

LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Audit and Governance Committee 14 October 2021 (brought forward from 21 July 2021)
Report Title	Internal Audit Opinion on the Council's Internal Control System, and Annual Report 2020-21
Directorate	Finance & Governance
Contact details	Gemma Young, Assistant Director, Internal Audit and Anti-Fraud Shared Service 020 8496 4620 Gemma.Young@walthamforest.gov.uk
Wards affected	All
Public Access	Open
Appendices	Appendix A – Internal Audit Annual Report 2020-21 Appendix B – Changes to the 2020-21 Internal Audit Plan Appendix C – 2020-21 Audits with Nil or Limited Assurance

1. SUMMARY

- 1.1. This report provides the members of the Audit and Governance Committee with an overview of the assurance work of the Internal Audit team during 2020-21 and states the opinion of the Head of Internal Audit on the effectiveness of the Council's internal control environment for the year ending 31 March 2021.
- 1.2. The Council's Section 151 officer has designated the Assistant Director, Internal Audit and Anti-Fraud Shared Service as the officer responsible for the Council's internal audit functions (referred herein as the Head of Internal Audit).
- 1.3. This report meets the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards.
- 1.4. From the Internal Audit work undertaken in 2020-21, it is the Head of Internal Audit's opinion that **Reasonable Assurance** can be placed on the adequacy and effectiveness of the Council's internal control, governance and the risk management arrangements for the areas reviewed during 2020-21, including schools.

2. RECOMMENDATION

- 2.1. The members of the Audit and Governance Committee are recommended to note:
 - i) The Head of Internal Audit's opinion on the Council's system of internal control.
 - ii) The annual report on the activities of the Internal Audit team (Appendix A), Changes to the 2020-21 Internal Audit Plan (Appendix B) and 2020-21 Audits with Nil or Limited Assurance (Appendix C).

3. BACKGROUND

- 3.1. The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (the Assistant Director of Internal Audit and Anti-Fraud Shared Service), in accordance with the PSIAS is to provide an opinion, based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes (i.e. the organisation's system of internal control).
- 3.2. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Governance Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described in this report.
- 3.3. The updated CIPFA Statement on the role of the Head of Internal Audit in Local Government issued in April 2019 notes that the Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:
 - objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control; and
 - championing best practice in governance and commenting on responses to emerging risks and proposed developments.
- 3.4. The updated CIPFA Statement notes that the Head of Internal Audit may look to the work of other assurance providers as evidence for their assurance.
- 3.5. Delivery of the Audit Plan had been weighted towards the later part of the year as a result of the impact of Covid-19, and resourcing was constantly reviewed to achieve delivery of the plan. The delayed timing of audits also helped to ensure that testing covered a wider period of activity than would otherwise have been the case.
- 3.6. There was an interruption to routine work of the Internal Audit and Anti-Fraud teams who supported the Council's response to the pandemic by providing support to enforcement officers, assisting in food distribution centres, contacting vulnerable residents and supporting the leadership team with gold command responsibilities.
- 3.7. There was a risk due to the pandemic that insufficient assurance work would be completed on which to base the annual Head of Internal Audit opinion, however, a majority of the full internal plan was successfully completed and my opinion has been based on the work that has been completed.

3.8. Scope of Responsibility

3.8.1. The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3.8.2. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and includes arrangements for the management of risk.

3.8.3. The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The Annual Governance Statement (AGS) is an annual statement that sets out:

- How the council's responsibilities are discharged in relation to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of governance arrangements including the risk management framework and review processes;
- The conduct and results of the review of the effectiveness of the system of internal control, including any disclosures of significant control failures, together with assurances that actions are or will be taken where appropriate to address issues arising.

3.8.4. The purpose of the opinion is to contribute to the range of assurances available to the council which underpins the council's assessment of the effectiveness of the governance arrangements and system of internal control.

3.9. The Purpose of the System of Internal Control

3.9.1. The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

3.10. Basis of Assurance

3.10.1. Throughout 2020-21, internal audits have been conducted both in accordance with the mandatory standards and good practice contained within the CIPFA

Code of Practice for Internal Audit in Local Government in the UK and the internal quality assurance systems of our internal audit delivery providers.

