

Forest Heath District Council

**PERFORMANCE AND
AUDIT SCRUTINY
COMMITTEE**

29 MAY 2014

PAS14/032

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Resources, Governance and Performance

INTERNAL AUDIT ANNUAL REPORT 2013-2014 AND OUTLINE INTERNAL AUDIT PLAN 2014-2015

1. Summary and reasons for recommendation

1.1 This report:

- summarises the work undertaken by Internal Audit during the year and the resulting annual audit opinion;
- shows the work undertaken to fulfil the requirement for an annual review of the effectiveness of internal audit;
- provides details of the outline Internal Audit Plan for 2014/15; and
- shows progress made during the year in developing anti-fraud and anti-corruption arrangements and actions taken where fraud or misconduct have been identified.

2. Recommendations

- 2.1 The contents of the Annual Internal Audit Report for 2013/14 are **noted**.
- 2.2 Endorse the conclusion drawn in respect of the annual review of the effectiveness of internal audit.
- 2.3 The Internal Audit Plan for 2014/15 be approved.
- 2.4 The contents of the Managing the Risk of Fraud, Theft and Corruption Report are **noted**.

Contact details

Name Cllr Stephen Edwards
Title Resources, Governance & Performance
Telephone 01638 660518
E-mail Stephen.Edwards@forest-heath.gov.uk

Portfolio holder

Lead officer

Jon Snares
Internal Audit Manager
01638 719771
Jon.Snares@westsuffolk.gov.uk

3. How will the recommendations help us meet our strategic priorities?

- 3.1 The recommendations made in this report are intended to support and enhance the council's ability to deliver its priorities.

4. Key issues

Background Information

- 4.1 Internal Audit is an independent, objective assurance and consultancy function 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.

Annual Internal Audit Report 2013/14

- 4.2 In accordance with the Public Sector Internal Audit Standards the Internal Audit Manager is required to provide an annual written report to those charged with governance, timed to support the Annual Governance Statement, which includes an opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, including the internal control environment. The attached Internal Audit Annual Report (**Appendix A**) summarises the audit work carried out during the year, presenting an opinion based upon the work performed.

Review of the Effectiveness of Internal Audit

- 4.3 Accounts and Audit Regulations 2011 requires the council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Further it must at least once in each year, conduct a review of the effectiveness of its internal audit and have the findings considered by a committee. This report sets out evidence which the Performance and Audit Scrutiny Committee can look to rely on when reviewing whether internal audit is effective, including relevant completed checklists at **Appendix B**.

Internal Audit Plan 2014/15

- 4.4 In accordance with the Public Sector Internal Audit Standards an Audit Plan (**Appendix C**) has been prepared covering a period of one year. The work of Internal Audit is based upon this Plan which is prepared after consulting with stakeholders, including the Chair and Vice Chair of the Performance and Audit Scrutiny Committees at both West Suffolk councils, the External Auditors, and Joint Leadership Team.

Managing the Risk of Fraud, Theft and Corruption Report

- 4.5 Theft, fraud & corruption are an ever present threat to the resources available in the public sector. The purpose of this report (**Appendix D**) is to demonstrate the council's progress in developing and maintaining an anti-fraud and anti-corruption culture and publicise the action taken where fraud or misconduct have been identified.

5. Other options considered

5.1 N/A

6. Community impact

6.1 Crime and disorder impact *(including Section 17 of the Crime and Disorder Act 1998)*

6.1.1 None arising directly from this report

6.2 Diversity and equality impact *(including the findings of the Equality Impact Assessment)*

6.2.1 None arising directly from this report.

6.3 Sustainability impact *(including completing a Sustainability Impact Assessment)*

6.3.1 None arising directly from this report.

6.4 Other impact *(any other impacts affecting this report)*

6.4.1 None arising directly from this report.

7. Consultation *(what consultation has been undertaken, and what were the outcomes?)*

7.1 The Internal Audit Plan has been compiled in consultation with stakeholders, including the Chair and Vice Chair of the Performance and Audit Scrutiny Committee, the External Auditors, and Joint Leadership Team.

7.2 Consultation with key officers is also carried out during the audit process and in the production of individual internal audit reports and follow up work.

8. Financial and resource implications *(including asset management implications)*

8.1 There are no direct financial implications arising from this report. All internal audit recommendations must be considered in terms of their cost effectiveness.

9. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Internal controls within the council may not be efficient and effective and as a result the council may not be identifying significant weaknesses that could impact on the achievement of the council's priorities and/or lead to fraud, financial loss or inefficiency.	Medium	Members receive and approve the internal audit plan and receive progress reports throughout the year. The audit plan is based on an assessment of risk for each system or operational area. External Audit reviews the work of the internal audit section and internal control arrangements.	Low

<p>The authority is required to maintain an adequate and effective system of internal audit in accordance with the Accounts and Audit Regulations 2011. Failure to consider the effectiveness of its system of internal audit, and the opinion on council's control environment, could result in non-compliance with the requirements of the Regulations.</p>			
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10. Legal and policy implications

10.1 The provision of the Internal Audit Service allows the Council to meet its statutory obligations with regards to the Local Government Act 1972, the Local Government Finance Act 1982 and the Accounts and Audit Regulations 2011.

11. Wards affected

11.1 All

12. Background papers

12.1 N/A

13. Documents attached

13.1 Appendix A – Internal Audit Annual Report 2013/14

13.2 Appendix B – Performance and Audit Scrutiny Committee and Internal Audit Checklists

13.3 Appendix C – Outline Internal Audit Plan 2014/15

13.4 Appendix D – Managing the Risk of Fraud, Theft and Corruption Report

13.5 Appendix E – Summary of Audit Reports Issued