

Gloucester City Council

Meeting:	Audit and Governance Committee	Date:	19th July 2021
Subject:	Annual Report on Internal Audit Activity 2020/21		
Report Of:	Head of Audit Risk Assurance		
Wards Affected:	Not applicable		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	A: Annual Report on Internal Audit Activity 2020/21		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To provide the Committee with an annual report on Internal Audit Activity which fully meets the Head of ARA's annual reporting requirements, as set out in the Public Sector Internal Auditing Standards (PSIAS) 2017.

2.0 Recommendations

- 2.1 Audit and Governance Committee is asked to **RESOLVE** to:

- (1) Assess, from the findings set out in this Annual Report on Internal Audit Activity 2020/21, whether it can take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;
- (2) Note that the performance of Internal Audit meets the required standards; and
- (3) Note the Council wide counter fraud activity during 2020/21 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015.

3.0 Background and Key Issues

- 3.1 The Accounts and Audit 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'.

During 2020/21, Internal Audit work was carried out in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS.

- 3.2 The PSIAS define Internal Audit as ‘an independent objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.
- 3.3 To achieve full effectiveness, the scope of the Internal Audit function should provide an unrestricted range of coverage of the organisation’s operations and the Internal Audit function should have sufficient authority to access such records, assets and personnel as are necessary for the proper fulfilment of responsibilities. These access rights are specified in the Internal Audit Charter and Code of Ethics, which have been approved by Members.
- 3.4 The PSIAS requires the Head of ARA to ‘provide a written report to those charged with governance timed to support the Annual Governance Statement’. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:
- Provide an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
 - Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
 - Summarise the performance of the Internal Audit function against its performance measures and targets; and
 - Comment on compliance with the PSIAS.
- 3.5 A separate report containing the Annual Governance Statement is included on the agenda for the Audit and Governance Committee on 19th July 2021.
- 3.6 The ARA position against the PSIAS has been confirmed through external independent assessment – a review that is required every five years, in addition to the requirement of an annual self assessment by the Head of ARA. The External Quality Assessment (EQA) of Internal Audit was completed by the Chartered Institute of Internal Auditors (CIIA) within 2020/21 in May 2020 and was the first EQA of the ARA Shared Service arrangement.

The EQA approach included validation of the ARA self assessment against PSIAS, interviews with key stakeholders across the partner and client organisations, and a staff survey.

The EQA report (reported to 20th July 2020 Audit and Governance Committee) confirmed:

- 'The Audit Risk Assurance team meet each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.' and
- 'This is an excellent result and the Chief Internal Auditor and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.'

4.0 Social Value Considerations

4.1 There are no Social Value implications as a result of the recommendation made in this report.

5.0 Environmental Implications

5.1 There are no Environmental implications as a result of the recommendation made in this report.

6.0 Alternative Options Considered

6.1 No other options have been considered as the purpose of this report is to inform the Committee of the Internal Audit work undertaken to date, and the assurances given on the adequacy and effectiveness of the Council's control environment operating in the areas audited. Non completion of the Annual Report on Internal Audit Activity would lead to non compliance with the PSIAS and the Council's Constitution (see report section 7.2 and 7.3).

7.0 Reasons for Recommendations

7.1 The role of the ARA Shared Service is to examine, evaluate and provide an independent, objective opinion on the adequacy and effectiveness of the Council's internal control environment, comprising risk management, control and governance. Where weaknesses have been identified, recommendations have been made to improve the control environment.

7.2 The PSIAS state the Head of ARA should report on the outcomes of Internal Audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.

7.3 Consideration of reports from the Head of ARA on Internal Audit's performance during the year, including updates on the work of Internal Audit, is also a requirement of the Audit and Governance Committee's terms of reference (part of the Council Constitution).

8.0 Future Work and Conclusions

8.1 In accordance with the PSIAS, and as reflected within the Audit and Governance Committee's work programme, Internal Audit Activity Progress Reports against the 2021/22 Risk Based Internal Audit Plan are scheduled to be presented to the Audit and Governance Committee within 2021/22.

9.0 Financial Implications

9.1 No financial implications as a result of this report

(Financial Services have been consulted in the preparation this report.)

10.0 Legal Implications

10.1 Nothing specific arising from the report recommendations.

(One Legal have been consulted in the preparation this report.)

11.0 Risk and Opportunity Management Implications

11.1 Failure to deliver an effective Internal Audit Service will prevent an independent, objective assurance opinion from being provided to those charged with governance that the key risks associated with the achievement of the Council's objectives are being adequately controlled.

12.0 People Impact Assessment (PIA) and Safeguarding:

12.1 The Internal Audit Service is delivered by ARA which is an Internal Audit and Risk Management Shared Service between Gloucester City Council, Stroud District Council and Gloucestershire County Council. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

12.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

13.0 Community Safety Implications

13.1 There are no 'Community Safety' implications arising out of the recommendations made in this report.

14.0 Staffing and Trade Union Implications

14.1 There are no 'Staffing and Trade Union' implications arising out of the recommendations made in this report.

Background Documents: [Accounts and Audit Regulations 2015](#)
[Public Sector Internal Audit Standards \(PSIAS\) 2017](#)
CIPFA Local Government Application Note for the UK PSIAS
[Audit and Governance Committee's Terms of Reference](#)
[Internal Audit Plan 2020/21 \(original\)](#)
[Revised Internal Audit Plan 2020/21](#)
[Internal Audit Progress Reports 2020/21](#) (presented at the September 2020; November 2020; January 2021 and March 2021 Audit and Governance Committee)