

Subject: Internal Audit Annual Report and Opinion 2012/13
Date of Meeting: 25 June 2013
Report of: Executive Director of Finance & Resources
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Wards Affected: All

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that internal audit work for 2012/13 was still being completed and reports being finalised.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the Internal Audit Annual Report and Opinion 2012/13 to Members of the Audit & Standards Committee which summarises the work that the Internal Audit Team has undertaken during the financial year 2012/13. The report includes the Head of Audit & Business Risk's Annual Opinion on the system of internal control.
- 1.2 The detailed Internal Audit Annual Report and Opinion 2012/13 is attached at Appendix 1 to this report.
- 1.3 The Audit & Standards Committee has a responsibility for reviewing the assurance framework for the Council which includes the Annual Internal Audit & Opinion Annual Report.

2. RECOMMENDATIONS:

- 2.1 It is recommended that the Audit & Standards Committee Note the work completed by the Internal Audit Team for 2012/13, the outcomes and issues arising, and the Head of Audit & Business Risk's Annual Opinion on the system of internal control.

3. BACKGROUND INFORMATION

- 3.1 The Internal Audit Team plans and carries out its work in accordance with The Accounts & Audit Regulations 2011 that require the Council *'to undertake an adequate and effective internal audit of its accounting records and system of internal control in accordance with proper practices'*. Further, in accordance with proper practices as defined by the Code of Practice for Internal Audit in Local

Government (CIPFA) for 2012/13 and superseded from 1st April 2013 by the Public Sector Internal Audit Standards.

- 3.2 The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of the council's internal control, risk management and governance arrangements. This includes identifying any actions or improvements for the effective use of resources. Internal audit is therefore a key part of the council's internal control system and integral to the framework of assurance that the Audit & Standards Committee can place reliance on to assess its internal control system.
- 3.3 Appendix 1 sets out the Internal Audit Annual Report and Opinion for 2012/13 and includes details of the audit work carried out for 2012/13 including a full list of the audit reviews undertaken, follow-up work, counter fraud activity and the performance of the Internal Audit Team.
- 3.4 The Annual Opinion contributes to the completion of the Annual Governance Statement. It is therefore specifically timed to be considered as part of the Council's annual review of governance arrangements.

4. ASSURANCE FROM THE WORK OF AUDIT & BUSINESS RISK FOR 2012/13

- 4.1 The Annual Internal Audit Plan for 2012/13 was presented and approved by the previous Audit Committee in April 2012. The Internal Audit Annual Report and Opinion report at Appendix 1 therefore provides details of the outturn against the planned and unplanned work.
- 4.2 The Internal Audit Team completed 80 audit reviews for 2012/13 to either draft or final report stage with the expectation of completing others currently at the fieldwork stage. 75% of internal audit reviews have received an assurance level of either substantial or reasonable and is consistent with the previous year of 74%.
- 4.3 The actual direct audit days for 2012/13 was 13% less than planned due to a number of factors including a higher level of actual indirect/unproductive time than planned, capacity of the team and work pressures on service managers affecting availability. We have minimised the impact of this by reviewing the scope of some audit reviews and also carrying forward a higher level than normal of residual work into 2013/14 .
- 4.4 We are currently improving our staff resource planning and liaising closer with Heads of Service and Service Managers over the timing of audit reviews for 2013/14
- 4.5 A total of twelve audit reviews of key financial systems were completed for 2012/13. The Council has maintained a strong control environment over its key financial systems with 4 receiving substantial assurance and 8 reasonable.

- 4.6 On the basis of the audit work undertaken and management responses received, the Head of Audit & Business Risk is able to deliver a positive end of year opinion that **reasonable assurance** can be provided that an effective control environment is operating.

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 4.1 The Internal Audit & Opinion Annual Report 2012/13 outlines how resources were applied, the internal control recommendations, savings through counter fraud and other issues. The Internal Audit Plan for 2012/13 was delivered within budgetary resources for the year.

Finance Officer Consulted: James Hengeveld 14/06/13

Legal Implications:

- 4.2 The Internal Audit Annual Report and Opinion complies with Regulation 6 of The Accounts & Audit Regulations 2011 which requires the council to 'undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control'.

The report is for noting only.

Lawyer consulted: Oliver Dixon 14/06/13

Equalities Implications:

- 4.3 Effective systems of internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the community.

Sustainability Implications:

- 4.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 4.5 There are no direct implications for the prevention of crime and disorder arising from this report.

Risk and Opportunity Management Implications:

- 4.6 Internal audit work/coverage is directed toward giving assurance about controls to mitigate risks identified through its audit risk assessment. This includes assurance around the design of those controls and that operating effectively.
- 4.7 Internal audit work contributes significantly to increasing awareness and understanding of risk, controls and value for money amongst managers and thus leads to improving processes for securing more effective risk management.

Corporate / Citywide Implications:

- 4.8 Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit Annual Report and Opinion 2012/13

Background Documents:

1. Accounts & Audit Regulations 2011 (amended)
2. Public Sector Internal Audit Standards
3. Local Government Application Note
4. Internal Audit Strategy & Annual Plan 2012/13
5. Individual Internal Audit Reports issued in 2012/13

