

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

Date of Meeting: 22 July 2015

Subject: **INFORMATION REPORT –
Internal Audit Year-End Report
2014/15**

Responsible Officer: Tom Whiting – Corporate Director of
Resources

Exempt: No

Enclosures: Appendix 1 – Internal Audit Year-end
Report 2014
Appendix 2 – Suspected Financial
Irregularities

Section 1 – Summary

This report sets out the draft overall audit opinion on the control environment and progress against the 2014/15 Internal Audit plan.

FOR INFORMATION

Section 2 – Report

Background

- 2.1. The 2014/15 Internal Audit Year-end 2014/15 report, Appendix 1, covers the year-end position against the internal audit annual work plan and information on suspected financial irregularities is provided in Appendix 2.

Overview of Progress

- 2.2. Overall the Internal Audit Team has achieved 90% of the 2014/15 annual audit plan, meeting the target. 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. Thirty-seven audit reports and 5 Audit Briefing Notes were issued during the year containing a total of 409 recommendations of which 395 were agreed (or alternative actions agreed) for implementation (97%) which exceeds the 95% performance target.
- 2.3 The Appendix 1 provides a summary of work undertaken during the year including the assurance rating of each review, details of follow-up work and detailed results of the team's performance indicators showing that 5 of the 7 were met or exceeded and 1 of the 3 corporate indicators were met or exceeded.

Summary of Findings

- 2.4 Bearing in mind that the audit plan is risk based and that the vast majority of the reviews undertaken were rated as high risk a relatively low number of red assurance reports were issued in the year indicating that overall there is a strong internal control environment. All but one follow-up resulted in a green assurance rating demonstrating that the organisation remains responsive to Internal Audit recommendations and that in Internal Audit is adding value by helping management to improve the control environment.
- 2.5 Of the three red assurance reports issued two where as a result of investigations (schools) and one covered the IT Data Centre (report in draft). A red/amber assurance report was also issued for Business Continuity/IT Disaster Recovery and a detailed action plan agreeing all the recommendations has been agreed with management.
- 2.6 Of the other work undertaken during the year the Core Financial Systems and the schools continue to demonstrate that sound controls are in place.

Draft Audit Opinion on Overall Control Environment

2.4 This is a draft overall opinion based on internal audit risk based and reliance work carried out in 2014/15. The core financial systems work for 2014/15 will be included in the final opinion once completed.

The adequacy and effectiveness of organisation's control environment for the 2014/15 financial year has been assessed as "good" based on the following:

- 83% of the traffic lighted systems reviewed during 2014/15 were given an amber, an amber/green or a green assurance rating;
- 97% of recommendations made during 2013/14 were agreed for implementation;
- 68% of recommendations followed-up have been implemented, 29% are in progress or are planned at the time of follow-up thus it is expected that in due course 97% will be implemented. All follow-ups resulted in an improved assurance rating with 94% attaining a green assurance rating;
- 6 suspected financial irregularities were reported to Internal Audit during 2014/15 none of which resulted in any significant loss to the Council.
- Fraud Governance has been assessed using the CIPFA Fraud Governance Checklist and has been assessed as a Red/Amber assurance.

2.5 The final opinion will be reported to GARM at the next meeting.

Further Information

The next report on the performance of the Internal Audit team will be the 2015/16 Mid-year Report to be submitted to GARM Committee in November 2015.

Financial Implications

There are no financial implications to this report.

Equalities implications

None

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.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert



On behalf of
Chief Financial Officer

Date: 10/07/15

Section 4 - Contact Details and Background Papers

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

Background Papers: None