

**For General Release**

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| <b>REPORT TO:</b>   | <b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b><br><b>5 November 2014</b>        |
| <b>AGENDA ITEM:</b>   |  |
| <b>SUBJECT:</b>   | <b>Internal Audit Monitoring Report</b><br><b>April 2014 to September 2014</b> |
| <b>LEAD OFFICER:</b>  | <b>Head of Governance</b>  |
| <b>CABINET MEMBER:</b>  | <b>Councillor Simon Hall</b><br><b>Cabinet Member for Finance and Treasury</b> |
| <b>WARDS:</b>   | <b>ALL</b>   |
| <b>CORPORATE PRIORITY/POLICY CONTEXT:</b><br>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. |  |
| <b>FINANCIAL IMPACT</b><br>The Internal Audit contract for 2014/15 is a fixed price contract of £451,000 and appropriate provision has been made within the budget for 2014/15.   |  |

**1. RECOMMENDATIONS**

- 1.1 The Committee is asked to note the Internal Audit Report for April 2014 to September 2014 (Appendix 1).

## 2. EXECUTIVE SUMMARY

2.1 This report details the work completed by Internal Audit so far during 2014/15 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 2014/15; 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 Audit Advisory Committee and the Chief Financial Officer (also known as the Section 151 Officer), who is currently the Director of Finance & Assets. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

3.3 At this stage in the year there is insufficient evidence (8 final reports) on which to give an overall assurance level. However, only 25% of the audits finalised to date have received satisfactory/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 2010/14 audits are shown Table 1.

**Table 1: Implementation of Audit Recommendations**

|   | Target | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|--------|---------|---------|---------|---------|
| Implementation of priority one recommendations at follow-up | 90%    | 93%     | 100%    | 97%     | 88%     |
| Implementation of all recommendations at follow-up          | 80%    | 88%     | 93%     | 92%     | 84%     |

## **5. PROGRESS AGAINST THE AUDIT PLAN**

- 5.1 By 30 September **44%** of the 2014/15 planned audit days had been delivered and **22%** 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. CONSULTATION**

- 6.1 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.

## **7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 7.1 The fixed price for the Internal Audit Contract is £451,000 for 2014/15 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 7.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

(Approved by: Dianne Ellender, Head of Finance and Deputy S151 Officer)

## **8. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 8.1 The Solicitor to the Council comments that information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulations made under the Audit Commission Act 1998, and in particular that it maintains an adequate and effective system of internal audit of records and control systems.

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

## **9. HUMAN RESOURCES IMPACT**

- 9.1 There are no human resources impacts arising from this report.

(Approved by: Approved by: Hansa Bharadia, HR Business Partner on behalf of Heather Daley, Director of HR)

**10. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER  
REDUCTION IMPACTS**

- 10.1 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.

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**CONTACT OFFICER:** Simon Maddocks, Head of Governance

**BACKGROUND DOCUMENTS:** Internal Audit report for the period 1 April 2014 to 30 September 2014 (appendix 1)