

Internal Audit Annual Opinion

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Cabinet Member: Cllr D Hall, Cabinet Member for Resources

Division and Local Member: All

1. Summary/link to the Annual Plan

- 1.1. A professional, independent and objective internal audit service is one of the key elements of good governance in local government. Internal audit forms a part of the governance that provides assurance on all areas of the County Plan. In our assurance framework, based on CIPFA and ALARM, internal audit is the third (and last) “line of defence” on assurance matters.
- 1.2. Public Sector Internal Audit Standards (PSIAS) require that the internal auditor must deliver an annual internal audit opinion to “those charged with governance” that can be used by the organisation to inform its Annual Governance Statement.

2. Issues for consideration

- 2.1. Members are asked to consider and accept the Internal Audit Annual Opinion report and its conclusion, together with the officer comments set out below.

3. Officer Comments

- 3.1. The assurance offered within the Opinion, and the evidence that is presented to support this position very much aligns with the officers’ view. There are some specific points raised within the Opinion that we would draw to members’ attention:-
 - The Opinion refers to the number of audits that have only received Partial assurance during 2016/2017. Members may be surprised by an Opinion that provides “Reasonable” assurance with a higher number proportion of Partial assurance audits. By way of reminder, when we set the Internal Audit Plan each financial year, it is an established principle that we specifically target areas that managers or auditors consider to be high risk, and where they have asked for help. It is therefore perhaps less surprising that these areas result in more audit findings. We do not use SWAP to audit areas where we already have strong assurance. (Also, we have a strong steer from the new Audit Committee that we will continue our previous practice of scheduling Partial assurance audits to come back to future public meetings, and for the relevant managers to report on their progress against the agreed Action Plan in these audits).

- Although not every single audit has been finalised at the time of the Opinion, a certain level of slippage is acknowledged by both the auditor and officers as this is inevitable for practical reasons around Quarter 4 audits, where the work is done but the action plans are not yet finalised.
- However, there have been some difficulties, again, in completing some audits efficiently. The blame for this sometimes lies with the relevant managers within SCC being too slow to respond to audit requests for meetings and information, and for agreeing reports. There is a new protocol in place (with an escalation procedure) that should improve the management response.
- The Opinion refers to some delays in implementing of recommendations, and Audit Committee members did point this out in the June meeting when reviewing the position on Follow Up audits (Appendix B – Partial Report of the Risk Management Report, June 2017). Officers do recognise that this is an issue, and are considering how best to improve the process to ensure that the audit Follow Up will be carried out at the appropriate time.
- The Annual Governance Statement has been updated to reflect the final Internal Audit Opinion (see later item on this agenda).

4. Consultations undertaken

- 4.1. There are regular communications on the progress of the Plan and the Opinion between the Assistant Director at SWAP and the Strategic Manager - Financial Governance.

5. Implications

- 5.1. All contained within the attached report.

6. Background papers

- 6.1. “Public Sector Internal Audit Standards – Applying the IIA International Standards to the UK Public Sector”
- 6.2. Review of Internal Audit report to Audit Committee (June 27th 2017)
- 6.3. Previous internal audit reports to the Audit Committee, including the Internal Audit Plan and Charter (March 30th 2017).

Note For sight of individual background papers please contact the report author.