

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE  
28th June 2013**

**Report of: Service Director: Finance**

**Report Title: Internal Audit - Annual Report 2012/13**

**Ward: Citywide**

**Officer presenting report: Alison Mullis/ Melanie Henchy-McCarthy,  
Chief Internal Auditor**

**Contract Telephone Number: 0117 92 22448/ 011792 22063**

**RECOMMENDATION**

The Committee is recommended to note and comment on the attached Internal Audit Annual Report for 2012/13.

This report was presented to the Deputy Mayor and Executive Member for Finance & Corporate Services on 19th June 2013.

**SUMMARY**

The report provides details of the work completed by Internal Audit during 2012/13 and the Chief Internal Auditor's overall opinion on the control framework.

Areas of significant risk exposure are detailed in the report together with details regarding Internal Audit performance and effectiveness

**SIGNIFICANT ISSUES IN THE REPORT ARE:**

- The Chief Internal Auditor's opinion on internal control and risk exposure. (Section 2)
- Areas of significant risk exposure (Section 3)
- A summary of Internal Audit Activity during 2012/13. (Section 4/Appendix A)
- Effectiveness of Internal Audit (Section 5)
- Details of follow up work and matters escalated (Section 6)
- Looking Forward and the implementation of the New Public Sector Internal Audit Standards (PSIAS) (Section 8)

There are no new policy implications arising from this report

**Consultation:**

**Internal:** None necessary  
**External:** None necessary

**1. Background**

1.1 In 2012/13 it was a requirement of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Audit Practice in Local Government, and an expectation of the inspection bodies, that a report on the work of Internal Audit should be prepared and submitted to Members annually. This remains a requirement in the new PSIAS which came into effect on 1st April 2013 (*Please see Appendix A section 9 for further details*). Accordingly, the Internal Audit Annual Report will continue to be prepared and submitted to both the Executive and the Audit Committee. This will in turn continue to be supplemented by a half yearly report and relevant reports on key issues arising throughout the year which will be submitted as necessary to both the Executive and the Audit Committee. The report being submitted at this time is the Annual Report of Internal Audit activities during the financial year 2012/13 and as such is submitted in line with Standard 10 of the Code of Practice.

1.2 Standard 10 of the Code of Practice details the following requirements in respect of annual reporting:

“The Head of Internal Audit's annual report to the organisation must:

- include an opinion on the overall adequacy and effectiveness of the organisations control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement (AGS)
- compare the work actually undertaken with the work planned and summarise the performance of the internal audit function against its performance measures and targets
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.”

1.3 The issues detailed in the report have been considered by the City Council in the formulation of the draft AGS for 2012/13. The report has also been considered by Strategic Leadership Team (SLT) and in light of the opinion given, SLT have agreed to support and monitor improvement actions required as a matter of urgency.

- 1.4 A separate Annual Report on Risk Management will be prepared in November to coincide with the updating of the Risk Management Policy Statement.
- 1.5 The Accounts and Audit Regulations 2011 require that as part of the annual review of internal control, a review of the effectiveness of internal audit is undertaken. The Audit Committee's Terms of Reference include ensuring that Internal Audit is effective. Paragraph 7 of the Annual Report sets out the factors that the Committee will have considered throughout the year in determining the effectiveness of internal audit. It is suggested that the evidence supports the view that this effectiveness is satisfactory, and a commentary on the Committee's views was included in the Committee's 2012/13 report to full Council.

## **Other Options Considered**

Not applicable.

## **Risk Assessment**

There are no risks arising directly from this report, although clearly the work of Internal Audit minimises the risk of failures in the Council's internal control environment and governance arrangements, reduces the risk of fraud and other losses and increases the potential for prevention and detection of such issues.

## **Equalities Impact Assessment**

None necessary for this report

## **Legal and Resource Implications**

**Legal** - none sought

**Resources** - none arising from this report

## **Appendices**

Appendix 1 - Internal Audit Annual Report 2012/13

## **LOCAL GOVERNMENT ACCESS TO INFORMATION**

### **Background Papers**

- Various audit files
- CIPFA Code of Practice for Internal Audit in Local Government 2006
- Public Sector Internal Audit Standards and Local Government Application Note