

Audit Committee

20th January 2020



Report of: Section 151 Officer / Director: Finance

Title: Effectiveness of the System of Internal Audit – Annual review

Ward: N/A

Officer Presenting Report: Denise Murray – Director: Finance

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Recommendations:

Members of the Audit Committee note the findings and conclusion of the annual review of the effectiveness of internal audit for 2019/20.

Summary

The Accounts and Audit Regulations 2018 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.” An assessment of Internal Audit has been undertaken by the Director of Finance (Section 151 Officer) and the review is set out within Appendix A to this report. It has reached the conclusion that the Council has an effective internal audit team that generally conforms to the Public Sector Internal Audit Standards. They have a sound base for undertaking audit activities, is operating effectively and meeting its objectives to provide audit, assurance and advisory support to the Council, and can be relied upon when considering the Annual Governance Statement for 2019/20.

The significant issues in the report are:

- The service’s compliance with professional standards
- Resource right sizing (recruitment, retention, skills and capacity) remains a challenge and presents a service risks which is being closely monitored and managed.
- The service has an ethos of continuous improvement and seeks to act upon lessons learnt.
- 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.

1. Policy

The Accounts and Audit Regulations 2018 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 This report is provided for members of the Audit Committee to consider the findings of the annual review of the effectiveness of internal Audit. It considers the following elements:

Internal Audit Service Improvement Plan:

- Structure, staffing and skills
- Improvement action plan

Performance Monitoring:

- Planning, delivery and performance
- Implementation of Internal Audit recommendations

Compliance with Professional Standards:

- Public Sector Internal Audit Standards (PSIAS)
- Quality Assurance Improvement Programme
- CiPFA Financial Management Code

Role of the Audit Committee

4. Proposal

4.1 The Audit Committee notes the findings and conclusions of the review of the effectiveness of internal audit for 2019.

4.2 The Committee note that Internal Audit generally conforms to the Public Sector Internal Audit Standards, is operating effectively and can be relied upon when considering the Annual Governance Statement for 2019/20.

5. Other Options Considered – N/A

6. Risk Assessment

6.1 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.

7. 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: Audit Committee

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 – Review of the Effectiveness of Internal Audit

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Accounts and Audit Regulations 2018

Public Sector Internal Audit Standards (PSIAS)

Peer Review of Internal Audit (Papers to Audit Committee 03/18, 09/18 and 03/19)

Internal Audit Charter (Paper to Audit Committee 11/19)

Internal Audit Plan (Papers to Audit Committee 03/19)

Internal Audit Quality Assurance and Improvement Programme (Paper to Audit Committee 11/19)

Internal Audit Progress Updates (Papers to Audit Committee 03/19,07/19,09/19,11/19)

Internal Audit Annual Report (Paper to Audit Committee 05/19)

Annual Counter Fraud Report (Paper to Audit Committee 05/19) and half year update (11/19)