



Audit and Governance Committee – 26 July 2019

Annual Internal Audit Report and Opinion – Purbeck District Council 2018-19

1. Purpose of report

- 1.1 The purpose of this report is to provide Members of the Audit and Governance Committee with the Head of Internal Audit's (Audit Partnership Manager's) opinion on the adequacy and effectiveness of Purbeck District Council's framework of risk management, internal control and governance for the year ending 2018-19.

2. Summary

- 2.1 In accordance with proper internal audit practices, the Head of Internal Audit is required to provide a written report reviewing the effectiveness of the system of internal control to inform the production of Purbeck District Council's Annual Governance Statement.
- 2.2 The Annual Internal Audit Report provides the Head of Internal Audit's opinion on the adequacy and effectiveness of Purbeck District Council's framework of risk management, control and governance processes and summarises audit work from which that opinion is derived for the year ending 31 March 2019 (Appendix 1).
- 2.3 The Audit and Governance Committee's attention is drawn to the following points:
- The internal audit plan for 2018-19 has been delivered;
 - Purbeck District Council's framework of governance, risk management and management control is considered to be 'Adequate' and audit testing demonstrated controls to be working in practice;
 - Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, appropriate corrective actions and timescales for improvement were agreed with the responsible managers, and
 - No significant issues requiring inclusion within the Annual Governance Statement were identified as a result of internal audit activity.

3. Recommendation

- 3.1 The Audit and Governance Committee note the Annual Internal Audit Report and Opinion 2018-19 for Purbeck District Council.



4. Main report

4.1 The role of Internal Audit

4.1.1 The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body 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.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

4.1.2 The role of internal audit is best summarised through its definition within the Standards, 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’.

4.2 Scope of Internal Audit Work

4.2.1 The risk based internal audit plan for 2018/19 was approved by the Chief Executive, as Chief Financial Officer, and presented to Purbeck District Council’s Audit and Governance Committee in March 2018.

4.2.2 The South West Audit Partnership Limited (SWAP) undertook two reviews during 2018/19 for the ‘Westway Revenues and Benefits Partnership’: Housing Benefits; and Council Tax & Non-Domestic Rates. Reliance has been placed on this third-party assurance when drawing a conclusion on Purbeck District Council’s control environment.



4.3 Head of Internal Audit's Annual Opinion

4.3.1 The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

4.3.2 In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the proportion of Purbeck District Council's audit need that has been covered within the period.

4.3.3 Based on the work undertaken by Internal Audit during 2018/19, it is the opinion of the Head of Internal Audit that:

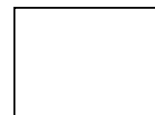
"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Purbeck District Council's internal control environment.

In my opinion, Purbeck District Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice.

Where weaknesses were identified through internal audit review, the Council's Internal Audit Team worked with management to agree appropriate corrective actions and a timescale for improvement."

4.3.4 In delivering the Internal Audit Opinion 18 reviews were undertaken during the year. A summary of audit report assurance opinions issued for 2018-19 was:

Assurance Opinion	Amount
Substantial	9
Adequate	9
Limited	0
No	0



4.3.5 The opinion assigned to each internal audit review was defined as follows:

Assurance Definitions	
Substantial Assurance	There is a strong system of control designed to achieve the system objectives with controls being consistently applied.
Adequate Assurance	Whilst there is basically a sound system, there are weaknesses which may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put system objectives at risk.
No Assurance	Control is generally weak leaving the system open to significant error or abuse.

4.3.6 A summary of the Internal Audit activity and assurance opinion for each review is provided in Appendix 1.

4.4 **Fraud and Irregularities / Whistleblowing**

4.4.1 There were reported incidences of 'Whistleblowing' to internal audit during 2018-19 and internal audit did not conduct any Fraud and Irregularity/Special Investigations during the year.

4.5 **Acknowledgement**

4.5.1 I would like to take this opportunity to thank all those staff throughout Purbeck District Council with whom we made contact in the year. Our relationship was positive and management were responsive to the comments made both informally and through our formal reporting.

Antony Harvey, Audit Partnership Manager
June 2019

Appendices:

1 – Internal Audit Report Result Details

Background papers:

- Internal audit reports
- Internal Audit Plan 2018-19

Audit Area	Audit Assurance	Number of Recommendations			
		High	Medium	Low	VFM
Fundamental Systems					
Main Accounting System inc. bank reconciliation	Substantial	0	0	0	0
Treasury Management	Substantial	0	0	0	0
Accounts Payable	Substantial	0	0	0	0
Accounts Receivable	Substantial	0	0	0	0
Cash Receipting and Reconciliation	Substantial	0	0	0	0
Payroll	Adequate	0	0	0	0
Services and Assurance					
IT	Adequate	0	0	0	0
Procurement/Contract Management (Advice/Support to Officers)	Not Applicable - advisory / support role				
Information Governance - GDPR	Adequate	0	2	1	0
Sports Centre - Promotions and Special Offers	Adequate	0	4	0	0
Sports Centre - Income Collection	Substantial	0	0	0	0
Estate Management - Maintenance	Adequate	0	0	2	0
Business Centres - Leases and Lettings	Adequate	0	2	0	0
Insurance	Substantial	0	0	0	0
Council Owned Trees	Adequate	0	5	2	0
Facilities Management - Visitor Access Services and Security	Adequate	1	7	0	0
Health and Safety (Internal)	Adequate	0	1	2	0
Undertaken by Southwest Audit Partnership (SWAP)					
Council Tax & Non Domestic rates	Substantial	0	0	0	0
Housing Benefits	Substantial	0	0	0	0