

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 24th June 2016

Subject: Internal Audit Annual Report and Opinion 2015/16

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report provides the Internal Audit Annual Opinion for 2015/16.
2. The overall conclusion is that on the basis of the audit work undertaken during the 2015/16 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There are no outstanding significant issues arising from the work undertaken by internal audit. The work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

Recommendations

3. The Committee is asked to receive the Internal Audit Annual Report for 2015/16 and note the opinion given. In particular:
 - That there are no outstanding significant issues arising from the work undertaken by internal audit;
 - That on the basis of the audit work undertaken during the 2015/16 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice;

- That the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing.

1 Purpose of this report

- 1.1 The purpose of this report is to bring to the attention of the Committee the annual internal audit opinion and basis of the internal audit assurance for 2015/16.
- 1.2 By reviewing, challenging and monitoring such reports the Committee itself is demonstrating sound governance arrangements and enabling it to take appropriate action if needed. It should be noted that internal audit will also issue interim reports to the Committee if any significant matters arise which would warrant immediate attention.

2 Background information

- 2.1 The Corporate Governance and Audit Committee ('the Committee') has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Internal audit is a key source of independent assurance providing the Committee with evidence that the internal control environment is operating as intended.
- 2.2 On behalf of the Committee and the Deputy Chief Executive, internal audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.3 The terms of reference of the Committee require that it considers the council's arrangements relating to internal audit requirements including the Annual Internal Audit Report and monitoring the performance of the internal audit section.

3 Main issues

- 3.1 The Public Sector Internal Audit Standards 2013 require that the Chief Officer (Audit and Investment) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and must incorporate:
- The opinion;
 - A summary of work that supports the opinion;
 - A statement on conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme.
- 3.2 For 2015/16, the opinion is:

On the basis of the audit work undertaken during the 2015/16 financial year,

the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There are no outstanding significant issues arising from the work undertaken by internal audit.

The audit work undertaken to support this opinion has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

- 3.3 The annual opinion is based on the findings and assurance provided by the schedule of reviews undertaken throughout the year. All individual audit opinions contained within this Annual Report have previously been reported to the Committee through the Internal Audit Update Reports. The relevant Update Report for each review is referenced in the table at 2.52.
- 3.4 There are no issues identified by internal audit in the Annual Report 2015/16 that would necessitate direct intervention by the Committee.
- 3.5 Progress on the actions included in the Internal Audit Improvement Plan will be included in future Internal Audit Update Reports to the Committee.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This report does not highlight any consultation and engagement considerations.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 This report does not highlight any issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and the Best Council Plan

- 4.3.1 The terms of reference for the Corporate Governance and Audit Committee require the Committee to review the adequacy of the council's corporate governance arrangements. This report forms part of the suite of assurances that provides this evidence to the Committee. The Internal Audit Plan has links to risks that may affect the achievement of Best Council Plan objectives and the aims of council policies.

4.4 Resources and value for money

- 4.4.1 Resources have been appropriate, sufficient and effectively deployed to achieve the audit coverage necessary to deliver the annual internal audit opinion.
- 4.4.2 The Internal Audit Plan includes a number of reviews that have evaluated the effectiveness of financial governance, risk management and internal control arrangements that contribute towards the council's value of spending money wisely.
- 4.4.3 The Internal Audit Quality Assurance and Improvement Programme and service development work that is reported to the Committee demonstrates a commitment to continuous improvement in respect of efficiency and effectiveness.

4.5 Legal Implications, Access to Information and Call In

4.5.1 None.

4.6 Risk Management

4.6.1 The Internal Audit plan has been and will continue to be subject to constant review throughout the financial year to ensure that audit resources are prioritised and directed towards the areas of highest risk. This process incorporates a review of information from a number of sources, one of these being the corporate risk register.

5 Conclusions

5.1 The overall conclusion is that on the basis of the audit work undertaken during the 2015/16 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. There are no outstanding significant issues arising from the work undertaken by internal audit. The audit work undertaken to support this opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing

6 Recommendations

6.1 The Committee is asked to receive the Internal Audit Annual Report for 2015/16 and note the opinion given on the basis of the audit work undertaken during the 2015/16 financial year. In particular:

- That there are no outstanding significant issues arising from the work undertaken by Internal Audit;
- That on the basis of the audit work undertaken during the 2015/16 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice;
- That the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing

7 Background documents

7.1 None.