--------------------|--------------|-------------|----------------------|---------------------|
| Leisure World                                     | Assurance          | 15           | 15          | Reasonable           | Draft Report Issued |
| Contract Management                               | Assurance          | 12           | 12          | Reasonable           | Draft Report Issued |
| Allocation for CCHL                               | Assurance          | 18           | 0           |                      | Postponed to 22/23  |
| Bossman review                                    | Contingency        | 0            | 8           | Limited              | Draft Report Issued |
| The Culture Recovery Grant: Saving and Sustaining | Contingency        | 0            | 2           | Substantial          | Final Report Issued |
| Follow-up   | Follow up          | 10           | 10          |                      |                     |
| Annual Planning                                   | Management         | 3            | 3           |                      |                     |
| Annual Report                                     | Planning/Reporting | 2            | 2           |                      |                     |
| Audit Management                                  | Planning/Reporting | 10           | 10          |                      |                     |
| *including 10 days brought forward                | <b>Total Days</b>  | <b>310</b>   | <b>268</b>  |                      |                     |