3.10.2. The opinion is based on:

- An assessment of the risk management arrangements and the framework of assurance;
- An assessment of the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks which are covered by the Internal Audit programme, and management progress in respect of addressing control weaknesses

3.10.3. Internal Audit's work for the year to 31 March 2021 was completed in line with the operational plan which was amended during the year to take account of changes to operational and strategic priorities.

3.11. Qualifications to the opinion

3.11.1. The audit opinion is based on the work that has been undertaken during the year by Internal Audit. To make the most effective use of the available internal audit resources, the work of Internal Audit is set out in an annual internal audit plan which covers the key financial systems, the operational activities in which Internal Audit and management perceive there are risks to achieving operational objectives, and a risk-based / rotational audit approach to the Council's schools.

3.11.2. The opinion is therefore limited to the work carried out by Internal Audit during the year.

3.11.3. Internal Audit had unfettered access to all areas and systems across the authority and received appropriate co-operation from officers and members, and there are no qualifications as a result of the work programme for 2020-21.

3.12. Significant Internal Control Issues

3.12.1. Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures that arise.

3.12.2. During the financial year 2020-21, there were no significant internal control issues. However, some areas of inadequacy or non-compliance that potentially put the achievement of objectives at risk were identified and are detailed in Appendices A and C.

3.12.3. Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and internal control.

4. Head of Internal Audit's Annual Opinion Statement on the Effectiveness of the Internal Control, Governance and Risk Management Environments for 2020-21

4.1 This opinion statement is provided for the use of the Council in support of its Annual Governance Statement (required by the Accounts and Audit Regulations) that is included in the statement of accounts for the year ended 31 March 2021.

4.2 The opinion is derived from the following sources:-

- reviews carried out by Internal Audit during the year as part of the agreed internal audit plan for 2020-21, which is designed to provide members and management with independent assurance on the adequacy and effectiveness of the systems of internal control, governance and risk management;
- output from the Corporate Anti-Fraud Team including fraud Investigations and pro-active fraud prevention activity undertaken as part of the agreed counter fraud activity plan for 2020-21; and
- the activities of the Insurance and Risk Management team which includes reviewing and monitoring the strategic and operational risk registers.

4.3 **Audit Opinion**

“I have considered all of the work conducted by the Internal Audit, Anti-Fraud and Risk Management teams for the year ended 31st March 2021, which includes oversight of all internal audit and anti-fraud investigation reports.

I have also considered the Council’s governance arrangements and I am satisfied that the Council has adopted proper and robust governance arrangements, and these are regularly reviewed to ensure they remain fit for purpose.

In addition, I have also considered the Council’s risk management processes and I am of the opinion that the Council is at the “risk defined” stage, level three, on the Institute of Internal Auditors’ five level Risk Maturity scale. I am satisfied that the current framework enables managers to identify and manage the operational and strategic risks faced by their services. I acknowledge that the Council has undergone significant change during recent years and whilst improvements to the risk management processes have been made throughout the Authority, there is scope for further enhancements during 2020-21.

In my opinion, **Reasonable Assurance** can be placed on the adequacy and effectiveness of the Council’s internal control, the governance and the risk management arrangements for the areas reviewed during 2020-21, including schools.

Where weaknesses have been identified, these have either been addressed or are in the process of being addressed by management. Throughout 2020-21, Internal Audit will carry out follow-up reviews to assess the progress being made by managers to address the high priority weaknesses that were identified during their internal audits”.

Gemma Young, Assistant Director, Internal Audit and Anti-Fraud Shared Service

5. ANNUAL REPORT FOR INTERNAL AUDIT

The annual report on the activities of the Internal Audit team for 2020-21 is attached as Appendix A to this report.

6. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

The work of the Audit and Fraud division supports the Council to achieve its Sustainable Community Strategy Priorities by assisting it to effectively manage and control its financial and other resources and reduce crime within the Borough.

