



Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 15th June 2011

Subject: Annual Internal Audit Report 2010/11

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Executive Summary

On behalf of the Corporate Governance and Audit Committee and the Director of Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The terms of reference of the Corporate Governance and Audit Committee require that the Committee 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.

From the work undertaken in the year, Internal Audit is of the opinion that the internal control environment, including the key financial systems, is well established and continues to operate well in practice. Reports issued did make a number of recommendations to further improve the systems of control but at the time of writing this report there are no outstanding, significant, issues that are not being addressed arising from the audit coverage.

1.0 Purpose Of This Report

- 1.1 In addition to providing the Committee with the annual audit opinion on the internal control environment, this report also provides the approach and a list of reviews that together form the basis of this opinion.
- 1.2 The proposed Internal Audit Operational Plan for 2011/12 is also included as part of this report and has been challenged and agreed by the Director of Resources.
- 1.3 By reviewing, challenging and monitoring such reports the Committee itself is demonstrating sound governance arrangements and enables 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.

2.0 Main Issues

- 2.1 The report contains a summary of completed jobs along with their individual opinions and outlines the basis for the overall assurance for 2010/11.
- 2.2 The report also includes the 2011/12 Audit Plan. The Government's Spending Review presents a very significant challenge to the Council, the impact of which has already been felt by internal audit, particularly in terms of available resources and the type of work undertaken. The total resources available have been reduced and additional days allocated to value for money type work to meet demand from the organisation. These increasing pressures continue to compress those days available for compliance work. The 2011/12 Plan shows 8280 days of resource being allocated across assurance blocks but it is unlikely this level of resource will be available. This necessitates a thorough and ongoing re-evaluation the internal audit operational plan which will be subject to constant review throughout the financial year to ensure that audit resources are prioritised and continually directed towards the areas of highest risk.
- 2.3 Progress against the plan will be monitored throughout the year and key issues reported to the Director of Resources and the Chief Officer (Audit & Risk). The Head of Audit will report key issues arising from this work to the CG&AC in the bi-monthly and annual reports.
- 2.4 Internal Audit will continue to undertake a follow up audit where the impact has been determined as either 'Major' or 'Moderate' to ensure the revised controls are operating well in practice.

3.0 Implications For Council Policy And Governance

- 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.

4.0 Legal And Resource Implications

- 4.1 None.

5.0 Conclusions

- 5.1 There are no issues identified by Internal Audit that would necessitate direct intervention by the Corporate Governance & Audit Committee.

6.0 Recommendations

- 6.1 That the Corporate Governance and Audit Committee receives the Annual Internal Audit Report 2010/11 and notes the assurances given.
- 6.2 That the Corporate Governance and Audit Committee approves the Internal Audit Operational Plan for 2011/12.