

Subject: Internal Audit Annual Report
2006/07

Status: For publication

Report to: Audit Scrutiny Committee

Date: 14th June 2007

Report of: Head of Financial Services

Portfolio

Holder: Finance & Risk Management

Key Decision: No

NO/YES (Please highlight)

Forward Plan
Relevant Box

General Exception

Special Urgency

“X” In

1. PURPOSE OF REPORT

- 1.1 The Audit Scrutiny Committee’s terms of reference require it to advise the Council on the planned activity and results of internal audit. The Committee will, on a periodic basis, consider the Head of Internal Audit’s annual opinion and report.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support the following corporate priorities:
- *Financial Management (Improvement): embedding improvements in financial management and internal control throughout the organisation.*

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendations in this report involve risk considerations as set out below:
- Failure to comply with the CIPFA Code of Practice for Internal Audit in Local Government in the production of an annual report would undermine confidence in the unit and its ability to provide the Authority with the necessary level of assurance in relation to their business risks.
 - The report enables the Leader and Chief Executive to report in the Statement on Internal Control.

- The report ensures the Council is able to progress in matters of Financial Management and therefore improve its scoring in the Use of Resources assessments and ultimately the Comprehensive Performance Assessment.

4. BACKGROUND AND OPTIONS

The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states that the Head of Internal Audit's formal annual report to the organisation should:

- include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- disclose any qualifications to that opinion, together with the reasons for the qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement on internal control;
- compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and targets;
- comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

The annual report to the Authority meets those requirements and is attached in Appendix 1.

The matters included in the annual internal audit report have been discussed with senior managers across the authority, and were fully taken into consideration as the Statement on Internal Control was prepared, although the report has been formally issued to the Authority only through the Audit Scrutiny Committee on 14th June 2007.

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

- 5.1 Financial matters are included in the report and in particular enable the Council to comply with the CIPFA Code of Practice for Internal Audit in Local Government.

6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES

- 6.1 The annual internal audit report is part of the evidence to enable both the Leader of the Council and the Chief Executive to prepare and endorse the annual Statement on Internal Control.

7. COMMENTS OF THE HEAD OF HUMAN RESOURCES

7.1 There are no specific or direct issues for Human Resources

8. CONCLUSION

8.1 The annual report is an independent and objective opinion on the adequacy of the Council's control environment.

9. RECOMMENDATION(S)

9.1 Members are asked to consider the internal audit annual report for the period 1 April 2007 to 31 March 2008.

10. CONSULTATION CARRIED OUT

10.1 Directors, Heads of Service (relevant to the individual audit review), Audit Commission.

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Background Papers	
Document	Place of Inspection
Accounts and Audit Regulations 2003 (amended) – Statutory Instrument	Financial Services
Accounts and Audit Regulations 2003 (amended) – Guidance	Financial Services
Code of Practice for Internal Audit in Local Government in the United Kingdom, CIPFA 2006	Financial Services
Internal Audit Reports	Financial Services
CIPFA Local Government Internal Audit Manual (2 nd revision – December 2004)	Financial Services
Local Government Act 1972 (Section 151)	Financial Services