7. CONSULTATION

Consultation was not required as this is a progress update report and does not require a decision by the Council.

8. IMPLICATIONS

8.1 Finance and Risk

The work undertaken by the Internal Audit and Anti-Fraud Division, and Risk Management help to highlight any financial malpractice, prevent fraud and inefficiency, identify significant risks and improve the Council's internal control system. The work also helps to contribute towards the achievement of value for money by identifying opportunities to reduce costs.

8.2 Legal

The Council's chief finance officer (the 'Section 151 officer' – section 151 Local Government Act 1972) has statutory status and is responsible for financial administration. The chief finance officer is also under a statutory duty to issue a formal report if s/he believes that the Council is unable to set or maintain a balanced budget (the 'section 114 report' (section 114 Local Government Finance Act 1988)).

The Accounts and Audit Regulations 2015 (the '2015 Regulations') (amended 2021) places an obligation on local authorities to maintain a system of internal audit whereby it:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The internal audit must be 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.

Each financial year the Council must conduct a review of the effectiveness of the system of internal control required by regulation and prepare an Annual Governance Statement.

This report addresses the statutory obligations under the statutory obligations for local audit processes in compliance with the 2015 Regulations.

8.3 Equalities and Diversity

There are no specific equality or diversity issues arising from this report.

8.4 Sustainability (including climate change, health, crime and disorder)

8.4.1 There are no specific climate change or health issues arising from this report.

8.4.2 The Internal Audit and Anti-Fraud Division contributes to the Council's intention to reduce crime within the borough by investigating allegations of fraud and corruption against the Council, both from within the organisation and from external third parties.

8.5 Council Infrastructure (e.g. Human Resources, Accommodation or IT issues)

8.5.1 There are no specific HR, accommodation, IT or other issues arising from this report. However, resulting from Covid-19, there was significant potential for there to be additional impacts on the Council's infrastructure.

9. APPENDICES

9.1 Appendix A – Internal Audit Annual Report 2020-21

9.2 Appendix B – Changes to the 2020-21 Internal Audit Plan

9.3 Appendix C – 2020-21 Audits with Nil or Limited Assurance

10. BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

10.1 There are no background papers for this report.

Internal Audit Team Annual Activity Report For 2020-21

1. Introduction

1.1 This report summarises the activity carried out during 2020-21 by the Internal Audit team of the Finance and Governance Directorate and has contributed to the Council's Annual Governance Statement.

2. Internal Audit

2.1 The 2020-21 Internal Audit plan was presented to the Audit and Governance Committee in March 2020. The responsibility for delivering the internal audit plan lies with the Head of Internal Audit (Assistant Director of internal Audit and Anti-Fraud Shared Service), supported by Deputy and a small in-house team comprising of an Internal Audit Manager, four Auditors and one apprentice Auditor. The Head of Internal Audit also works with delivery partners to deliver the internal audit plan. For the financial year 2020-21, this was a joint provision by PwC and Mazars.

2.2 As at the date of this report, 98% of our full audits were at draft or final report stage:

2015-16	2016-17	2017-18	2018-19	2019-20*	2020/21*
98%	98%	98%	94%	92%	98%

* COVID-19 impacted on our ability to deliver, and the timeliness of, some reviews in the Internal Audit Plan.

2.3 However, an audit is not fully complete until the final report is issued, once a formal response from the client has been received. The Head of Internal Audit is aware there is one audit at fieldwork stage and four audits that are at draft report stage and will work to finalise these.

2.4 High risk agreed actions which are due to be implemented have either been followed-up, are in progress or will be subject to a full audit in 2021-22.

2.5 As in previous years, Internal Audit has experienced a few minor delays in achieving engagement from some managers to start internal audits, and where draft reports have been issued, to bring them to a conclusion. The Head of Internal Audit will continue to work with senior managers throughout the year to improve this. However, it should also be recognised that some expected changes to the level of engagement received have materialised as a direct result of the COVID-19 pandemic impact and response efforts.

2.6 The level of performance achieved during the year has largely been due to the in-house team working closely with the internal audit delivery partners to deliver an effective internal audit service.

