

For General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 23 March 2016
AGENDA ITEM:	10
SUBJECT:	Internal Audit Update Report April 2015 to January 2016
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.	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Internal Audit Report for April 2015 to January 2016 (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 The results of planned internal audit work undertaken and finalised for the year to January show that **77%** of the audits finalised to date gained full or satisfactory assurance (The same period last year was 45%). Within that figure **86%** of school audits finalised to date have obtained satisfactory assurance and **67%** of non-school audits that have been finalised received full or satisfactory assurance. In view of this, an overall assurance level of **Satisfactory** is given.

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%	100%	67%
Implementation of all recommendations at follow-up	80%	88%	93%	93%	89%	78%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By 31 January 2016 **82%** of the 2015/16 planned audit days had been delivered and **57%** 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 2015 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 and Deputy S151 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 the Local Government Accounts and Audit (England) Regulations 2015. The Council is required under the regulations to ensure that there is an effective internal audit to evaluate the effectiveness of the Council's risk management, control and governance processes.

(Approved by: Gabriel MacGregor, Acting Council Solicitor and Acting Monitoring Officer)

10. HUMAN RESOURCES IMPACT

- 10.1 There are no immediate human resource considerations arising from this report for LBC staff or workers.

(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: None