

REPORT OF SERVICE DIRECTOR, FINANCE AND PROCUREMENT**INTERNAL AUDIT ANNUAL REPORT – 2012/13****Purpose of the Report**

1. To inform Members of the Head of Internal Audit's Annual Report on the work carried out by Internal Audit in 2012/13, and based on this work, his opinion on the adequacy of the County Council's internal control environment.

Information and Advice

2. The Authority has a statutory responsibility to undertake an adequate and effective internal audit of the County Council's operations. This responsibility is discharged by the Internal Audit Service which has unrestricted access to all activities undertaken by the County Council.
3. The Audit Service worked to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom during 2012/13. One requirement of the Code is that the Head of Internal Audit should provide an annual written report to those charged with governance. The report must:
 - a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment
 - b) disclose any qualifications to that opinion, together with the reasons for the qualification
 - c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
 - d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control (now replaced by the Annual Governance Statement)
 - e) compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets
 - f) comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.
4. The Head of Internal Audit has set out the work completed during 2012/13, provided an analysis of the Audit Opinions reached in individual audits during the year, identified all those reports where the Opinion was that the level of internal control was unsatisfactory, and come to a conclusion on the overall system of internal control.

5. The Head of Internal Audit's conclusion is that the **overall system of internal control was adequate during 2012/13.**
6. The Annual Report also sets out an analysis of the Audit Section's performance during 2012/13 in Table 3. The performance of the Section has been good during the year, with the number of days completed exceeding the Audit Plan. In addition, the response of managers to the recommendations made has continued to be positive, whilst the Customer Satisfaction Score averaged 1.4 (on a scale where 1 is excellent and 5 is poor).

Other Options Considered

7. The Audit Section worked to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom during 2012/13. This report meets the requirement of the Code to provide an Annual Report. No other option was considered.

Reason/s for Recommendation/s

8. To set out the Annual Report of the Head of Internal Audit for 2012/13.

Statutory and Policy Implications

9. The Local Government Act 1972 requires, in Section 151 that the Authority appoint an officer who is responsible for the proper administration of the Council's financial affairs. The Service Director – Finance and Procurement is the designated Section 151 officer within Nottinghamshire County Council. Section 6 of the Accounts and Audit Regulations 2011 requires Local Authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The County Council has delegated the responsibility to maintain an internal audit function for the Authority to the Service Director - Finance and Procurement.
10. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

That Members note the Head of Internal Audit's Annual Report for 2012/13 and comment accordingly.

Paul Simpson
Service Director - Finance and Procurement

For any enquiries about this report please contact:

John Bailey

Head of Internal Audit

Constitutional Comments

The report is for noting only

Financial Comments (JMB 15/5/13)

There are no direct financial implications arising from this report. The net cost of the Internal Audit Section for 2012/13 was approximately £360,000.

Background Papers.

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972:

The Audit Reports set out in Appendix 2 of the Annual Report are available as background papers.

Electoral Division(s) and Member(s) Affected

All