2.7 The main financial (fundamental) systems were examined during the year as these are regarded as high priority mainly due to the high volumes and values of transactions, together with other key operational and non-fundamental areas highlighted in the Audit Plan. For these audits, a level of assurance is

given on the effectiveness of the internal controls that are in place and any agreed actions to enhance controls or processes are graded according to the severity of the issue to be rectified.

- 2.8 Internal Audit re-commenced full reviews of each maintained school in 2019-20, with the aim of completing a review at every maintained school in the Borough by 2022-23. This includes a review of all financial and statutory areas and replaced the 'themed approach' which was previously in place for prior years. Internal Audit receives a share of funding from the maintained schools' budget to undertake this work.
- 2.9 For all our full audits, we issue an assurance rating, the descriptions for 2020-21 are as follows:

- **Substantial Assurance** - No significant improvements are required. There is a sound control environment with risks to key service objectives being well managed. Any deficiencies identified are not cause for major concern.
- **Reasonable Assurance** - Scope for improvement in existing arrangements has been identified and action is required to enhance the likelihood that business objectives will be achieved.
- **Limited Assurance** - The achievement of business objectives is threatened and action to improve the adequacy and effectiveness of the risk management, control, and governance arrangements is required. Failure to act may result in error, fraud, loss or reputational damage.
- **No Assurance** - There is a fundamental risk that business objectives will not be achieved, and urgent action is required to improve the control environment. Failure to act is likely to result in error, fraud, loss or reputational damage.

The agreed action classifications used during 2020-21 were as follows: -

- **Critical** - Life threatening or multiple serious injuries or prolonged workplace stress. Critical impact on the reputation or brand of the organisation which could threaten its future viability. Cessation of core activities or major financial loss.
- **High** - Major issue for the attention of senior management and the Audit & Governance Committee. Action to be effected within 1 to 3 months.
- **Medium** - Important issues to be addressed by management in their areas of responsibility. Action to be effected within 3 – 6 months.
- **Low** – Minor issues resolved on site for local management. Action usually to be effected within 6 months to 1 year.

- 2.10 The tables and graphs that follow show a classification of the assurance levels for the audits carried out 2020-21, then a breakdown of all assurance ratings given in 2020-21 (more details of the limited and no assurance audits can be seen in Appendix C).

Internal Audit Reviews 2020-21

3. Table 1 - Final Reports

No	Audit	Directorate	Assurance Level	Agreed Action Priorities			
				Critical	High	Medium	Low
1	SEND Support	Families	Limited	0	1	2	2
2	Commercial Property	Economic Growth	Limited	0	0	4	3
3	Applications Review - Academy	Corporate Development	Limited	0	0	6	0
4	Debt Management	Cross-cutting	Limited	0	0	5	2
5	Management of Temporary Accommodation	Resident Services	Limited	0	1	3	0
6	Contract Management: Waste Management	Resident Services	Reasonable	0	0	1	3
7	Treasury Management	Finance & Governance	Reasonable	0	0	4	1
8	Mission Grove Primary School	Families	Reasonable	0	0	5	9
9	Mayor's Fund	Resident Services	Reasonable	0	0	2	1
10	Accounts Receivable	Finance & Governance	Reasonable	0	0	5	2
11	Asset Management Plan inc. Fixed Assets Register	Economic Growth	Reasonable	0	0	3	1
12	Payroll	Corporate Development	Reasonable	0	1	2	3
13	Leytonstone School	Families	Reasonable	0	0	2	7
14	Sixty Bricks	Economic Growth	Reasonable	0	0	1	2
15	Belmont Park School	Families	Reasonable	0	0	2	10
16	Data Protection Security Toolkit	Cross-Cutting	Reasonable	0	0	1	0
17	Freedom of Information and Subject Access Requests	Resident Services	Reasonable	0	0	3	2
18	Service Management and Operations (including the Service Desk)	Corporate Development	Reasonable	0	0	3	1
19	Annual Governance Statement	Finance & Governance	Reasonable	0	0	2	1
20	Technical Design Authority and Change Advisory Board	Corporate Development	Reasonable	0	0	3	1
21	Care Homes	Families	Reasonable	0	0	1	1
22	Insurance	Finance & Governance	Reasonable	0	0	1	2
23	Housing Benefits	Finance & Governance	Reasonable	0	0	1	0
24	Land Charges	Economic Growth	Reasonable	0	0	1	2
25	Low Hall Nursery School	Families	Reasonable	0	0	2	5
26	Coppermill Primary School	Families	Substantial	0	0	0	3
27	Jenny Hammond School (Primary)	Families	Substantial	0	0	0	3
28	S.106 Management	Economic Growth	Substantial	0	0	0	2
29	Opossum Group - Dawlish Primary School	Families	Substantial	0	0	0	0
30	Opossum Group - Newport School	Families	Substantial	0	0	0	0

