

---

**Report to:** Audit & Governance Committee **Date of Meeting:** 27<sup>th</sup> June 2012

**Subject:** Internal Audit Annual Report 2011/12

**Report of:** Head of Corporate Finance & ICT **Wards Affected:** All

**Is this a Key Decision?** No

**Is it included in the Forward Plan?** No

**Exempt/Confidential**

No

---

### **Purpose/Summary**

The Chief Internal Auditor's Annual Report provides Audit & Governance Committee with a review of Internal Audit activity for 2011/12 together with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment.

### **Recommendation(s)**

Members are requested to:-

- (i) Note the report and the opinion arising from the work of the Internal Audit Service;
- (ii) Note the Self Assessment Review of Internal Audit contributing to the consideration of the system of internal control.

### **How does the decision contribute to the Council's Corporate Objectives?**

	<b><u>Corporate Objective</u></b>	<b><u>Positive Impact</u></b>	<b><u>Neutral Impact</u></b>	<b><u>Negative Impact</u></b>
1	Creating a Learning Community	✓		
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities	✓		
7	Creating Inclusive Communities	✓		
8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		

### **Reasons for the Recommendation:**

Internal Audit is a statutory requirement under the Accounts and Audit Regulations 2011. The Audit and Governance Committee are required to review and approve the Council's

Annual Governance Statement (AGS). The CIA's opinion on the Council's control environment is a key contribution to the AGS.

**What will it cost and how will it be financed?**

There are no financial costs associated with the proposals in this report

**(A) Revenue Costs**

**(B) Capital Costs**

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Legal</b> None
<b>Human Resources</b> None
<b>Equality</b> 1. No Equality Implication <input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated <input type="checkbox"/>
3. Equality Implication identified and risk remains <input type="checkbox"/>

**Impact on Service Delivery:**

Internal Audit provide assurance to the Council that Internal Controls are provided for within systems utilised across the Council providing for effective and efficient service delivery for the community.

**What consultations have taken place on the proposals and when?**

The Head of Corporate Finance (FD1616/12) and Head of Corporate Legal Services (LD953/12) have been consulted and any comments have been incorporated into the report.

**Are there any other options available for consideration?**

No

## **Implementation Date for the Decision**

Immediately following the Audit & Governance Committee meeting.

**Contact Officer:** Janice Bamber, Chief Internal Auditor

**Tel:** 0151 934 4051

**Email:** [janice.bamber@sefton.gov.uk](mailto:janice.bamber@sefton.gov.uk)

## **Background Papers:**

The following papers are available for inspection by contacting the above officer(s).

Audit Plan

Audit Reports & Correspondence issued throughout the year

CIPFA Code of Practice for Internal Audit 2006

Accounts & Audit (Amendment) (England) Regulations 2006

Individual Audit Reports

## 1. Introduction/Background

- 1.1 The Audit & Governance Committee is required to receive and consider the CIA's Annual Report and opinion on the overall control environment. Internal Audit is a key factor towards enabling the Council, through its Audit & Governance Committee, to review the internal control environment and contribute to the Annual Governance Statement.
- 1.2 The Chief Internal Auditors Annual Report for 2011/12 is attached. It has been compiled in accordance with the guidance provided in the CIPFA Code of Practice for Internal Audit. It also includes a review of the effectiveness of the system of internal audit undertaken as part of the review of the system of internal control.
- 1.3 The Audit & Governance Committee have also requested reporting on arvato's performance on benefit management, this report is also attached at Appendix B of the report.
- 1.4 The Chief Internal Auditor is required to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. In providing this opinion it should be recognised that assurance can never be absolute and that Internal Audit can only provide reasonable assurance based upon the work undertaken during the year and the cumulative knowledge and experience within the Section of the systems and controls in place in the Council.
- 1.5 The results of the individual Audit reviews together with actions for improvements are reported throughout the year to Service Directors and relevant Departmental Managers. It is their responsibility to address these and establish sound systems, procedures and controls. The following table shows there has been a very high level of acceptance by Departments of the actions proposed by Internal Audit arising from their reviews (in respect of completed audit reviews for 2011/12).

	Proposed Actions	Agreed Actions	Actions Not Agreed	Awaiting Confirmation
Audit Reviews				
– Completed Audits	478	475	3	
– In Progress/Draft etc	0			0
Total	478	475	3	0

- 1.6 Whilst individually these reviews may have identified areas where systems and controls could be improved, Internal Audit considered that overall they were generally satisfied with the level of adequacy of controls across the Council.
- 1.7 Audit & Governance receive quarterly reports advising of the Audit reviews undertaken and any of the matters needing to be drawn to their attention. There were no issues of such significance that are required to be reported to Members during the year or brought to their attention at this Annual Report stage.
- 1.8 As part of the quarterly reports it was agreed that the CIA would report any instances of fraud to the Audit & Governance Committee. The CIA has presented a fraud report on a quarterly basis identifying referrals/notifications of suspected

fraud, allegations of employee impropriety in order to ensure those charged with governance are kept apprised of issues arising throughout the Council. An annual fraud report has also been provided to Members as part of the Annual Reporting Requirements.

## **2. Conclusion**

- 2.1 Given the above comments it is Internal Audit's opinion that it is reasonable to conclude that the Council continues to operate within an adequate and generally effective control environment.