

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

25 JULY 2019

8

Report Title	ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2018/19
Purpose of Report	To provide the Committee with an annual report on Internal Audit Activity.
Decisions(s)	<p>The Committee is asked to RESOLVE to:</p> <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; • Note that the performance of Internal Audit meets the required standards; and • Note the Council wide counter fraud activity during 2018/19 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015 (paragraph ref 7b).
Consultation and Feedback	Internal Audit findings are discussed with Service Heads/Managers and Directors (where relevant). Management responses to recommendations are included in each assignment report.
Financial Implications and Risk Assessment	<p>There are no financial implications arising from the report.</p> <p>Andrew Cummings, Interim Director of Resources and S151 Officer Tel: 01453 754115 Email: andrew.cummings@stroud.gov.uk</p> <p>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.</p>
Legal Implications	<p>The legal framework concerning the requirements regarding internal audit are set out in the opening section of the progress report.</p> <p>Patrick Arran, Interim Head of Legal Services and Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk</p>

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Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	The Council's Internal Audit Plan for 2019/20 was approved by the Audit and Standards Committee on 7 th May 2019. Achievement against the Plan will be regularly reported to the Audit and Standards Committee via the Internal Audit Plan Monitoring Reports for 2019/20, scheduled within the Audit and Standards Committee work programme 2019/20.
Background Papers/ Appendices	<p>Appendix 1: Annual Report on Internal Audit Activity 2018/19</p> <p>Appendix 2: Summary Activity Progress Report 2018/19</p> <p>Background papers:</p> <ul style="list-style-type: none"> ➤ Accounts and Audit Regulations 2015; ➤ CIPFA Local Government Application Note for the UK PSIAS; ➤ Public Sector Internal Audit Standards (PSIAS) 2017; 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 2018/19, 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 25th July 2019.