



Report Reference Number: (A/18/3)

To: Audit and Governance Committee
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Authors: Phil Jeffrey; Audit Manager – Veritau
Jonathan Dodsworth; Counter Fraud Manager -
Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Annual Report of the Head of Internal Audit 2017/18

Summary:

The purpose of the report is to present the Annual Report of the Head of Internal Audit for 2017/18. That report is prepared by Veritau and is based on internal audit work carried out since April 2017. A summary of counter fraud work carried out during 2017/18 is also included.

Recommendation:

That the committee note the annual report of the Head of Internal Audit (Appendix A), including the opinion on the adequacy and effectiveness of the council's framework of governance, risk management and internal control.

Reasons for recommendation

To enable the committee to fulfil its responsibility for reviewing the outcomes of internal audit work and to support its consideration of the Council's Annual Governance Statement.

1. Introduction and background

1.1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with these standards, the Head of Internal Audit is required to provide an annual report setting out the work done by internal audit. The report should also include an audit opinion based on an objective assessment of the framework of

governance, risk management and control operating within the Council.

2. The Report

- 2.1 The purpose of the report, included at appendix A, is to provide a summary of internal audit work carried out during 2017/18 and to express an opinion on the overall framework of governance, risk management and control in place within the Council.
- 2.2 The report includes a summary of the audit opinions for individual audits completed in the year, to support the overall opinion. A number of the internal audit reports are still at draft report stage and have not yet been finalised. However, the findings in these reports are not expected to change significantly and they have been considered in forming the overall opinion.
- 2.3 The report also includes a summary of internal audit performance for 2017/18 and conclusions from Veritau's internal audit Quality Assurance and Improvement Programme (QAIP).
- 2.4 A summary of counter fraud work carried out during 2017/18 is included at appendix B.

Internal Audit Charter

- 2.5 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

(a.) None.

3.2. Financial Issues

(a.) None.

4. Conclusion

- 4.1 The overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.

4.2 Although a Reasonable Assurance opinion can be given, we are aware of some significant weaknesses in the control environment which have been identified in relation to specific audits. In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2017/18 Annual Governance Statement:

- Payroll – previously identified issues with the costing file were found to have re-occurred and the Council is working with the payroll provider to resolve these.
- PCI DSS – an audit identified that non-compliance with the standard remained a significant issue.
- Creditors – whilst improvements had been made, a significant number of orders are being raised outside e-procurement.

All of these areas were highlighted as weaknesses in previous annual internal audit reports and were reflected in the Council's 2016/17 Annual Governance Statement. While some action has been taken to address the issues, control weaknesses remain and they therefore remain relevant to the preparation of the 2017/18 Annual Governance Statement.

5. Background Documents

Internal Audit and Counter Fraud Plan 2017/18
Internal Audit and Counter Fraud progress reports to Audit and Governance Committee in 2017/18 (September, January and April)
The Public Sector Internal Audit Standards 2017

Contact Officer: *Phil Jeffrey; Audit Manager - Veritau*
phil.jeffrey@veritau.co.uk
01904 552926 / 01757 292281

Jonathan Dodsworth; Counter Fraud Manager – Veritau
Jonathan.dodsworth@veritau.co.uk
01904 552947 / 01757 292281

Richard Smith; Deputy Head of Internal Audit - Veritau
richard.smith@veritau.co.uk

Appendices: **Appendix A: Annual Report of the Head of Internal Audit 2017/18**

Appendix B: Summary of counter fraud work 2017/18