

Report to Audit Committee

11th July 2019

By the Chief Internal Auditor



**Horsham
District
Council**

INFORMATION REPORT

Not Exempt

Internal Audit – Annual Report and Opinion 2018/19

Executive Summary

This report has been compiled to:

- Provide an overall annual opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment.
- Provide an update on internal audit and counter fraud activity undertaken during Quarter 4.
- Summarise performance against key indicators.

No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable assurance that Horsham District Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2018 to 31 March 2019.

Recommendations

- To note the annual opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment, governance and risk management systems.
- To note the summary of audit and project work undertaken during Quarter 4.
- To note the performance of internal audit against performance targets.

Reasons for Recommendations

- To comply with the requirements set out in the Public Sector Internal Auditing Standards.
- The Audit Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

Background Papers: Internal Audit Reports and Quality Assurance Self-Assessment.
Consultation: N/A
Wards affected: All
Contact: Paul Miller, Chief Internal Auditor, Ext 5319

Background Information

1. Introduction and Background

1.1 Annual Report and Opinion

The 2018/19 Internal Audit plan was approved by this committee in April 2018. All reviews were completed by the year end. Our Annual Report is attached as Annexe A.

1.2 Quarter 4 Update

The Audit Committee receives periodic reports on the work carried out by internal audit as part of the Council's governance arrangements. Please see Annexe B for the summary of work undertaken by internal audit during Quarter 4 (1st January to 31st March 2019).

1.3 Staffing

The Horsham Internal Audit plan has been delivered by the Orbis Internal Audit Partnership. All auditors have the requisite experience to effectively fulfil their responsibilities, and all auditors who have undertaken work for Horsham D.C during 2018/19 are professionally qualified.

2 Relevant Policy / Professional Standards

2.1 Statutory Background

The Accounts and Audit (England) Regulations 2015 state that: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." This responsibility is discharged through the Orbis Internal Audit team.

2.2 Relevant Professional Standards

Internal Audit follows the standards set out in the Public Sector Internal Audit Standards 2013.

The Chief Internal Auditor is required to report on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment.

2.3 Relevant Council Policy

The Council's Constitution supports the statutory requirements outlined above. Financial Procedure Rule 4e 27 states that: "the Chief Finance Officer, as determined by the Council, will ensure that the Council has appropriate arrangements in place to maintain an adequate and effective internal audit". The terms of reference for internal audit are detailed in the Council's Internal Audit Charter which is approved and reviewed by the Audit Committee.

3. Compliance with the Public Sector Internal Audit Standards

3.1 The Council's internal audit service is operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013. The standards require that an external quality assessment is undertaken every five years by a qualified, independent assessor or assessment team from outside the organisation. The internal audit service at Horsham, which is provided by the Orbis Partnership, was externally reviewed by the South West Audit Partnership in 2018. The overall conclusion was that the service had achieved the highest level of conformance.

3.2 The internal audit service has maintained its independence throughout 2018/19 in accordance with the Audit Charter.

4. Next Steps

Not applicable.

5. Outcome of Consultations

Heads of Service / Service managers are consulted during each audit. At the end of each review, audit findings and draft reports are discussed with the Heads of Service at a final meeting, and actions are agreed. An action plan is incorporated into the final report including details of responsible officers and agreed implementation dates. There are occasions when a director may also be consulted, particularly for audits which span a number of departments.

6. Other Courses of Action Considered but Rejected

Not applicable.

7. Resource Consequences

This report summarises information about the work undertaken by Orbis Internal Audit on behalf of Horsham District Council, and therefore there are no direct financial or HR consequences.

8. Legal Consequences

There are no legal consequences. Where compliance issues are identified during audit fieldwork, the Head of Legal & Democratic Services (or relevant legal specialist) will be consulted.

9. Risk Assessment

All internal audit work is undertaken using a risk based approach.

10. Other Considerations

Internal audit is a reporting function and there are no consequences in respect of Crime & Disorder; Human Rights; Equality & Diversity; or Sustainability. However these areas are considered where appropriate during audit fieldwork.