

**Appendix 3**

**Internal Audit and Corporate Investigations**

**Annual Report 2018/2019**

## **1 Introduction**

1.1 The main purpose of this report is as follows:

- To summarise the effectiveness of Internal Audit
- Comment on the work undertaken by Internal Audit during the year
- Provide management and members with an opinion on the adequacy and effectiveness of the Council's arrangements; risk management and systems of internal control.

## **2 Audit Planning**

2.1 The Internal Audit Section works on a four year strategic audit plan; this is produced following consultation with the Director of Corporate Services/S.151 Officer and the Divisional Manager Financial Services (Deputy S.151) and is approved by the Corporate Governance & Audit Committee. The Plan is prepared where possible using a risk-based assessment which can be linked to the Council's Corporate Strategic Risk Register and is designed to review all the major areas and systems on a cyclical basis. Suggestions are also made by Divisional Managers. Any areas and systems considered to be fundamental to the Council's operations are reviewed annually.

2.2 The Annual Audit Plan for 2018/2019 represented the first year, of a four year plan. Each of the audits is undertaken on an operational risk-based approach following discussions with the Divisional Managers/Departments.

2.3 The Annual Internal Audit Plan is a live document and is updated with emerging risks as and when required. Any changes to this plan are reported to the Corporate Governance and Audit Committee.

## **3 Staffing**

3.1 During 2018-19 the Internal Audit Section operated on 2.2 fte's of audit staff for the period April to August and 2.35 fte's for the period December to March, plus 2.0 fte's Corporate Investigations staff. This establishment was made up of the following posts:

- Principal Auditor (0.60fte)
- Senior Auditor (0.60fte) period May to August 18
- Senior Auditor (0.75fte) period December to March 19
- Auditor (0.60fte)
- Auditor (0.40fte)
- Corporate Investigations Officer (1fte)
- Assistant Corporate Investigations Officer (0.50fte) x 2

All Auditors have the requisite experience to effectively fulfil their responsibilities and execute duties to the required professional standard under PSIAS (Public Sector Internal Audit Standards).

- 3.2 The Corporate Investigations forms part of the Audit and Investigations Team. The Corporate Investigations Officer (ICO) is responsible for investigating and reporting on, any offences against or within the council. Internal Audit is responsible for reviewing the internal controls annually, in order to give assurance to those charged with governance that the control environment within the Council is robust and regularly reviewed by both Internal and External Audit.

#### **4 Performance against the Internal Audit Plan**

- 4.1 The Internal Audit Section completed the following Audits /Reviews during 2018/2019:

##### Completed Planned Audits

- Museum & TIC
- Car Parks - Follow Up
- Use of Consultants (Southern Gateway only) Position Statement issued
- Personnel & Recruitment
- IT Inventory - Follow Up
- Building Security
- IT General Data Protection Regulations Post Implementation
- Business Continuity
- Public Sector Internal Audit Standard
- Housing Applications
- Income Generation

##### Key Financial Systems (reviewed annually)

- Bank Reconciliation (Cash and Bank)
- Creditors
- Council Tax
- Debtors
- Housing Benefit
- NDR
- Payroll
- Treasury Management
- Fixed Asset Register

- 4.2 The Audit Section undertook annual testing on all the Key Financial Systems; that is the main financial systems that feed into the Council's statutory financial statements, in order to identify and ensure that the appropriate levels of internal control were in place. In addition, there are a number of controls which are tested by Internal Audit that are based upon agreed criteria with the External Auditors, Ernst and Young.

- 4.3 In addition to the planned work, Internal Audit continues to respond to requests by the Council's services and departments, where and when advice and assistance is required, whilst remaining impartial. A number of minor issues were addressed by Internal Audit during the year.

#### Planned Reviews not completed

- 4.4 During 2018/2019, one audit from the original audit plan Grants Paid was not completed by the 31<sup>st</sup> March 2019 but will be completed during 2019/2020.

### **5 Reporting**

- 5.1 All internal audit reports were reviewed by the Principal Auditor prior to Publication, and being reported to the Corporate Governance & Audit Committee which met four times in 2018-19. A report showing progress against the audit plan is also taken to each Corporate Governance and Audit Committee meeting. In some cases audits that commenced before the 31<sup>st</sup> March 2018 which were part of the 2017-18 Audit Plan, were not completed until after the 1<sup>st</sup> April, 2018.
- 5.2 A number of recommendations were raised and reported on during 2018-19, all of which had been agreed by management and then reported to Corporate Governance & Audit Committee. A number of follow up reviews were also carried out during the year; in order to ascertain whether the recommendations made, had been implemented and deadlines met. Where recommendations were not implemented they are brought to the attention of the Corporate Governance & Audit Committee. During 2018/2019 there were no recommendations that were not implemented.

### **6 Opinion on the Control Environment**

- 6.1 Based upon the internal audit work undertaken during the year 2018-19, the overall opinion is that 'satisfactory' assurance can be given, and generally that there is a sound system of internal control.