

9th June 2016

**Report of the Head of Internal Audit Services****REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL****EXEMPT INFORMATION**

None

**PURPOSE**

To report on the effectiveness of the Council's System of Internal Control for the 2015/16 financial year.

**RECOMMENDATIONS**

That the Committee endorses the annual review of the effectiveness of the System of Internal Control for the 2015/16 financial year.

**EXECUTIVE SUMMARY**

Under the requirements of the Accounts and Audit (England) Regulations 2015, the Council must, at least once a year, conduct a review of the effectiveness of the system of internal control, and the findings of the review must be considered by the members of the body meeting as a whole or by a committee.

The system of internal control comprises the control environment, control activities, information and communication processes, and the process for monitoring the effectiveness of the system of internal control.

Internal control systems need to be monitored – this is a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. On-going monitoring occurs in the course of operations through regular management and supervisory activities, and other actions personnel take in performing their duties. Separate independent evaluations are completed by Internal Audit, the frequency of which are based on the assessment of risk and the effectiveness of on-going monitoring procedures. Each year, a risk based assessment of systems is undertaken by Internal Audit which informs the Audit Plan. Internal Audit complete their work in accordance with the Public Sector Internal Audit Standards (PSIAS). The final stage of the effectiveness of the system of internal control is to report internal control deficiencies to management and the Audit & Governance Committee.

In order to demonstrate the effectiveness of internal control, the following action should be completed:

- Carry out a self -assessment of compliance with the Public Sector Internal Audit Standards (PSIAS) (completed annually). The results of the self-assessment are attached as **Appendix 1**;

- Complete an on-going assessment to identify and evaluate risks (this informs the Audit Plan);
- Report upon performance indicators collected on respect of the Internal Audit Service (completed quarterly and reported to the Audit & Governance Committee);
- Undertake a self-assessment of the effectiveness of the Audit & Governance Committee (completed annually). This was completed at the meeting of 31<sup>st</sup> March 2016 and the results appended to this meeting's agenda;
- Have in place a Quality Assurance & Improvement Programme (QAIP) (subject to a separate item on this agenda);
- Undertake a self-assessment against CIPFA's Roles of the Chief Finance Officer and the Head of Internal Audit (completed annually). This has been completed and there are no actions arising.

## **RESOURCE IMPLICATIONS**

None

## **LEGAL/RISK IMPLICATIONS**

There is a risk that Internal Audit will be non-compliant with the PSIAS

## **SUSTAINABILITY IMPLICATIONS**

None

## **BACKGROUND INFORMATION**

None

## **REPORT AUTHOR**

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## **LIST OF BACKGROUND PAPERS**

Assessment against the PSIAS  
Assessment against the CIPFA Role of the Chief Finance Officer  
Assessment against the Role of the Head of Internal Audit

## **APPENDICES**

**Appendix 1 Public Sector Internal Audit Standards Compliance Overview**