

Audit Committee

26 June 2014



Annual Audit Opinion and Internal Audit Report 2013/2014

Report of Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1. This report provides members with the Chief Internal Auditor and Corporate Fraud Manager's assurance opinion on the adequacy and effectiveness of the Council's internal control environment.
2. The report also presents the Annual Internal Audit Report for 2013/2014 in Appendix 2.

Background

3. The Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for internal audit in local government. PSIAS was the Code under which the Internal Audit Service operated during 2013/2014. It sets out the requirement for the Chief Internal Auditor and Corporate Fraud Manager ("Chief Audit Executive") to report to officers and the Audit Committee ("The Board") to help inform their opinions on the effectiveness of the Internal Control environment in operation within the Council.
4. The Annual Internal Audit Report should therefore be considered in the context of fulfilling the above requirement.
5. The annual internal audit opinion contributes to the completion of the Annual Governance Statement (AGS). It is specifically timed to be considered as part of the Council's annual review of governance and internal control and is reported alongside the Review of Effectiveness of Internal Audit.
6. Internal Audit therefore has a professional duty to provide an unbiased and objective view of the Council's Internal Control environment. Internal Audit is independent of the processes that it evaluates and as such reports to Corporate Management Team and the Audit Committee.

7. Based on the work undertaken during the year, Internal Audit is able to provide a **Moderate** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2013/2014. This moderate opinion ranking is the same as 2012/2013 and provides assurance that there is a sound system of control in place however there are some weaknesses and evidence of ineffective controls. Despite this similar opinion it is encouraging to note that fewer 'Limited Assurance' opinions have been made in 2013/2014 compared with previous years, which indicates a positive direction of travel and given the constant extent of change the Council continues to face and the reduction in resources the sustainment of this assurance opinion should be regarded as positive.
8. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
9. There are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2013/2014. All of the risks raised within Internal Audit reports have been accepted. Internal Audits recommendations, or alternative proposed actions made by Management in response to the risk issues, have been agreed to be implemented. Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report. Internal Audit will follow up the implementation of its recommendations, or any agreed alternative actions, with the relevant responsible officers, as soon as is practically possible, after the target implementation dates. Progress on the implementation of audit recommendations will be reported through to this Committee in future progress reports on the 2014/2015 Internal Audit work.

Recommendation

10. Members are asked to note the content of the Annual Internal Audit Report and the overall 'moderate' opinion provided on the adequacy and effectiveness of the Council's Internal Control environment for 2013/2014.

Appendix 1: Implications

Finance

There are no direct financial implications arising for the Council as a result of this report, although we aim through planning arrangements to review core systems in operation and ensure through our broad programme of work that the Council has made safe and efficient arrangements for the proper administration of its financial affairs.

Staffing

None

Risk

None

Equality and Diversity/Public Sector Equality Duty

None

Accommodation

None

Crime and disorder

None

Human rights

None

Consultation

None

Procurement

None

Disability Discrimination Act

None

Legal Implications

Compliance with the Accounts and Audit Regulations 2011