

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 24th June 2016

Subject: Internal Audit Update Report 1st March to 31st May 2016

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. The Corporate Governance and Audit Committee has responsibility for reviewing the adequacy of the Council's Corporate Governance arrangements. Reports issued by internal audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended. This report provides a summary of the internal audit activity for the period 1st March to 31st May 2016 and highlights the incidence of any significant control failings or weaknesses.
2. The Corporate Governance and Audit Committee also considers the council's arrangements relating to internal audit requirements, including monitoring the performance of internal audit. The Public Sector Internal Audit Standards require that an external assessment of the internal audit function should be carried out at least once every five years. The proposed Terms of Reference for this assessment is included for review and approval by the Corporate Governance and Audit Committee.

Recommendations

3. The Corporate Governance and Audit Committee is asked to receive the Internal Audit Update Report covering the period from 1st March to 31st May 2016 and note the work undertaken by internal audit during the period covered by the report.
4. The Corporate Governance and Audit Committee is asked to review and approve the proposed Terms of Reference for the external assessment of the internal audit function.

1 Purpose of this report

1.1 The purpose of this report is to:

- provide a summary of the internal audit activity for the period 1st March to 31st May 2016 and highlight the incidence of any significant control failings or weaknesses; and
- present the Terms of Reference for the external assessment of the internal audit function for review and approval.

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. Reports issued by internal audit are a key source of assurance providing the Committee with some evidence that the internal control environment is operating as intended.

2.2 The Committee also considers the council's arrangements relating to internal audit requirements, including monitoring the performance of internal audit. The Public Sector Internal Audit Standards (PSIAS) require that an external assessment of the internal audit function should be carried out at least once every five years. The outcome of this assessment will provide a key source of information to the Committee on the performance of the internal audit function in relation to conformance with the PSIAS.

3 Main issues

3.1 The report details the work undertaken by the internal audit section for March to May 2016 and contains a summary of completed reviews along with their individual audit opinions.

3.2 There are no issues identified by internal audit in the March to May 2016 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

3.3 During the reporting period, three audits resulted in a limited assurance opinion. In each case, an action plan is in place to address the issues identified.

3.4 The internal audit function will continue to undertake a follow up audit on reports with limited or no assurance or where the impact has been determined as 'Major' to ensure the revised controls are operating well in practice.

3.5 The March to May 2016 Internal Audit Update Report includes the proposed Terms of Reference for the external assessment of the internal audit function for consideration by the Committee.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 This report did 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 Best Council Plan

4.3.1 The Terms of Reference of 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 with each of the council's strategic objectives and has close links with the council's value of spending money wisely.

4.4 Resources and value for money

4.4.1 The Internal Audit Plan includes a number of reviews that evaluate the effectiveness of financial governance, risk management and internal control arrangements that contribute towards the council's value of spending money wisely.

4.4.2 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.

4.6.2 The risks relating to the achievement of the Internal Audit Plan are managed through ongoing monitoring of performance and resource levels. This information is reported to the Committee.

5 Conclusions

5.1 There are no issues identified by internal audit in the March to May 2016 Internal Audit Update Report that would necessitate direct intervention by the Corporate Governance and Audit Committee.

- 5.2 The Public Sector Internal Audit Standards require that an external assessment of the internal audit function should be carried out at least once every five years. The Internal Audit Update Report includes a proposal that will satisfy this requirement.

6 Recommendations

- 6.1 The Corporate Governance and Audit Committee is asked to receive the Internal Audit Update Report covering the period from March to May 2016 and note the work undertaken by internal audit during the period covered by the report.
- 6.2 The Corporate Governance and Audit Committee is asked to review and approve the proposed Terms of Reference for the external assessment of the internal audit function.

7 Background documents

- 7.1 None.