No	Audit	Directorate	Assurance Level	Agreed Action Priorities			
				Critical	High	Medium	Low
31	Opossum Group - Oakhill Primary School	Families	Substantial	0	0	0	0
32	Opossum Group - Thorpe Hall Primary School	Families	Substantial	0	0	0	0
33	HRA	Resident Services	Substantial	0	0	1	1
34	Housing Strategy Delivery	Resident Services	Substantial	0	0	0	1
35	Walthamstow School for Girls (Secondary)	Families	Substantial	0	0	0	2
36	Elections	Finance & Governance	Substantial	0	0	2	0
37	Teachers Pensions	Finance & Governance	Substantial	0	0	0	2
38	Petty Cash	Finance & Governance	N/A	N/A	N/A	N/A	N/A
39	Grant Claim – Emergency Active Travel Fund	Resident Services	N/A	N/A	N/A	N/A	N/A
40	Grant Claim – Troubled Families Phase 1	Families	N/A	N/A	N/A	N/A	N/A
41	Grant Claim – Troubled Families Phase 2	Families	N/A	N/A	N/A	N/A	N/A
42	Grant Claim – Troubled Families Phase 3	Families	N/A	N/A	N/A	N/A	N/A
43	Grant Claim – COVID Community Testing Programme	Finance & Governance	N/A	N/A	N/A	N/A	N/A

