



INTERNAL AUDIT ANNUAL REPORT 2018/19

**AUDIT COMMITTEE
MEETING DATE 2018/19**

19 June 2019

CLASSIFICATION:

Open

**If exempt, the reason will be listed in the
main body of this report.**

WARD(S) AFFECTED

All Wards

CORPORATE DIRECTOR

Ian Williams Group Director of Finance and Corporate Resources

1. INTRODUCTION AND PURPOSE

- 1.1 This report provides details of the performance of Internal Audit during 2018/19 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council.
- 1.2 This report is presented for information and comment and is part of the Committee's role in overseeing corporate governance.

2. RECOMMENDATIONS

The Audit Committee is recommended to:

- 2.1 To comment upon and note this report of Internal Audit's performance and opinion of the Council's framework of governance, risk management and internal control.
- 2.2 Approved the revised Internal Audit Charter and Strategy.

3. REASONS FOR DECISION

- 3.1. The Public Sector Internal Audit Standards (PSIAS) came into force in April 2013 and apply to all internal audit service providers. These standards were revised in 2017.
- 3.2. PSIAS require the Chief Audit Executive (or equivalent) to report functionally to a board and to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 3.3. The Annual Report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.
- 3.4. This report fulfils this requirement.

4. BACKGROUND

- 4.1. The annual report of the Internal Audit Service is provided in Appendices 1 to 7 and includes a summary of managers' implementation of agreed audit high and medium priority recommendations. In addition, the following are presented:
 - Internal Audit progress against Key Performance Indicators (Appendix 2)
 - Analysis of assurance levels arising from reviews carried out in 2018/19 (Appendix 3)

- Comparison of assurances for key financial systems, comparing results over four years (Appendix 4)
- Definitions of assurance levels (Appendix 5)
- Internal Audit Charter 2019/20 (Appendix 6)
- Internal Audit Strategy 2019/20 (Appendix 7)

4.2. The Audit Annual Plan was formulated by: -

- analysis of the Corporate and Directorate risk registers
- consultation with Chief Officers and senior managers to ensure that account is taken of any concerns they raise
- new Council initiatives, Government initiatives and legislation
- a review of past Internal Audit work
- strategic risks as identified in discussions with the Corporate Director of Finance and Resources

4.3. This report provides details of the performance of Internal Audit and seeks to give reassurance that the service is being delivered in accordance with statutory responsibilities and is continually seeking to improve the standards of its service.

4.4. Using the cumulative knowledge and experience of the systems and controls in place, the results of previous audit work and the work undertaken within 2018/19, it is considered that overall throughout the Council there continues to be a sound control environment.

4.5 Internal Audit Charter

The Internal Audit Charter (Appendix 6) sets out the nature, role, responsibility, status and authority of internal auditing within the Council, and outlines the scope of internal audit work. To ensure that the Charter remains relevant and current, it is reviewed annually. The last review took place in June 2019.

4.6 Internal Audit Strategy

The Internal Audit Strategy (Appendix 7) is a high level document which outlines how the Internal Audit Service will be delivered to meet the requirements contained within the Internal Audit Charter.

4.7 Policy Context

The work of the Internal Audit Service complies with the Public Sector Internal Audit Standards. Internal Audit reviews consider all applicable policies of the Council.

4.8 Equality Impact Assessment

This report does not require an equality impact assessment but where applicable equality issues and adherence to corporate policies would be considered in audit reviews.

4.9 Sustainability

Not applicable

4.10 Consultations

Consultation on the 2018/19 internal audit plan took place with senior management.

4.11 Risk Assessment

The work of Internal Audit was based upon a risk assessment which covers all areas of the Council's activity and is continually changing to reflect new initiatives, risk areas and legislation. There was also continuous reassessment of risk as audits were undertaken, plus regular consultation with directors, chief officers and senior managers to ensure that account was taken of any concerns they raised during the year.

5. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

- 5.1. There are no financial implications arising from this report as the costs of providing the audit service are included within the Council's base budgets.
- 5.2. However, an effective audit service is important in order to ensure that key internal controls are assessed, thereby aiding the prevention and detection of fraud and other occurrences that could otherwise result in budget pressures.

6. COMMENTS OF THE DIRECTOR OF LEGAL

- 6.1. The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. An adequate system of internal audit is inherent. This report demonstrates how the Council is fulfilling its obligations in this regard.
- 6.2. The Audit Committee is asked to note the report on Internal Audit's performance and opinion. There are no immediate legal implications arising from the report.

APPENDICES

Appendix 1 – Internal Audit Service Annual Report 2018/19

Appendix 2 – Internal Audit Performance in 2018/19

Appendix 3 – Detailed analysis of Internal Audit reviews 2018/19

Appendix 4 – Key Financial Systems – analysis of audit findings

Appendix 5 – Definitions of Assurance Levels

Appendix 6 – Internal Audit Charter 2019/20

Appendix 7 – Internal Audit Strategy 2019/20

BACKGROUND PAPERS

Publication of Background Papers used in the preparation of reports is required

Description of document (or None)

Public Sector Internal Audit Standards 2017 (PSIAS)

None

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