

INTERNAL AUDIT ANNUAL REPORT 2019/20

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 5.1

Reason for this Report

1. The Audit Committee's Terms of Reference requires that Members consider the Audit Manager's annual report including the:
 - opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;
 - summary of the work supporting the opinion, the statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), and;
 - results of the Quality Assurance and Improvement Programme (QAIP) that support the statement.

Background

2. The Audit Committee approved the Internal Audit Charter 2019/20 and the Audit Plan 2019/20, on 2 April 2019, to document matters including the purpose, authority and responsibility of the Audit Section, and the planned audit programme of work.
3. During the year, the Audit Committee has received detailed progress reports outlining the work and progress against the Audit Plan, as well as the key findings, trends and risk-based changes to planned work. The Audit Committee has also received assurance from the Audit Manager throughout 2019 on ongoing organisational independence, and continued conformance with the Public Sector Internal Audit Standards (PSIAS).
4. In line with the provisions of the PSIAS (1100), organisational independence has been achieved throughout 2019/20. The Audit Manager reports administratively to the Head of Finance (Deputy Section 151 Officer) and has direct reporting access to the Chief Executive, Section 151 Officer, the Chair of Audit Committee and all elected Members where required.
5. The Annual Report (attached at Appendix A) provides a review of internal control environment of the Council and the opinion of the Audit Manager. The report details the audit work completed to support the opinion, and assurance of ongoing conformance with the PSIAS, as reaffirmed through annual review against the CIPFA Local Government Application Note (LGAN) and the results of the Quality Assurance and Improvement Programme (QAIP).

Issues

6. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and internal control. In addition, the Council has a duty to prepare an Annual Governance Statement (AGS). Contained within the draft AGS is the annual Audit Manager opinion, as included within the Annual Report.
7. The Annual Report sets out that, based on the programme of audit work undertaken to assess internal controls and reviews of governance and risk management arrangements, the application of the overall framework for control within the Council for 2019/20 is considered as 'effective with opportunity for improvement'. Section 2 of the report contains the opinion and sets out the rationale of how internal control has been reviewed.
8. Sections 3 and 4 summarise the work performed, provide details of audit reports issued, and the progress made against recommendations raised. During the year Internal Audit completed 113 new audit engagements to at least draft output stage, and finalised a further 21 draft outputs from the prior year. Through the reports issued, 517 recommendations were agreed of which 244 were implemented before the year-end. The level of recommendations implemented on time is reported as requiring improvement given current rates in schools (at 55%) and across other areas of the Council (at 65%). Ongoing attention is given to progress through regular following up progress with audit clients, and the practice of reporting all recommendations and management progress updates to the Audit Committee, at each Committee meeting.
9. The QAIP is, according to the PSIAS '*designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.*' The QAIP developed for Cardiff Council's Internal Audit Team is included in a compilation of good practice CIPFA case studies 'Leading internal audit in the public sector – principles into practice, 2019'.
10. The Annual Report outlines how, through application of the QAIP, assurance is provided of ongoing conformance with the PSIAS and application of the Code of Ethics. An element of the review was an Audit Manager assessment against the LGAN, which breaks down the requirements of the PSIAS into a detailed self-assessment of conformance. Through this review, the Audit Manager can report conformance with the PSIAS, supported by the LGAN through the operation of the Internal Audit Team and its work, upon which the annual opinion is provided.
11. The Internal Audit function remains committed to delivering the highest professional standards and the Annual Report details the methods and key performance measures. The report highlights that 86% of audit reports were delivered within six weeks. Audit client feedback continues to be positive overall with 85% of responses identifying that audit offered added value to managers. Sustained focus is given to maintaining and improving the diverse skills and professional qualifications of the Internal Audit Team. Auditor staff hold various qualifications appropriate to their work, including CIPFA, IIA and AAT. At the end of 2019/20, two members of staff were being supported in their studying for the CIA qualification of which one was studying towards their final exam.
12. The Annual Report includes a number of appendices. These include a full account of the audit reports issued, cancelled and deferred through the year, the QAIP

process applied, and the position against the PSIAS Action Plan, following annual Audit Manager Review.

Legal Implications

13. There are no direct legal implications arising from this report.

Financial Implications

14. There are no direct financial implications arising from this report.

RECOMMENDATIONS

15. That the Committee note and consider the Internal Audit Annual Report, including the:

- opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control
- summary of the work supporting the opinion, the statement of the level of conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN), and
- results of the Quality Assurance and Improvement Programme (QAIP) that support the statement.

CHRIS PYKE
AUDIT MANAGER

The following report is attached:

Appendix A - Internal Audit Annual Report 2019/20