4. Table 2 - Draft Reports (Final Opinions TBC)

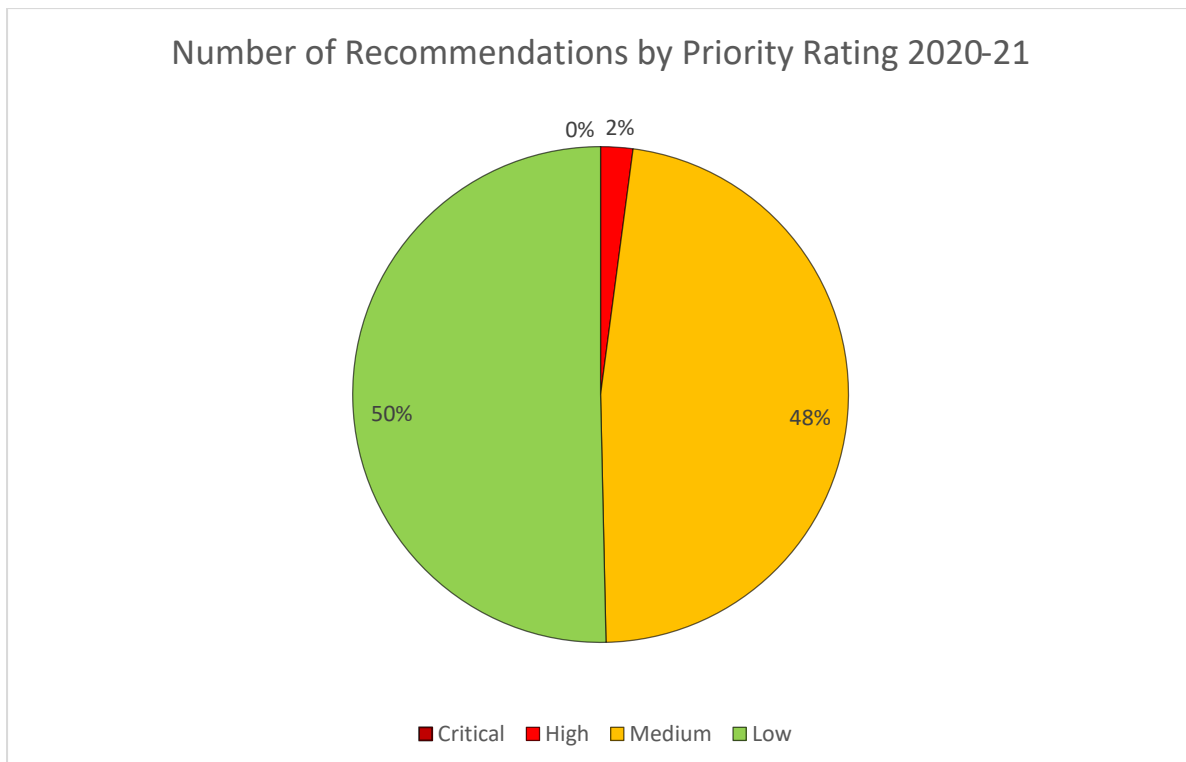
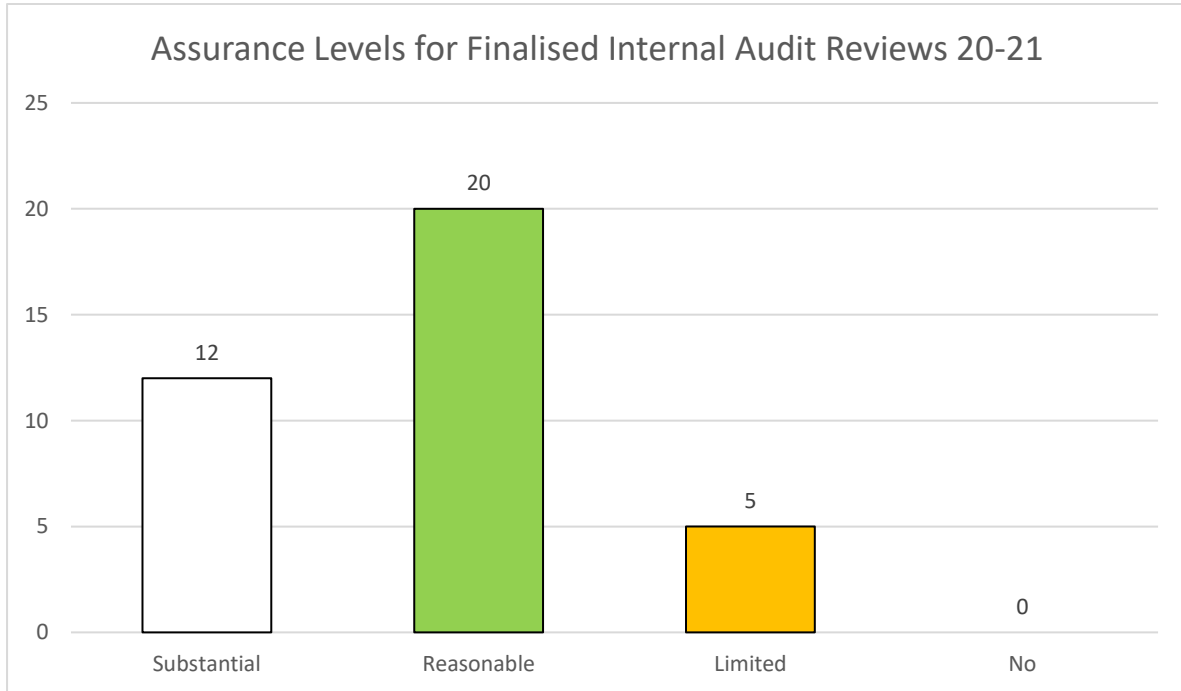
No	Audit	Directorate	Provisional Assurance Level	Action Priorities			
				Critical	High	Medium	Low
44	Downsell Primary School	Families	Reasonable	0	0	2	3
45	Our Lady & St George Catholic Primary School	Families	Reasonable	0	0	3	5
46	Community Equipment	Families	Reasonable	0	0	5	0
47	Housing Rents	Resident Services	Reasonable	0	0	4	4

