For General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE
	9 December 2015
AGENDA ITEM:	**10**
SUBJECT:	**Internal Audit Update Report**
	April to September 2015
LEAD OFFICER:	**Simon Maddocks, Head of Governance**
CABINET MEMBER:	**Councillor Simon Hall**
	Cabinet Member for Finance and Treasury
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT:

Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.

FINANCIAL IMPACT

The Internal Audit contract for 2015/16 is a fixed price contract of £358,000 and appropriate provision has been made within the budget for 2015/16.

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1.   RECOMMENDATIONS

1.1   The Committee is asked to note the Internal Audit Report for April 2015 to September 2015 (Appendix 1).

2. EXECUTIVE SUMMARY

2.1 This report details the work completed by Internal Audit so far during 2015/16 and the progress made in implementing recommendations from audits completed in the years 2010/11 to 2014/15.

3. DETAIL

3.1 The Internal Audit report (Appendix 1) includes the following:
- a list of all audits completed so far in 2015/16; and
- lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.

3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer), who is currently the Assistant Chief Executive (Corporate Resources). It also assists management by evaluating and reporting to them on the effectiveness of the controls for which they are responsible.

3.3 At this stage in the year there is insufficient evidence (9 final reports, 6 of which are for schools) on which to give an overall assurance level. However, these have all received satisfactory or substantial assurance.

4. FOLLOW-UP REVIEWS

4.1 When Internal Audit identifies risks, recommendations are made and agreed with service managers to mitigate these. The Council then needs to ensure that action is taken to implement audit recommendations. The Council's targets for audit recommendations implemented are 80% for all priority 2 and 3 recommendations and 90% for priority 1 recommendations. The performance in relation to the targets set for 2010/15 audits are shown in Table 1.

Table 1: Implementation of Audit Recommendations

	Target	2010/11	2011/12	2012/13	2013/14	2014/15
Implementation of priority one recommendations at follow-up	90%	100%	100%	100%	98%	60%
Implementation of all recommendations at follow-up	80%	88%	93%	92%	86%	71%

5. PROGRESS AGAINST THE AUDIT PLAN

5.1 By 30 September 2015 **43%** of the 2015/16 planned audit days had been delivered and **29%** of the draft audit reports due for the year had been issued. This follows a similar position in previous years when the contractor has gone on to deliver all of the planned work in-year. The contractor has given

assurances that the necessary resources are available to achieve this again.

6. PUBLICATION OF INTERNAL AUDIT REPORTS

6.1 Following a decision at the June meeting of this committee, all finalised internal audit reports from the year 2015/16 onwards are being published on the Council's public internet site.

7. CONSULTATION

7.1 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports and audit recommendations are sent for consideration by Departmental Management Teams (DMT). Details are circulated and discussed with Directors on a quarterly basis.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

8.1 The fixed price for the Internal Audit Contract is £358,000 for 2015/16 and there is adequate provision within the budget. There are no additional financial considerations relating to this report

8.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

(Approved by: Lisa Taylor, Head of Finance & Deputy Section 151 Officer)

9. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

9.1 The Solicitor to the Council comments that information provided in this report is necessary to demonstrate the Council's compliance with the internal audit requirements imposed by Regulation 6 of the Local Government Accounts and Audit (England) Regulations 2011 which are made in accordance with Section 27 of the Audit Commission Act 1998. The Council is required under the regulations 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 on an annual basis.

(Approved by: Gabriel McGregor, Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer)

10. HUMAN RESOURCES IMPACT

10.1 There are no immediate human resources issues arising from this report for LBC staff

(Approved by: Michael Pichamuthu HRBP, on behalf of Heather Daley, Director of HR)

11. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS

11.1 When Internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

CONTACT OFFICER: Simon Maddocks, Head of Governance

BACKGROUND DOCUMENTS: Internal Audit report for the period 1 April to 30 September 2015 (appendix 1)