

# Audit Committee

28<sup>th</sup> May 2019



**Report of:** Deputy Chief Internal Auditor

**Title:** Internal Audit Annual Report 2018/19

**Ward:** Citywide

**Officer Presenting Report:** Melanie Henchy-McCarthy/Alison Mullis – Deputy Chief Internal Auditor

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## Recommendation

The Audit Committee receive and note this report as a source of assurance regarding the risk, control and governance environment across the Council. The Committee may wish to consider the issues identified in section 3 of the report as potential areas relevant to their annual work programme.

## Summary

The report provides details of the work completed by Internal Audit during 2018/19 and the Internal Audit opinion on the control, risk and governance environment. The report was presented to the Cabinet Member for Finance, Governance and Performance and the Statutory Policy Board on 23<sup>rd</sup> May 2019.

## The significant issues in the report are:

- The Internal Audit opinion on the control, risk and governance environment, (Section 2 of the report)
- The work completed by the Internal Audit Team from which that opinion is derived (Section 3 and Appendix A to the report)
- Areas of risk exposure identified by the Audit Team (Section 3)
- The Audit Teams Performance and compliance with their professional standards (Section 4)

**Policy**

1. Audit Committee Terms of Reference.

**Consultation**

2. **Internal**  
Not Applicable.
3. **External**  
Not Applicable.

**Context**

4. Public Sector Internal Audit Standards (PSIAS) require that a report on the work of Internal Audit should be prepared and submitted to Audit Committee annually. Accordingly, the Internal Audit Annual Report is prepared and submitted to both the Executive and the Audit Committee. Additionally, in year update reports have periodically been provided to the Committee and the Executive detailing key issues arising throughout the year. The report being submitted at this time is the Annual Report of Internal Audit activities during the financial year 2018/19.
5. The PSIAS detail the following requirements in respect of annual reporting: “The Chief Audit Executive must provide an annual report to the organisation timed to support the Annual Governance Statement. This must include:
  - An annual opinion on the overall adequacy and effectiveness of the organisations governance, risk and control framework;
  - A summary of audit work from which the opinion is derived;
  - A statement on conformance with the PSIAS and the result of the audit quality assurance and improvement programme;
  - Disclosure of any qualifications to the opinion, together with the reasons for the qualification;
  - Disclosure of any impairments (in fact or appearance) or restriction in scope;
  - A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
  - Any issue the Chief Audit Executive judges particularly relevant to the preparation of the Annual Governance Statement.”
6. The issues detailed in the attached report have been considered by the City Council in the formulation of the draft Annual Governance Statement for 2018/19. The report has also been considered by the Statutory Policy Board (SPB) who will support and monitor improvement actions required.
7. The Audit Committee’s Terms of Reference include ensuring that Internal Audit is effective. Section 4 of the Annual Report sets out performance information to enable the Committee to continually assess and consider the effectiveness of internal audit.

## Proposal

8. The Audit Committee receive and note this report as a source of assurance regarding the risk, control and governance environment across the Council. The Committee may wish to consider the issues identified in section 3 of the report as potential areas relevant to their annual work programme.

## Other Options Considered

9. Not applicable

## Risk Assessment

10. 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. Areas of significant risk are detailed in the report.

## Public Sector Equality Duties

- 11a) 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.

11b) No equality impact assessment is necessary for this report. The matters concern internal control, governance and risk management processes only.

### **Legal and Resource Implications**

#### **Legal**

**No advice sought.**

**(Legal advice provided by N/A)**

#### **Financial**

##### **(a) Revenue**

None arising from this report.

##### **(b) Capital**

None arising from this report

**(Financial advice provided by N/A)**

#### **Land**

Not Applicable

#### **Personnel**

Not Applicable

**(Personnel advice provided by N/A)**

### **Appendices:**

Appendix 1- Internal Audit Annual Report 2018/19

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

### **Background Papers:**

- Various Audit Files
- Public Sector Internal Audit Standards 2017 and Local Government Application Note 2019