5. Fieldwork Ongoing

- 5.1 As a result of re-deployments to front line services, for staff within the Internal Audit Team (in response to Covid-19), there has been some impact on our ability to conclude all remaining fieldwork. Equally, auditees leading on these reviews have been impacted themselves, reducing their capacity to assist and facilitate timely conclusion.
- 5.2 The following audits remain ongoing and draft reports will be issued shortly.

Table 3 – Fieldwork Ongoing

No	Audit	Directorate	Assurance Level	Action Priorities			
				Critical	High	Medium	Low
48	Parkside Primary School	Families	TBC	TBC	TBC	TBC	TBC



6. Follow-up of Internal Audit Agreed Actions

6.1 Where control or operational issues are identified during internal audits, actions to rectify these issues are agreed with operational managers and form part of the final audit report. It is therefore vital that management's progress on implementing the agreed actions is reviewed to identify whether improvements have been made and the control issues removed.

6.2 Table 1 below shows the follow-up reviews that have been undertaken between April 2020 and March 2021.

Table 4 - Full Follow-up Reviews Completed in 2020-21

No.	Follow-up Reviews	Year of Original Audit	Directorate	High Priority Original Audit	High Priority Implementation Status			
					Fully	Partially	Not Implemented	No longer Relevant
1	Homelessness	2017-18	Resident Services	1	-	-	-	1
2	Registrars	2017-18	Resident Services	3	1	2	-	-
3	Schools - Health and Safety	2017-18	Families	3	2	-	-	1
4	Housing Management - File Management	2017-18	Resident Services	6	3	-	1	2
5	Payroll (19/20)	2018-19	Resident Services	1	1	-	-	-
6	Assessments and Placements	2018-19	Families	2	-	1	1	-
7	Emergency Planning and Business Continuity	2018-19	Resident Services	1	1	-	-	-
8	Recruitment	2018-19	Corporate Development	1	1	-	-	-
9	Supplier Resilience	2018-19	Cross Cutting	2	2	-	-	-
10	Budgetary Control and Reporting	2019-20	Finance & Governance	1	-	1	-	-
11	Unaccompanied Asylum-Seeking Children	2019-20	Families	1	1	-	-	-
12	Stoneydown Park School	2019-20	Families	3	2	1	-	-
13	Heathcote School	2019-20	Families	2	2	-	-	-

No.	Follow-up Reviews	Year of Original Audit	Directorate	High Priority Original Audit	High Priority Implementation Status			
					Fully	Partially	Not Implemented	No longer Relevant
14	ICT Cyber Security	2019-20	Corporate Development	1	1	-	-	-
15	IT Performance & Governance	2016-17	Corporate Development	4	4	-	-	-
Totals				32	21	5	2	4

6.3 Table 2 below shows the number of remaining audits where there are high priority agreed actions that require follow-up.

Table 5 – Summary of Outstanding High Priority Agreed Actions

No.	Year of Original Audit	Title	Number raised in Original Audit	Status
1	2017/18	Traded Services	3	In progress
2	2018/19	Payment Cards	3	Full audit scheduled in 2021-22
3	2018/19	Kingdom Contract Management	1	In progress
4	2018/19	ICT - Disaster Recovery	2	In progress
5	2019/20	Procurement	2	Follow-up scheduled for Summer 2021
6	2019/20	Off Payroll Engagements and IR35 rules	1	Full audit scheduled in 2021-22
7	2020/21	Management of Temporary Accommodation	1	Not yet due
8	2020/21	SEND Support	1	Not yet due. Full audit scheduled in 2021-22
9	2020/21	Payroll (20/21)	1	Not yet due

7. Audit Plan 2020-21

7.1 The Public Sector Internal Audit Standards (PSIAS) require public sector Internal Audit services to produce a plan of work that they propose to carry out during the year. The purpose of the plan is to ensure that the available audit resources are used effectively and are targeted towards the key and high-risk areas of the Council's activities.

