

**REPORT FOR: GOVERNANCE, AUDIT
AND RISK
MANAGEMENT
COMMITTEE**

Date of Meeting: 22 July 2013

Subject: **INFORMATION REPORT –
Internal Audit Year-End Report
2012/13**

Responsible Officer: Simon George – Director of finance &
Assurance

Exempt: Appendix B to the report is an exempt
report. This report has been excluded
from public inspection under
paragraphs 1 and 7 of part 1 of
schedule 12A to the Local Government
Act 1972 (as amended) as it contains
information relating to individuals and
information relating to actions taken in
connection with the prevention,
investigation and prosecution of crime.).

Enclosures: Appendix A – Internal Audit Year-end
Report 2012/13
Appendix B – Suspected Financial
Irregularities (Exempt)
Appendix C – Reports issued in
2012/13
Appendix D – Recommendations not
Agreed and Follow-ups

Section 1 – Summary

This report sets out the overall audit opinion on the control environment and
progress against the 2012/13 Internal Audit plan.

FOR INFORMATION

Section 2 – Report

Background

- 2.1. The Internal Audit Year-end 2012/13 report, Appendix A, covers progress against the internal audit annual work plan; information on suspected financial irregularities is provided in Appendix B; a summary of all reports and follow-ups is provided in Appendix C; Appendix D provides information on recommendations not agreed/not implemented.

Overview of Progress

- 2.2. Overall the Internal Audit Team have achieved 95% of the 2012/123 annual Audit plan, which exceeds the 90% target, and as 5% of work is still in progress expect to complete 100% in due course. This included 100% achievement of the core financial systems reviews relied upon by the council's External Auditors for their risk assessment of the authority. A total of 181 recommendations were made of which 179 were agreed (or alternative actions agreed) for implementation which exceeds the 95% performance target.
- 2.3 The attached reports provide a summary of work undertaken during the year including an overview of each review, details of follow-up work and detailed results of the team's performance indicators showing that 100% were met or exceeded.

Audit Opinion on Overall Control Environment

- 2.5 This is an overall opinion based on internal audit risk based and reliance work carried out in 2012/13 including the core financial systems work for 2012/13 and the results of the management assurance exercise.

The adequacy and effectiveness of organisation's control environment for the 2012/13 financial year has been assessed as "good" based on the following:

- 86% of the traffic lighted systems reviewed during 2012/13 were given an amber, an amber/green or a green assurance rating;
- 99% of recommendations made during 2012/13 were agreed for implementation;
- 83% of recommendations followed-up have been implemented, 16% are in progress or are planned at the time of follow-up thus it is expected that in due course 99% will be implemented. 94% of follow-ups resulted in an improved assurance rating.
- 10 suspected financial irregularities were reported to Internal Audit during 2012/13, the majority of irregularities investigated by Internal Audit were either caused by a break down/lack of control or where fraud was involved this was a contributing factor. In 5 (50%) cases there was no loss or the loss has been recouped (e.g. from banks, insurance or individuals); in 1 (10%) case there was a loss of over £2000 and in 4 (40%) cases work

is ongoing to establish whether a loss has occurred and/or the level.

- The management assurance exercise confirmed that 94% of key controls in place to manage the authority's most significant corporate risks were operating and effective in either reducing or managing the risk.
- 87% of controls reviewed within the Council's core financial systems were either operating fully or substantially, with 13% operating partially.

Section 3 – Further Information

The next report on the performance of the Internal Audit team will be the 2013/14 Mid-year Report to be submitted to GARM Committee in November 2013.

Section 4 – Financial Implications

There are no financial implications to this report.

Section 5 - Equalities implications

None

Section 6 – Corporate Priorities

Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Name: Simon George..... Chief Financial Officer

Date: 09/07/13...

Section 7 - Contact Details and Background Papers

Contact: Susan Dixon, Head of Internal Audit, Tel: 0208 424 1420

Background Papers: None