

Report of the Chief Officer (Audit and Investment)

Report to Corporate Governance and Audit Committee

Date: 10th July 2014

Subject: Internal Audit Annual Report and Opinion 2013/14

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 Report and Opinion for 2013/14.
2. The overall conclusion is that on the basis of the audit work undertaken during the 2013/14 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit. Furthermore, on the basis of the audit work undertaken during the 2013/14 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The Internal Audit activity conforms 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 2013/14 and note the opinion given that on the basis of the audit work undertaken during the 2013/14 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 2013/14 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice;

- That the Internal Audit team conforms with the International Standards for the Professional Practice of Internal Auditing.¹

¹ The Public Sector Internal Audit Standards is the application of the Institute of Internal Auditors (IIA) International Standards to the UK Public Sector

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 2013/14.
- 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. 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 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. This specifically includes considering the annual report and the opinion on the control environment contained in that report and monitoring the performance of internal audit.

3 Main issues

- 3.1 The Public Sector Internal Audit Standards 2013 require that the Chief Audit Executive 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 2013/14, the opinion is:

On the basis of the audit work undertaken during the 2013/14 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit.

Furthermore, on the basis of the audit work undertaken during the 2013/14 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice.

However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The Internal Audit activity conforms 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. The report therefore contains a summary of completed jobs along with their individual opinions.

3.4 There are no issues identified by Internal Audit in the Annual Report 2013/14 that would necessitate direct intervention 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 City Priorities

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.

4.4 Resources and value for money

4.4.1 In relation to resources and value for money, the Internal Audit work plan includes a number of value for money reviews and a number of initiatives in line with the council's value of spending money wisely. These will be included in the regular update reports to the Committee.

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 2013/14 financial year, there are no outstanding significant issues arising from the work undertaken by Internal Audit. Furthermore, on the basis of the audit work undertaken during the 2013/14 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The Internal Audit activity conforms 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 2013/14 and note the opinion given that on the basis of the audit work undertaken during the 2013/14 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 2013/14 financial year, the internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice;
 - That the Internal Audit team conforms with the International Standards for the Professional Practice of Internal Auditing.

7 Background documents

- 7.1 None.