

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

Date of Meeting: 26 June 2012

Subject: INFORMATION REPORT – Internal Audit
Year-End Report 2011/12

Responsible Officer: Tom Whiting, Assistant Chief Executive

Exempt: No, except for Appendix B, which is exempt on the grounds that it contains “exempt information” 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 2011/12
Appendix B – Suspected Financial Irregularities (Exempt)
Appendix C – Reports issued in 2011/12

Section 1 – Summary

This report sets out progress against the 2011/12 Internal Audit plan and key issues arising from work undertaken.

FOR INFORMATION

Section 2 – Report

Background

- 2.1. The Internal Audit Year-end 2011/12 report, Appendix A, covers progress against the internal audit annual work plan; information on suspected financial irregularities is provided in Appendix B and a summary of all reports and follow-ups is provided in Appendix C.

Overview of Progress

- 2.2. Overall the Internal Audit Team have achieved 85% of the 2011/12 Annual Audit plan and as 15% 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 310 recommendations were made of which 306 were agreed (or alternative actions agreed) for implementation which meets the 95% performance target.
- 2.3. During the year work undertaken by the Internal Audit Team conformed with the section's Terms of Reference and a self-assessment against the CIPFA Code of Practice indicated that the section is complying fully with 89% of the standards and partially with a further 6%. However there has been no improvement to this since 2010/11 due to the lack of resource available to develop the service. All key service activities identified in the 2011/12 Internal Audit Delivery Plan have been achieved.
- 2.4. 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 86% were met or exceeded.

Overall Audit Opinion

- 2.5. This is an interim opinion based on internal audit risk based and reliance work carried out in 2011/12 and will be updated once the core financial systems work for 2011/12 has been completed and the results of the management assurance exercise for 2011/12 are available.

The adequacy and effectiveness of organisation's control environment for the 2011/12 financial year has been assessed as "adequate" based on the following:

- 70% of the traffic lighted systems reviewed during 2011/12 were given an amber, an amber/green or a green assurance rating;
- 99% of recommendations made during 2011/12 were agreed for implementation;

- 67% of recommendations followed-up have been implemented, 31% are in progress or are planned at the time of follow-up thus it is expected that in due course 98% will be implemented. 100% of follow-ups resulted in an improved assurance rating.
- 19 suspected financial irregularities were reported to Internal Audit during 2011/12, 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 9 (47%) cases there was no loss or the loss has been recouped (e.g. from banks, insurance or individuals); in 3 (16%) cases there was a loss of over £2000 and in 7 (37%) cases work is ongoing to establish whether a loss has occurred and/or the level.

Section 3 – Further Information

The next report on the performance of the Internal Audit team will be the 2012/13 Mid-year Report to be submitted to GARM Committee in November 2011.

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: Julie Alderson



Chief Financial Officer

Date: 13 June 2012

Section 7 - Contact Details and Background Papers

Contact: Susan Dixon, Service Manager, Internal Audit, Tel: 0208 424 1420

Background Papers: None