

AUDIT COMMITTEE

27 June 2016

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVID REES

MATTERS FOR MONITORING

INTERNAL AUDIT SERVICE – ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH 2016

1. Purpose of the Report

To provide details of the work undertaken for the financial year 2015/16 compared with that included in the Internal Audit Plan, to highlight issues relevant to the performance of the section.

2. Background

One of the terms of reference of this Committee is to 'monitor internal (and external) audit performance'. In order to comply with this requirement to monitor the in-house service, an annual report is given below outlining Internal Audit work undertaken during the last financial year.

3. Audit Performance

A comparison of the work completed during the financial year with the work planned is provided at appendix 1. In the past it has been customary in the Annual Report to Members to provide the Section's performance indicators. However, it is now considered best practice to bring the Annual Report to the June meeting rather than the September meeting and as such the performance indicator analysis work of the Welsh Chief Auditor's Group is not available at this time. Therefore the performance data in full will be reported to Members at the September Committee.

The position with regard to vacant posts/staffing issues in the section has been reported to Audit Committee on a regular basis throughout the year. At the present time there are no

vacancies or any staffing issues which Members need to be aware of.

4. Assurance Statement

As part of the annual reporting procedures as governed by the Public Sector Internal Audit Standards (PSIAS) the Head of Financial Services in his role as Head of Internal Audit, has to provide a statement of assurance on the systems of internal control operating within the Authority. This statement is based on the work carried out by the section whose independence remained unchanged during the year and whose work complies with the relevant PSIAS.

It is necessary to highlight to this Committee, any problems in connection with non implementation of significant recommendations contained within agreed Internal Audit Reports. Non implementation could point to continuing weak internal controls operating or non compliance with existing satisfactory controls which then present risks to the Authority. We can confirm that no issues of non-implementation of recommendations have arisen through the year.

The remaining aspect that needs to be highlighted concerns, in general terms, the various Internal Control Systems operating within the Council. This Committee in line with one of its Terms of Reference (and importantly in compliance with the Council's Code of Corporate Governance), i.e. ***“to examine and keep under review the adequacy and effectiveness of internal controls/compliance”*** requires a regular appraisal of the work undertaken by the Internal Audit Service, throughout the year in connection with this important area of its duties and responsibilities. It must be stressed that assurance – on the existence of robust internal controls – can never be absolute – the most the Internal Audit Service can provide to this Committee is a reasonable assurance that there are no major weaknesses in the internal control systems examined during any year.

In terms of giving an assurance on the robustness of internal controls / compliance within the Authority based upon the assignments and sample testing completed this financial

year including the majority of fundamental financial systems and the subsequent response to implementation of recommendations, the conclusion is that:

Reasonable assurance can be given that there have been no major weaknesses noted in relation to the various internal control systems operating within the Authority.

In addition to the assurance statement above, the work carried out by Internal Audit is essential in enabling the Director of Finance and Corporate Services to review the effectiveness of the system of internal financial control and to support the production of the 'Annual Governance Statement' that is included in the annual Statement of Accounts.

5. Issues Affecting Audit Performance

The main challenge faced during the 2015/16 financial year was responding to an increase in the number of requests for advice and guidance from managers across the Authority and with the reduced resources following the voluntary redundancy of a part time auditor.

List of Background Papers

Internal Audit Files

Appendices

Appendix 1 –Actual work undertaken against work planned

Wards Affected

All

Officer Contact

David Rees – Head of Financial Services

Tel. No. 01639 763634

E-mail: d.rees1@npt.gov.uk

Anne-Marie O'Donnell – Audit Manager

Tel. No. 01639 763628

E-mail: am.odonnell@npt.gov.uk