

# Audit Committee

21<sup>st</sup> January 2019



**Report of:** Section 151 Officer / Director: Finance

**Title:** Review of the Effectiveness of the System of Internal Audit

**Ward:** N/A

**Officer Presenting Report:** Denise Murray – Director: Finance

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## Recommendation

Members are asked to note the findings and conclusions of the review of the effectiveness of the system of Internal Audit.

## Summary

In accordance with the Accounts and Audit Regulations, an assessment of Internal Audit has been undertaken by the Section 151 Officer.

The Council has an effective system of internal audit and the in-house service has a sound base for undertaking audit activities and meeting its objectives to provide audit, assurance and advisory support to the Council.

## Significant Matters Arising:

- Positive External Peer Review of the service's compliance with professional standards received within the last 12 months.
- Structure recently reviewed and opportunities to enhance the service regularly reviewed, with lessons from recent recruitment challenges.
- The service has an ethos of continuous improvement and seeks and acts upon feedback.
- The Audit Committee receive comprehensive and regular reports from the service.
- Momentum needs to be maintained in the organisation and Audit Committee to ensure Internal Audit recommendations are consistently implemented within reasonable timescales.
- The review is set out at Appendix A to this report.

## 1. Policy

The Accounts and Audit Regulations 2015 require that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.”

## 2. Consultation

Internal – CLB, Cabinet Member for Governance, Resources and Finance, Chief Internal Auditor.  
External – N/A

## 3. Context

3.1 To examine the effectiveness of the system of Internal Audit, this review considers the following elements:

- Structure and Resourcing level;
- The extent of conformance with Public Sector Internal Audit Standards in producing quality work;
- Delivering audit work in the most appropriate areas on a prioritised (risk) basis;
- The overall performance of the Internal Audit team;
- Audit Committee reporting; and
- Implementation of Internal Audit recommendations.

## 4. Proposal

4.1 The Audit Committee notes the findings and conclusions of the review of the effectiveness of the system of internal audit.

## 5. Other Options Considered – N/A

## 6. Risk Assessment

The work of Internal Audit minimises the risk of failures in the Council’s internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. The PSIAS provide for an effective independent and objective Internal Audit Service, ensuring a good standard of service to the organisation, whilst at the same time providing the Internal Audit Service with wider support in terms of maintaining its independence and freedom from influence.

## Public Sector Equality Duties

7a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
  - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
  - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
  - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
  - tackle prejudice; and
  - promote understanding.

7b) No Equality Impact anticipated from this report.

### **Legal and Resource Implications**

**Legal – N/A**  
**Financial – N/A**  
**Land – N/A**  
**Personnel – N/A**

### **Appendices:**

#### **Appendix A – Internal Audit Quality Assurance and Improvement Programme**

### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

#### **Background Papers:**

Accounts and Audit Regulations 2015  
 Public Sector Internal Audit Standards (PSIAS)  
 Peer Review of Internal Audit (Papers to Audit Committee 03/18 and 09/18)  
 Internal Audit Charter (Paper to Audit Committee 11/18)  
 Internal Audit Plan (Papers to Audit Committee 03/18 and 11/18)  
 Internal Audit Quality Assurance and Improvement Programme (Paper to Audit Committee 11/18)  
 Internal Audit Progress Updates (Papers to Audit Committee 03/18,07/18,09/18,11/18)  
 Internal Audit Annual Report (Paper to Audit Committee 05/18)  
 Annual Counter Fraud Report (Paper to Audit Committee 05/18)