



**INTERNAL AUDIT ANNUAL REPORT 2019/20**

**AUDIT COMMITTEE  
MEETING DATE**

**10 June 2020**

**CLASSIFICATION:**

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

**WARD(S) AFFECTED**

**None**

**GROUP DIRECTOR FINANCE & CORPORATE RESOURCES**

## **1. INTRODUCTION AND PURPOSE**

- 1.1 This report provides details of the performance of Internal Audit during 2019/20 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 The Annual Governance Statement 2019/20, a statutory requirement which forms part of the Council's statement of accounts, sets out the opinion of the Council on its overall governance, is included in this report for information.
- 1.3 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 Approve the updated Internal Audit Charter and Strategy.
- 2.3 Review the Annual Governance Statement 2019/20.

## **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
  - 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 Annual Report**

- (i) The annual report of the Internal Audit Service is provided in Appendices 1 - 5 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 2019/20 (Appendix 3)
  - Comparison of assurances for key financial systems, comparing results over four years (Appendix 4)
  - Definitions of assurance levels (Appendix 5)
- (ii) 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
- (iii) 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.
- (iv) Using the cumulative knowledge and experience of the systems and controls in place, the results of previous audit work and the work undertaken within 2019/20, it is considered that overall throughout the Council there continues to be a sound control environment.

## **4.2 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 May 2019.

## **4.3 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.

## **4.4 Annual Governance Statement (AGS) 2019/20**

The AGS (Appendix 8) is a strategic document which the Council is required to produce annually, it describes how its corporate governance arrangements, set out in the Local Code, have been working. The AGS is included in the statement of accounts.

The AGS incorporates the continuous review of the effectiveness of our governance arrangements throughout 2019/20. It identifies those areas where we can and will do more to ensure that we have effective governance arrangements that enable the

organisation to deliver on its commitment to improving lives of all residents and creating opportunity and prosperity for local people and businesses.

#### **4.5 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.

#### **4.6 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.

#### **4.7 Sustainability**

Not applicable

#### **4.8 Consultations**

Consultation on the 2019/20 internal audit plan took place with senior management.

#### **4.9 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, 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 2019/20
- Appendix 2 - Internal Audit Performance in 2019/20
- Appendix 3 - Detailed analysis of Internal Audit reviews 2019/20
- Appendix 4 - Key Financial Systems – analysis of audit findings
- Appendix 5 - Definitions of Assurance Levels
- Appendix 6 - Internal Audit Charter
- Appendix 7 - Internal Audit Strategy 2020-2025
- Appendix 8 - Annual Governance Statement 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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