

Audit and Corporate Governance Committee Report



Listening Learning Leading

Report of Strategic Director

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AGENDA ITEM NO 7

Review of Internal Audit Reports 2009/2010

Purpose of Report

1. The purpose of this report is to set out a proposal that only limited and nil assurance internal audit reports should be presented in full to the Committee. All other satisfactory and full assurance internal audit reports will be made available to Committee members, but only presented and discussed at Committee by request prior to the meeting.
2. The Committee is asked to approve the proposal that only limited and nil assurance internal audit reports will be presented at Committee, and satisfactory and full assurance internal audit reports will be presented and discussed only if requested.

Background

3. Internal Audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

4. Members of the Committee are asked to seek assurance from the internal audit reports and/or respective managers that the agreed actions have been or will be undertaken where necessary

Internal Audit Reports

5. The current arrangement is that all internal audit reports are given one of four assurance ratings as detailed below, and once a report has been issued in final form it is presented to the next Committee meeting in full.

6. Assurance ratings given:

Full Assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

Satisfactory Assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

Limited Assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

Nil Assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

7. In order to manage time effectively at Committee meetings, it is proposed that only limited and nil assurance internal audit reports should be presented to Committee within the 'Internal Audit Activity Report' as a matter of course. However, the Chairman and members of the Committee, the Section 151 Officer and the Audit Manager, can still request that specific satisfactory and full assurance internal audit reports are presented at Committee if they wish to do so.
8. The Audit Manager will continue to present the internal audit activity table, listing:
 - all planned and follow up reports issued in final;
 - the assurance rating given;
 - the number of recommendations made, the ratings given and whether they have been agreed or not.
9. All limited and nil assurance internal audit reports will be presented in full to Committee members as they currently are, and relevant officers will be invited to attend the Committee meeting in order to respond to any questions members may have. All full and satisfactory internal audit reports will be made available to Committee members via an electronic link at the time of despatch of Committee papers. If on review of the internal audit activity table there is a specific full or satisfactory report which a member would like to view, members should access it via the electronic link. If on reviewing the report members have any questions, these can be discussed informally with the relevant officer via telephone, e-mail or a meeting request. However, if after this informal approach members would

still like to discuss this report at Committee; this can be requested through Democratic Services. An e-mail and the relevant link to the report will then be sent to all members of the Committee, and the relevant officer will be asked to attend.

10. The Section 151 Officer and Audit Manager support this approach, as it will bring the Council in line with standard practice at other district councils and enable greater focus and scrutiny on key areas of concern.