

# **AUDIT COMMITTEE**

**27 June 2018**

## **Report of Head of Financial Services – David Rees**

### **Matter for Information**

**Wards affected: All wards**

### **Annual Report 2017/18**

#### **1. Purpose of report**

To provide details of the work undertaken for the financial year 2017/18 compared to that included in the Internal Audit Plan and 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 in 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 indicators analysis work of the Welsh Chief Auditors’ Group is not available at this time. Therefore the performance data in full will be reported to Members at the September meeting.

In accordance with the Public Sector Internal Audit Standards (PSIAS) the Section was externally assessed during January and February 2018 and achieved the highest rating i.e. generally conforms to the standards. Following the external assessment the Head of Financial Services produced a Quality Assurance and

Improvement Plan to address the areas where the service was judged to be only partially or non-compliant with the standards.

In addition to the external assessment the standards also require that the Head of Internal Audit undertakes an annual self-assessment of the effectiveness of the Internal Audit Service. The self-assessment is provided at appendix 2.

The position with regard to vacant posts and staffing issues in the section have been reported to Audit Committee on a regular basis throughout the year. At the present time there is one vacant Assistant Auditor post which will be advertised shortly. One Assistant Auditor is on secondment which is due to finish on 30<sup>th</sup> June 2018, her post is being filled on a temporary basis.

#### **4. Assurance Statement**

As part of the annual reporting procedures as governed by the mandatory PSIAS and the Account and Audit (Wales) Regulations 2014 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 conforms to the mandatory PSIAS.

It is necessary to highlight to this Committee any problems in connection with non-implementation of significant recommendations contained within the 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 Council. I can confirm that no issues of non-implementation have arisen during the year.

The remaining aspect that needs to be highlighted concerns, in general terms, the various Internal Control Systems operating within the Authority. 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 this Committee is a reasonable assurance that there are no major weaknesses in the internal control systems examined during the 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 & Corporate Services to review the effectiveness of the system of internal financial control and to support the production of the Annual Governance Statement which is included in the Annual Statement of Accounts.

## **5. Issues Affecting Audit Performance**

The main challenges faced during the 2017/18 financial year were the changes in staffing, one assistant auditor went on a secondment in October and her replacement did not come into post until February. One of the senior auditors left in January this post was replaced by an auditor post which was filled in April by internal promotion the resultant vacancy is in the process of being recruited to.

## **6. Financial Impact**

There is no financial impact associated with this report.

**7. Equality Impact Assessment**

There are no equality impacts associated with this report.

**8. Workforce Impacts**

All workforce impacts are dealt with in the body of the report.

**9. Legal Impacts**

There are no legal impacts associated with this report.

**10. Risk Management**

There are no risk management impacts associated with this report.

**11. Consultation**

There is no requirement under the Constitution for external consultation on this item.

**12. Appendices**

Appendix 1 – Actual work undertaken against work planned

**Officer contact**

David Rees, Head of Financial Services

Email [d.rees1@npt.gov.uk](mailto:d.rees1@npt.gov.uk)

Telephone 01639 763634

Anne-Marie O'Donnell, Audit Manager

Email [am.odonnell@npt.gov.uk](mailto:am.odonnell@npt.gov.uk)

Telephone 01639 763628