

Report to: **Cabinet**

Date: **15 July 2005**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Internal Audit Services: Annual Report and Opinion**

Purpose of report: **To give an opinion on the County Council's control environment for the year from 1 April 2004 to 31 March 2005**

RECOMMENDATIONS

Cabinet is recommended to note the Annual Internal Audit Report and Opinion

1. Financial Appraisal

1.1 The work referred to in this report was carried out as part of the 2004/05 Internal Audit Plan and was funded from the agreed Audit and Performance Division budget.

2. Supporting Information

2.1 The purpose of this report is to give an opinion on the adequacy of the East Sussex County Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2004 to 31 March 2005 in accordance with the Internal Audit Strategy for 2004/07.

2.2 This report and annual opinion have already been considered by the Audit and Best Value Scrutiny Committee at their meeting on 24 June 2005.

3. Internal control and the role of Internal Audit

3.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2003. The latter states that authorities must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal controls in accordance with the proper internal audit practices.

3.2 East Sussex County Council has delegated responsibility for ensuring that statutory internal audit arrangements are in place to the Deputy Chief Executive and Director of Corporate Resources. These arrangements form a key element of the County Council's framework for corporate governance. On a day to day basis the Assistant Director (Audit and Performance) serves as the County Council's Chief Internal Auditor and the Audit and Performance Division provides internal audit services to the County Council on behalf of the Deputy Chief Executive and Director of Corporate Resources.

3.3 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

3.4 Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

4. Audit Opinion and key issues

4.1 No assurance can ever be absolute; however this opinion seeks to provide a reasonable assurance that there are no significant weaknesses in the Council's control environment. On the basis of the audit work completed, the Council has in place a satisfactory framework of internal control which provides a reasonable assurance regarding the efficient and effective achievement of its objectives.

4.2 The opinion and the evidence that underpins it is further explained in the full Internal Audit Services Annual Report and Opinion which forms Annexe A of this report. The report highlights key control issues in the following areas:

- CBOSS project
- Social Services Control Environment
- Financial Governance in Schools
- Compliance with the Council's core policy and guidance

4.3 During the year a number of audits have reported on systems where controls are not satisfactory and these systems are also highlighted in the Annexe A.

5. Performance

5.1 CPA scores of 4/4 were maintained for the IAS and prevention and detection of fraud and corruption. In addition the Audit and Inspection Annual Letter confirmed that the Audit Commission continues to place reliance on the work of Internal Audit and commented that "The quality of Internal Audit work remains high and a particularly demanding workload was delivered over the past 12 months. The section has provided advice and support to some key corporate projects, providing assurance to Members that action is being taken to mitigate the risks identified by the work of Internal Auditors." Further analysis of performance against agreed key performance indicators is included in Annexe A.

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Background documents

Strategic Audit Plan 2004-07

<http://esccewebsite/yourcouncil/agendasreportsminutes/scrutinycommittees/auditandbestvalue/reports/SAB17Jun2004Item7IASstrategy.pdf>

Internal Audit Progress Report Q1

<http://esccewebsite/yourcouncil/agendasreportsminutes/scrutinycommittees/auditandbestvalue/reports/SAB14Sep2004item6internalaudit.pdf>

Internal Audit Progress Report Q2

<http://esccewebsite/yourcouncil/agendasreportsminutes/scrutinycommittees/auditandbestvalue/reports/SAB23Nov2004InternalAudit.pdf>

Internal Audit Progress Report Q3

<http://esccewebsite/yourcouncil/agendasreportsminutes/scrutinycommittees/auditandbestvalue/reports/SAB10mar2005item5Q3ProgressReport.pdf>