



Derby City Council

AUDIT & ACCOUNTS COMMITTEE
19 June 2018

ITEM 6

Report of the Interim Strategic Director of
Corporate Resources.

Internal Audit Annual Report 2017-18

SUMMARY

- 1.1 The Public Sector Requirement of Standard 2450 of the Public Sector Internal Audit Standards (PSIAS) requires that the 'Chief Audit Executive' (in the case of Derby City Council the Audit Manager) must deliver an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement.
- 1.2 The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.
- 1.3 This report sets out the overall Audit Opinion together with a summary of the work that the Council's Internal Audit Service has undertaken during 2017-18. The report also provides information on the performance of the Internal Audit service in 2017/18 and an assessment of the conformance against the Public Sector Internal Auditing Standards (PSIAS).

RECOMMENDATIONS

- 2.1 To consider and note the Internal Audit Annual Report 2017/18, as set out in Appendix 2.
- 2.2. To seek assurances from the Council's senior managers that any adverse opinion is being properly addressed through the Council's Annual Governance Statement and that the necessary remedial action is reported back to this Committee.

REASONS FOR RECOMMENDATIONS

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

SUPPORTING INFORMATION

Background

- 4.1 Internal Auditing is defined as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. (Public Sector Internal Audit Standards – PSIAS).
- 4.2 The Council’s internal audit service is provided by the Central Midlands Audit Partnership. Derby City Council is the host authority for the Partnership.
- 4.3 There are currently many changes both internal and external which have an effect on the Council’s operations. All change within an organisation leads to an element of risk and the proper objective and independent consideration of these risks is vital to the operation of an organisation.
- 4.4 The “Head of Internal Audit” in a local authority plays a critical role in delivering the Council’s strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, and commenting on responses to emerging risks and proposed developments, all of which support the statutory Annual Governance Statement.
- 4.5 The work of internal audit over the year allows the Audit Manager to form the annual internal audit opinion as required by the PSIAS. The opinion is set out within the annual internal audit report to this Committee (see Appendix 2) which provides elected Members with a level of assurance that internal audit can provide on the Council’s arrangements for governance, risk management and internal control.

4.6 The audit opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- Inadequate System of Internal Control – Findings indicate significant control weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.
- Adequate System of Internal Control Subject to Reservations – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.
- Satisfactory System of Internal Control - Findings indicate that on the whole, controls are satisfactory, although some enhancements may have been recommended.

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| OTHER OPTIONS CONSIDERED |
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5.1 N/A

This report has been approved by the following officers:

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| Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s) | N/A N/A N/A N/A N/A N/A |
| For more information contact: Background papers: List of appendices: | Jacinta Fru, Audit Manager, 01332 643283 jacinta.fru@centralmidlandsaudit.co.uk None Appendix 1 – Implications Appendix 2 – Internal Audit Annual Report 2017/18 |

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| IMPLICATIONS |
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Financial and Value for Money

- 1.1 None directly arising.

Legal

- 2.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published statement of Accounts. This is known as an Annual Governance Statement (AGS).

Personnel

- 3.1 None directly arising

IT

- 4.1 None directly arising

Equalities Impact

- 5.1 None directly arising

Health and Safety

- 6.1 None directly arising

Environmental Sustainability

- 7.1 None directly arising

Property and Asset Management

- 8.1 None directly arising

Risk Management

- 9.1 None directly arising

Corporate objectives and priorities for change

- 10.1 All aspects of the work of the Council are affected by the Corporate Governance regime as well as the Council's partners in service delivery and other agencies with which the Council shares information. External bodies in particular need to have confidence in the way the Council operates and this can be achieved by demonstrating robust Corporate Governance arrangements that are fully embedded.

