

PART A

Report to: Audit Committee
Date of meeting: 27 June 2012
Report of: Audit Manager
Title: Internal Audit Annual Report 2011/2012

1.0 **SUMMARY**

1.1 This report introduces the Audit Manager's Annual Report on the work of the Internal Audit Service for 2011/2012 and his opinion of the adequacy and effectiveness of the Council's control environment (attached).

2.0 **RECOMMENDATIONS**

2.1 That the contents of the annual internal audit report be noted.

Contact Officer:

For further information on this report please contact: Mark Allen, Audit Manager, Telephone (01923) 278401 or 727463, email: mark.allen@watford.gov.uk

Report approved by: Bernard Clarke, Head of Strategic Finance

3.0 **DETAILED PROPOSAL**

3.1 Members are invited to discuss the contents of the Audit Manager's annual report.

3.2 CIPFA's *Code of Practice for Internal Audit* requires that the Head of Internal Audit must provide an annual report to those charged with governance which must:

- Include an opinion on the overall adequacy and effectiveness of the control environment
- Disclose any qualifications to that opinion together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- 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
- Comment on compliance with the CIPFA standards and communicate the results of the Internal Audit quality assurance programme.

3.3 The Audit Manager's opinion on the adequacy of the control environment is required for the production of the Annual Governance Statement. There are still a number of audits underway. In the event that, once they are completed, there is a need to revise the interim opinion, a revised opinion will be submitted to the next meeting of the Audit Committee.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no immediate implications arising from this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that the legal implications are dealt with in the body of the report. The Council is under a duty to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The Audit Manager is required to present an annual report, including an opinion on the adequacy and effectiveness of the control environment, to those charged with governance.

4.3 Potential Risks

4.3.1

Potential Risk	Likelihood	Impact	Overall score
The most significant potential risk relates to the possibility that Internal Audit is of poor quality and ineffective. This could lead to an increase in control weaknesses, in greater risks to the Council and to a loss of confidence by the external auditors in Internal Audit and the Council's control environment.	1	3	3

Appendix

Annual Report 2011-2012

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report:

Internal Audit Files.

File Reference

None.