

# Informal Joint Performance and Audit Scrutiny Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Internal Audit Annual Report 2017/18</b>	
<b>Report No:</b>	<b>PAS/SE/18/010</b>	
<b>Report to and date:</b>	Performance and Audit Scrutiny Committee	31 May 2018
<b>Portfolio holder:</b>	Councillor Ian Houlder Portfolio Holder for Resources and Performance <b>Tel:</b> 07970 729435 <b>Email:</b> <a href="mailto:ian.houlder@stedsbc.gov.uk">ian.houlder@stedsbc.gov.uk</a>	
<b>Lead officer:</b>	Jon Snares Service Manager (Internal Audit) <b>Tel:</b> 01284 757239 <b>Email:</b> <a href="mailto:jon.snares@westsuffolk.gov.uk">jon.snares@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To provide members with an overview of the work carried out by Internal Audit for the year ended 31 March 2018.	
<b>Recommendation:</b>	<p><b>Performance and Audit Scrutiny Committee:</b></p> <p><b>It is RECOMMENDED that:</b></p> <p>(1) the contents of the Annual Internal Audit Report for 2017/18 are <u>noted</u>;</p> <p>(2) the conclusion drawn in respect of the annual review of the effectiveness of internal audit is <u>endorsed</u>; and</p> <p>(3) the contents of the Managing the Risk of Fraud, Theft and Corruption Report at Appendix C are <u>noted</u>.</p>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li>The Internal Audit Plan 2017/18 was compiled in consultation with the Assistant Director Resources and Performance (as S151 Officer), Leadership Team, Service Managers, and the external auditors, before being approved by Performance and Audit Scrutiny Committee in May 2017; and</li> <li>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.</li> </ul>	
<b>Alternative option(s):</b>		N/A	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (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 a progress report during the year.  External Audit considers the work of Internal Audit and internal control arrangements.	Low
<b>Ward(s) affected:</b>		N/A	

<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>	N/A
<b>Documents attached:</b>	<b>Appendix A</b> – Internal Audit Annual Report 2017/18  <b>Appendix B</b> – Summary of Internal Audit Reports issued  <b>Appendix C</b> – Managing the Risk of Fraud, Theft and Corruption Report

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## **1. Key issues and reasons for recommendation**

### **1.1 Summary**

- 1.1.1 It is vital for our communities continued confidence and the smooth and proper running of a local authority that thorough, open and transparent auditing takes place. This Internal Audit Annual Report is part of that process, together with the Annual Governance Statement, to help inform those who have responsibility for the councils' framework of risk management, control and governance processes.
- 1.1.2 In summary, the conclusions of this report should give our residents and councillors confidence in our processes and the councils' have a good bill of health in how it works and manages risk as well as looking at ways of improving. In essence this should be seen as a very positive result and is confirmation that overall, controls and processes are working well. In addition it is important that the internal audit process is robust and independent as well as being supported by the Councils. An external assessment of internal audit has been carried out this year and confirmed our view by concluding we achieve a good level of compliance with the required standards.

### **1.2 Background Information**

- 1.2.1 Internal auditing is an independent and 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. A professional, independent and objective internal audit service is one of the key elements of good governance.
- 1.2.2 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (the 'Standards') which have been in place since April 2013 (revised April 2016 and April 2017). The objectives of the Standards are to:
- define the nature of internal auditing within the UK public sector
  - set basic principles for carrying out internal audit in the UK public sector
  - establish a framework for providing internal audit services which add value to the organisation, leading to improved organisational processes and operations, and
  - establish the basis for the evaluation of internal audit performance and to drive improvement planning
- 1.2.3 The Standards encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework which are the Definition of Internal Auditing, Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

### **1.3 Annual Internal Audit Report and Summaries of Audit Reports Issued 2017/18**

- 1.3.1 In accordance with the Public Sector Internal Audit Standards the Internal Audit Service 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 adequacy and effectiveness of the councils' framework of risk management, control and governance processes**. The attached Internal Audit Annual Report (**Appendix A**) and **Summaries of Audit Reports Issued (Appendix B)** summarise the audit work carried out during the year across West Suffolk, presenting an **opinion** based upon the work performed.
- 1.3.2 The Internal Audit Service Manager's **annual audit opinion**, also included at **Appendix A**, is that **based upon an independent and objective assessment of the framework of risk management, control and governance processes, Internal Audit can provide reasonable assurance for 2017/18 that the framework has operated adequately and effectively during the year**. This should be seen as a very positive result and is confirmation that overall, controls and processes are working well.
- 1.3.3 The Annual Internal Audit Report also includes a **conclusion on the effectiveness of internal audit and** sets out the related evidence which the Performance and Audit Scrutiny Committees can look to rely on when reviewing this conclusion, **in particular the outcome of the recent independent external quality assessment of the work of the Internal Audit team** which is also the subject of a separate, detailed report to this committee and included on this agenda.

### **1.4 Managing the Risk of Fraud, Theft and Corruption Report**

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