

PERFORMANCE AND GOVERNANCE COMMITTEE – 28 JUNE 2010

INTERNAL AUDIT ANNUAL REPORT 2010/11

Report of the: Director Of Corporate Resources

Status: For Consideration

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Finance and Human Resources – Tricia Marshall

Recommendation: It be RESOLVED that Members;

- a) approve the work of the Internal Audit Team for 2010/11; and
 - b) support the Audit Manager's annual assurance opinion that the Council had effective internal control and governance arrangements in place for delivering its objectives and the management of its business risks.
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Background

- 1 Members may be aware that Internal Audit reports annually to the Performance and Governance Committee regarding the work completed during the year in delivering the assurance requirements of the Council. This report details the achievements of the team during the period April 2010 to March 2011. The Performance and Governance Committee is required to review and support the work of Internal Audit as part of its terms of reference. This is the first Annual Report following the shared services agreement with Dartford Borough Council in 2010.
- 2 The report is prepared in compliance with the Accounts and Audit Regulations 2003 (Amendment) 2006, and professional guidance issued by CIPFA. The report also took account of the outcome of the review of the effectiveness of the internal audit function which is attached as a separate agenda item. Members may note that this report also supports the Council's Annual Governance Statement (AGS) which is also attached as a separate item to the agenda for this meeting.

Summary of Issues Raised Within the Report

- 3 Details of the activities of the team during the year 2010/11 are attached as an Appendix to this report. Annex 1 to the Appendix informs Members of the audit work completed on behalf of Sevenoaks District in completing the Annual Audit Plan for 2010/11.

- 4 In 2010/11 the team completed 22 out of 23 reviews within the Annual Audit Plan, an achievement of 96% of the assurance programme. Paragraph 37 of the Appendix sets out the summary of performance indicators for 2010/11. Members may note that professional guidance requires a minimum of 90% of planned reviews to be completed in order to inform the overall assurance opinion for the year.
- 5 Based on the work completed in 2010/11 the Audit Manager's overall annual assurance opinion is that the Council's arrangements for internal controls, governance, anti-fraud and risk management during the period were "**effective**", (see paragraph 4.1 in the Appendix). This opinion was taken into consideration during preparation of the Annual Governance Statement which is dealt with under a separate item in the agenda.
- 6 A summary of the achievements of the team during the year are included in paragraphs 5 to 17 of the Appendix. Performance data outturn figures are set out on paragraphs 27 – 29 and, 36 -37 of the Appendix.
- 7 In summary the overall impact of the report is that the team has performed well within its available resources and has met the objective of providing an adequate and effective internal control framework for the Council during the year.

Audit Partnership with Dartford Borough Council

- 8 This is the first annual report following the shared services arrangement with Dartford Borough Council for the provision of a joint internal audit service. The audit service is based at Dartford Council and has operated well during the year. A joint Audit Charter and Audit Strategy were approved by the Performance and Governance Committee in November 2011. During the year, all auditors from both councils were given the opportunity to experience working at both Councils and have contributed to developing best practices from this experience, thus contributing towards a more effective assurance process. As part of the arrangement the team now also have lead role for risk management within Dartford Borough Council. A review of requirement is currently being undertaken, in order to facilitate proposals to management which would be presented to the Performance and Governance Committee for consideration at the next meeting.

Key Implications

Financial

- 8 This report has no financial implications.

Community Impact and outcomes

- 9 An effective internal audit function provides assurance that the Council has an adequate control environment in place, which is essential for the delivery of services.

Legal, Human Rights etc.

10 This report has no additional legal implications

Resource (non-financial)

11 Not applicable.

Value for Money and Asset Management

12 A robust internal audit function enables the Council's external auditors to place reliance on the work of internal audit, thus limiting the amount of external audit days that will be charged to the Council.

Equality

13 There are no additional equality implications for this report.

Sustainability Checklist

14 Not applicable.

Conclusions

15 The report highlights the achievements of the Internal Audit Team for the period 2010/011, and includes a satisfactory annual assurance opinion on the Council's internal control, governance and risk management framework based on the work completed by Internal Audit during the year. This Committee is requested to approve the achievements of the Audit and Efficiency Team and support the satisfactory assurance opinion for the year.

Risk Assessment Statement

16 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2003 (Amendment) 2006, regarding its arrangements to ensure it has sound systems of internal control, governance and risk management processes in place. This report indicates that the Council has adequate and effective arrangements in place which meet relevant statutory and regulatory requirements.

Sources of Information: Accounts and Audit Regulations 2003 (Amendment) 2006
CIPFA Code of Practice for Internal Audit in Local Government (2006)
Annual Internal audit Plan 2010/11

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