

**For General Release**

<b>REPORT TO:</b>	<b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b> <b>7 December 2017</b>
<b>SUBJECT:</b>	<b>Internal Audit Update Report</b> <b>April to October 2017</b>
<b>LEAD OFFICER:</b>	<b>Simon Maddocks, Director of Governance</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> 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> The Internal Audit contract for 2017/18 is a fixed price contract of £333,000 and appropriate provision has been made within the budget for 2017/18.	

**1. RECOMMENDATIONS**

- 1.1 The Committee is asked to note the Internal Audit Report for April to October 2017 (Appendix 1).

## 2. EXECUTIVE SUMMARY

2.1 This report details the work completed by Internal Audit so far during 2017/18 and the progress made in implementing recommendations from audits completed in previous years.

## 3. DETAIL

3.1 The Internal Audit report (Appendix 1) includes the following:

- a list of all audits completed so far in 2017/18;
- a list of audits relating to 2016/17, but finalised after the annual report, 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 Executive Director of Resources. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

3.3 Based on the 13 finalised internal audit reports published so far this year, an overall **Satisfactory Assurance** level can be given as 62% of reports finalised to date received Substantial or Full 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 2013/18 audits are shown Table 1.

**Table 1: Implementation of Audit Recommendations**

	Target	2013/14	2014/15	2015/16	2016/17	2017/18
Implementation of priority one recommendations at follow-up	90%	100%	100%	90%	69%	40%
Implementation of all recommendations at follow-up	80%	96%	94%	85%	83%	40%

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

- 5.1 By 31 October 2017 **51%** (55% last year) of the 2017/18 planned audit days had been delivered and **31%** (38% last year) of the draft audit reports due for the year had been issued. The contractor has given assurances that the necessary resources are available to deliver the internal audit plan in-year as usual.

## **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 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 £333,000 for 2017/18 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: Ian Geary, Head of Finance, Resources & Accountancy)

## **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 requirements imposed by Regulation 5 of the Local Government Accounts and Audit (England) Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

## **10. HUMAN RESOURCES IMPACT**

- 10.1 There are no immediate human resources issues arising from this report for LBC staff, however the internal audit programme has a positive contribution to performance management across the council.

(Approved by: Gillian Bevan, Acting Head of HR – Resources and CE Office)

## **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.

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CONTACT OFFICER: Simon Maddocks, Director of Governance

**BACKGROUND DOCUMENTS:** Internal Audit report for the period 1 April to 31 October 2017 (appendix 1)