7.2 The previous CIPFA Code recommended that the audit plan is fixed for a period that is no longer than twelve months and is sufficiently flexible to

accommodate changes in risks and priorities that arise during the period covered by the plan. This remains sound operational sense when organisations are faced with significant amounts of change as it enables the audit plan to be reviewed and revised to meet the demands of changing circumstances.

7.3 In compiling the internal audit plans, the Head of Internal Audit has taken into consideration a number of factors including, but not limited to:-

- The risk registers and the risk categories used in compiling the risk registers, together with Internal Audit's own assessment of risk in the operational areas;
- The adequacy of the risk management, performance management, and other assurance processes such as internal and external reviews;
- The requirements of the external auditors and their ability to place reliance on the work of Internal Audit in forming their opinion on the Council's Financial Statements;
- The extent and scope of audit activity in previous years, including the previous audit reports and actions agreed to strengthen controls or enhance systems;
- The requirements of regulations and legislation, and external factors such as grant conditions, and the views of senior managers in individual directorates.

7.4 The internal audit plan covers the activities of the Council that have to be audited annually, together with the areas where the Head of Internal Audit considers are in need of or are due an independent Internal Audit review. The internal audit plan is delivered by the in-house team and the Council's internal audit delivery partner.

7.5 The draft 2020-21 internal audit plan was presented to, and agreed by, the Audit and Governance Committee in March 2020. The internal audit plan is however dynamic and subject to change during the course of the year to reflect the needs of the Authority. As predicted, some changes to the 2020-21 audit plan were made during the year and these are set out in the table at Appendix B.

8. Quality Assurance of Internal Audit Work

8.1 In relation to quality assurance, measures are in place to ensure that Internal Audit reports and fieldwork are stringently checked. This applies to in-house and delivery partner audits and following to managerial checks, all work is then reviewed by the Council's Head of Internal Audit before being issued. In addition, the External Auditor examines internal audit reports.

9. ICT Audit Work

9.1 All ICT audits in 2020/21 have been undertaken by PwC.

10. Compliance With The Public Sector Internal Audit Standards

10.1 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013 and were last updated in August 2017. As defined in the Internal Audit Charter and Internal Audit Strategy, Internal Audit always comply with the PSIAS. A peer reviewed self-assessment against the PSIAS is currently underway and will be reported to Committee.

11. Risk Management Arrangements

11.1 The Council has a risk management processes in place to identify, assess and manage the significant business risks to the Council's objectives. The risk management process includes a risk management strategy and policy that are reviewed annually and agreed by the Audit and Governance Committee. Waltham Forest Council has in place strategic and operational risk registers, and the Council's Governance Board and its Audit and Governance Committee periodically review these risk registers.

11.2 The Risk Management Strategy and Policy was last revised during 2018-19 and has been applied throughout 2020-21. Update reports and the strategic risk register have been presented to committee meetings during the year.

11.3 In preparing the 2020-21, internal audit plan, Internal Audit referred to the operational, directorate and corporate risk registers to identify key risk that would need to be audited during the year.

11.4 Risk management training is provided for staff and Members. Waltham Forest Council's risk maturity is currently at the 'Risk Defined' level (level 3) on the Institute of Internal Auditors five-point risk maturity scale.

12. Update on 2020 Work and Covid19 Response

12.1 At the start of the financial year 2020-21, the Audit Plan work was briefly suspended due to the Council responding to the Covid19 pandemic and Internal Audit officers were redeployed to assist with the response.

12.2 Work started on looking at Covid-19 specific risks in June 2020, including a review of Remote and Home Working arrangements, and a specialist Accounts Payable review using data analytics, and forms part of the Covid-19 assurance work which includes considerations of how we can deliver an effective internal audit function in the future.