

Report Reference Number: A/19/2

To: Audit and Governance Committee
Date: 30 July 2019
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Title: Annual Report of the Head of Internal Audit 2018/19

Summary:

The purpose of the report is to present the Annual Report of the Head of Internal Audit for 2018/19. The report is prepared by Veritau and is based on internal audit work carried out since April 2018. A summary of counter fraud work carried out during 2018/19 is also included.

Recommendation:

That the committee:

- (i) note the annual report of the Head of Internal Audit (appendix A) and the “Reasonable Assurance” opinion regarding the overall framework of governance, risk management and control operating within the council.
- (ii) note the significant control issues identified through internal audit work in 2018/19.
- (iii) note the outcome of the internal audit quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards
- (iv) note the counter fraud work undertaken during the year (appendix B).

Reasons for recommendation

To enable the committee to fulfil its responsibility for reviewing the outcomes of internal audit and counter fraud 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 opinion on the framework of governance, risk management and control operating within the Council; and confirmation that internal audit work undertaken complies with professional standards.

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 2018/19 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 2018/19 and conclusions from Veritau's internal audit Quality Assurance and Improvement Programme (QAIP).
- 2.4 A summary of counter fraud work carried out during 2018/19 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 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 issue which is considered relevant to the preparation of the 2018/19 Annual Governance Statement:
- Creditors – a mandate fraud was perpetrated against the council during the year and a subsequent audit and counter fraud investigation found that procedures in relation to amending supplier bank details required strengthening.

5. Background Documents

Internal Audit and Counter Fraud Plan 2018/19
Internal Audit and Counter Fraud progress reports to Audit and Governance Committee in 2018/19 (October, January and April)
The Public Sector Internal Audit Standards 2017

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Appendices: **Appendix A: Annual Report of the Head of Internal Audit 2018/19**

Appendix B: Summary of counter fraud work 2018/19