

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Tuesday 30 July 2019</b>
<b>Title of report:</b>	<b>Internal audit annual report and opinion 2018/19</b>
<b>Report by:</b>	<b>Chief finance officer / head of internal audit</b>

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose and summary**

The purpose of this report is to provide those charged with governance an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment. The report provides independent assurance to the committee and enables the committee to determine any potential items for inclusion in its future work programme.

The annual report is attached at appendix A and provides a reasonable assurance opinion.

## **Recommendation(s)**

**That:**

- (a) having regard to the assurance provided by the annual report the committee determine any potential items for inclusion in its future work programme.**

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Further information on the subject of this report is available from

Jacqui Gooding, email: [Jacqui.Gooding@swapaudit.co.uk](mailto:Jacqui.Gooding@swapaudit.co.uk)

## Alternative options

1. There are no alternative recommendations. This summary of the findings of internal audit and the opinion are not matters which the committee may alter.

## Key considerations

2. The annual report is required to ensure that the committee is informed of the internal audit work undertaken in 2018/19.
3. The report provides an overall opinion, reached in light of the work undertaken, on the adequacy and effectiveness of the council's governance, risk management and control processes. The work of internal audit informs the development of the annual governance statement and action plan.
4. Sufficient internal audit work has been carried out to enable the head of internal audit to draw a conclusion about the adequacy and effectiveness of the council's risk management, control and governance processes. 54% of completed audits received Substantial or Reasonable assurance opinions in relation to the control environment. Of the audits completed in 2018/19 (57 in total), there are 10 areas (18%) that have been awarded Partial assurance opinions in relation to their control environment (none of them Key Financial Control Systems). The findings within these audits have been accepted and appropriately addressed by management. No High Corporate risks were identified.
5. Although no areas of significant risk have been identified there have been findings where governance processes or guidance are not always followed to ensure compliance with existing procedures in place across the Council. Management is responsible for ensuring compliance to policies and procedures and should have oversight to address non-compliance. The Council has recognised Governance as an area for improvement and the new Council structure with a corporate services centre will assist in supporting managers and responsible officers to follow processes and address corporate oversight where there are gaps in control.
6. In the opinion of the head of internal audit, and having considered the balance of audit work, the assurance levels provided and outcomes together with the response from senior management and the audit and governance committee, the head of internal audit can offer 'reasonable assurance' in respect of the areas reviewed during the year. Generally, risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Where this is the case, there has been a positive response to ensuring that action is taken to improve the adequacy of controls.
7. The Annual Opinion informs the Review of Effectiveness within the Annual Governance Statement and weaknesses identified through audit reviews have been considered for inclusion in the Annual Governance Statement.

## Community impact

8. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

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## **Equality duty**

9. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
10. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

11. None arising from the recommendations; any additional recommendations made by the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

## **Legal implications**

12. Section 5 of the Accounts and Audit Regulations 2015 require the council to 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.
13. It is a function of this committee, under 3.5.10 (a) of the council's constitution to consider the Head of Internal Audit's annual report and opinion, and the level of assurance it can give over the Council's corporate governance arrangements.

## **Risk management**

14. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months.

## **Consultees**

15. None.

## **Appendices**

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## **Background papers**

None identified.