

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

26 JULY 2018

8

Report Title	ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2017/18
Purpose of Report	To provide the Committee with an annual report on Internal Audit Activity which fully meets the Chief Internal Auditor's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.
Decisions(s)	The Committee is asked to RESOLVE to: <ul style="list-style-type: none"> • Assess, from the findings set out in this Internal Audit Annual Report, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively; and • Note that the performance of Internal Audit meets the required standards.
Consultation and Feedback	Internal Audit findings are discussed with Directors (where relevant) Service Heads/Managers. Management responses to recommendations are included in each assignment report.
Financial Implications and Risk Assessment	Whilst there are no financial implications arising from the report, it is worth noting the Chief Internal Auditor's opinion on the control environment. It is also worth the committee considering whether management actions have been delivered against the accepted recommendations contained within the four limited assurance reports David Stanley, Accountancy Manager Tel: 01453 754100 Email: david.stanley@stroud.gov.uk Risk Assessment: Failure to deliver an effective Internal Audit service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

Legal Implications	The Committee needs to form its own reasonable opinion of the assurance which may be given, based upon the information provided although should seek further information if it considers it cannot otherwise be assured. (Ref10718cd12718) Karen Trickey, Head of Legal Services and Monitoring Officer
Report Author	Theresa Mortimer Head of Audit Risk Assurance (Chief Internal Auditor) Tel: 01453 754111 Email: theresa.mortimer@stroud.gov.uk
Options	There are no alternative options that are relevant to this matter.
Performance Management Follow Up	The Council's Internal Audit Plan for 2018/19 was approved by the Audit and Standards Committee on 10 th April 2018. Achievement against the Plan will be regularly reported to the Audit and Standards Committee via the Internal Audit Plan Monitoring Reports for 2018/19.
Background Papers/ Appendices	Appendix 1: Annual Report on Internal Audit Activity 2017/18 Appendix 2: Summary Activity Progress Report 2017/18 Appendix 3: BACS Direct Debit Report Background papers: <ul style="list-style-type: none"> ➤ Accounts and Audit Regulations 2015; ➤ Public Sector Internal Audit Standards (PSIAS) 2017; ➤ CIPFA Local Government Application Note for the UK PSIAS; and ➤ Audit and Standards Committee's Terms of Reference.

1.0 Background

1.1 The Accounts and Audit Regulations 2015 state that 'a relevant authority must 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'. During 2017/18, Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS.

1.2 The PSIAS define internal audit as 'an independent objective assurance and consulting activity 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’.

- 1.3 To achieve full effectiveness, the scope of the internal audit function should provide an unrestricted range of coverage of the organisation’s operations and the internal audit function should have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which have been approved by Members.
- 1.4 The PSIAS requires the Chief Internal Auditor to ‘provide a written report to those charged with governance timed to support the Annual Governance Statement’. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:
 - Provide an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
 - Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
 - Summarise the performance of the Internal Audit function against its performance measures and targets; and
 - Comment on compliance with the PSIAS.
- 1.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Standards Committee on 26th July 2018.