

## **AUDIT COMMITTEE**

**30 June 2016**



## **Annual Internal Audit Opinion and Report 2015/2016**

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### **Report of Chief Internal Auditor and Corporate Fraud Manager**

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#### **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 2015/2016.

#### **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 2015/2016. 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.
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. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.

8. 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 2015/2016. There are no issues of that would qualify this opinion.
9. This moderate opinion provides assurance that there is a sound system of control in place however there are some weaknesses and evidence of ineffective controls. Given the constant extent of change the Council continues to face, the reduction in resources and the ever increasing diverse nature of the Internal Audit Plan this assurance opinion should be regarded as positive. This is supported by the improvements made over recent years particularly within key financial systems where significant improvements have been made since the Council's formation following Local Government Reorganisation and whilst further work is required this is actively being pursued through relevant working groups also supported by Internal Audit.
10. There are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2015/2016. All of the risks raised within Internal Audit reports have been accepted. Internal Audit's 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 continues to 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. Again it should be noted the implementation rate (93%) and agreement to recommendation that the service is making (100%) is positive. Progress on the implementation of audit recommendations will continue to be reported through CMT and the Audit Committee in 2016/2017.

### **Recommendation**

11. 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 2015/2016.

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**Appendix 1: Implications**

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**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