



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE (AUDIT)
DATE:	31 JULY 2014
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	ANNUAL INTERNAL AUDIT REPORT 2013/14
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The purpose of the report is to present the Annual Internal Audit Report for 2013/14. That report is prepared by Veritau North Yorkshire (VNY), based on work carried out during the period April 2013 to March 2014.

2.0 RECOMMENDATION(S)

- 2.1 It is recommended that the attached report for 2013/14 be approved.

3.0 REASON FOR RECOMMENDATION(S)

- 3 It is recommended that the report is considered by the Overview and Scrutiny Committee as it summarises the audit work undertaken during the year. It also encompasses the overall internal audit opinion of the internal control framework which forms part of the Annual Governance Statement.

4.0 SIGNIFICANT RISKS

- 4.1 The Council will fail to comply with proper practice requirements for internal audit if the results of audit work are not considered by an appropriate Committee.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 This report supports the Council's Corporate Aim to Transform the Council and the Strategic Objective to develop the leadership, capacity and capability to deliver future improvements.

6.0 REPORT DETAILS

- 6.1 The purpose of the report is to provide a statement of assurance regarding the adequacy and effectiveness of the internal control system; and a summary of the internal audit work carried out during the year to 31 March 2014. The Statement of

Assurance will support the Annual Governance Statement (AGS) which forms part of the Council's Financial Statements.

- 6.2 Within the report there is also a summary of the audit opinions for the individual audits completed in the year, to support the overall opinion. It also includes a synopsis of the performance of Veritau in delivering internal audit to Ryedale DC.
- 6.3 There is no direct linkage to any of the Council's Priorities, as internal audit is a support service, which provides internal control and activity assurance to Director/Heads of Service on the operation of their services, and specifically to the Council's S151 Officer on financial systems.
- 6.4 The overall opinion of the Head of Internal Audit on the risk management, governance and controls operated in Ryedale District Council is that they provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 6.5 Although a substantial assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified around Payroll (TIC's), Debtors, Benefits, HR Recruitment, Performance Management/Data Quality and Planning/Development Control. We have recommended that Payroll (TIC's), Benefits, HR Recruitment and Planning/Development Control be considered for inclusion in the report on the Annual Governance Statement, prepared by the S151 Officer.
- 6.6 To comply with the new professional standards, the Head of Internal Audit is also required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit Committee along with any areas of non-conformance with the Standards. The QAIP consists of various elements, including:
- maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity
 - regular customer feedback
 - training plans and associated training and development activities
 - periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).

In addition, a formal external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

- 6.7 The results of customer feedback and the self-assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
None
- b) Legal
None
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None

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Background Papers:

Public Sector Internal Audit Standards
CIPFA Local Government Application Note (for the United Kingdom Public Sector Internal Audit Standards)