

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

4 JULY 2017

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Report Title	ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2016/17
Purpose of Report	To provide the Committee with an annual report on Internal Audit Activity which fully meets the Chief Internal Auditor's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.
Decisions(s)	The Committee is asked to RESOLVE to: <ul style="list-style-type: none"> • Assess, from the findings set out in this Internal Audit Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively; • Request senior management attendance at the next meeting of the Committee to provide an update on the actions taken in relation to the recommendations made in the ICT Business Processes limited assurance report; and • Note that the performance of Internal Audit meets the required standards.
Consultation and Feedback	The report was discussed at Corporate Team on 14 th June 2017.
Financial Implications and Risk Assessment	There are no financial implications arising from the report. David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk Risk Assessment: Failure to deliver an effective Internal Audit service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

Legal Implications	<p>The report is largely provided for information and general assurance as to the arrangements in place. Any services which are proposed to be provided on an on-going basis (e.g. fraud investigations to assist the Tenant Services and Revenue and Benefits Teams) which are in addition to the previously approved programme of audit work for 2017/18 will be subject to approval by the relevant Strategic Head.</p> <p>Karen Trickey, Legal Services Manager and Monitoring Officer Tel: 01453 754369 Email: karen.trickey@stroud.gov.uk</p>
Report Author	<p>Theresa Mortimer Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754111 Email: theresa.mortimer@stroud.gov.uk</p>
Options	<p>There are no alternative options that are relevant to this matter.</p>
Performance Management Follow Up	<p>The Council's Internal Audit Plan for 2017/18 was approved by the Audit and Standards Committee on 11th April 2017. Achievement against the Plan will be regularly reported to the Audit and Standards Committee via the Internal Audit Plan Monitoring Reports for 2017/18.</p>
Background Papers/ Appendices	<p>Appendix 1 – Annual Report on Internal Audit Activity 2016/17 Appendix 2 – Summary Activity Progress Report 2016/17 Appendix 3 – BACS Direct Debit Report</p> <p>Background papers:</p> <ul style="list-style-type: none"> ➤ Accounts and Audit Regulations 2015; ➤ Public Sector Internal Audit Standards (PSIAS) 2017; ➤ CIPFA Local Government Application Note for the UK PSIAS; and ➤ Audit and Standards Committee's Terms of Reference.

1.0 Background

- 1.1 The Accounts and Audit Regulations 2015 state that ‘a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance’. During 2016/17, Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS.
- 1.2 The PSIAS define internal audit 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’.
- 1.3 To achieve full effectiveness, the scope of the internal audit function should provide an unrestricted range of coverage of the organisation’s operations and the internal audit function should have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which have been approved by Members.
- 1.4 The PSIAS requires the Chief Internal Auditor to ‘provide a written report to those charged with governance timed to support the Annual Governance Statement’. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:
- Provide an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
 - Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
 - Summarise the performance of the Internal Audit function against its performance measures and targets; and
 - Comment on compliance with the PSIAS.
- 1.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Standards Committee on 4th July 2017.