

# STROUD DISTRICT COUNCIL

## AUDIT AND STANDARDS COMMITTEE

19<sup>TH</sup> JULY 2022

<b>Report Title</b>	<b>ANNUAL REPORT OF THE HEAD OF AUDIT RISK ASSURANCE (ARA) 2021/22</b>			
<b>Purpose of Report</b>	To provide the Committee with an annual report on Internal Audit Activity which fully meets the Head of ARA's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.			
<b>Decision(s)</b>	<p><b>The Committee RESOLVES to:</b></p> <p><b>a) Assess, from the findings set out in this Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;</b></p> <p><b>b) Note that the performance of Internal Audit meets the required standards; and</b></p> <p><b>c) Note the Council wide counter fraud activity during 2021/22.</b></p>			
<b>Consultation and Feedback</b>	Internal Audit findings are discussed with Service Heads/Managers and Directors (where relevant). Management responses to recommendations are included in each activity report.			
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<b>Options</b>	There are no alternative options that are relevant to this matter.			
<b>Background Papers</b>	<p>The CIPFA Local Government Application Note for the UK PSIAS. Web links to published background papers are contained within the covering report.</p> <p>The year end Internal Audit Progress Report 2021/22, as presented to 19<sup>th</sup> July 2022 Audit and Standards Committee.</p>			
<b>Appendices</b>	Appendix 1 - Annual Report of the Head of ARA 2021/22			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

### 1. INTRODUCTION / 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 2021/22, 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 service should provide an unrestricted range of coverage of the Council's operations and 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 Head of ARA 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:
  - I. 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;
  - II. 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;
  - III. Summarise the performance of the Internal Audit service against its performance measures and targets; and
  - IV. 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 19<sup>th</sup> July 2022.

## **2. MAIN POINTS**

- 2.1 The role of the ARA Shared Service is to examine, evaluate and provide an independent, objective opinion on the adequacy and effectiveness of the Council's internal control environment, comprising risk management, control and governance. Where weaknesses have been identified, recommendations have been made to improve the control environment.
- 2.2 The PSIAS state that the Head of ARA should report on the outcomes of Internal Audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.
- 2.3 Consideration of reports from the Head of ARA on Internal Audit's performance during the year, including updates on the work of Internal Audit, is also a requirement of the Audit and Standards Committee terms of reference.

2.4 The **Appendix 1** Annual Report of the Head of ARA 2021/22 has been drafted to meet PSIAS requirements (as referred to in paragraphs 1.4 and 2.2) and comply with the Audit and Standards Committee terms of reference.

### **3. CONCLUSION**

3.1 The purpose of the Annual Report of the Head of ARA 2021/22 is to support the Committee in its role to gain and provide independent assurance to Council on the adequacy of the risk management framework and the internal control environment.

3.2 Non completion of the Annual Report of the Head of ARA would lead to non-compliance with the PSIAS, the Audit and Standards Committee terms of reference and the [Council Constitution](#) (which confirms the Audit and Standards Committee role to oversee the audit service of the Council).

### **4. IMPLICATIONS**

#### **4.1 Financial Implications**

There are no financial implications arising directly from this report.

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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.

#### **4.2 Legal Implications**

There are no specific legal implications in addition to those mentioned in the report.

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#### **4.3 Equality Implications**

There are not any specific changes to service delivery proposed within this decision.

#### **4.4 Environmental Implications**

There are no significant implications within this category.