

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Finance and Community Safety

Report to:	Audit Committee
Date:	18 July 2016
Subject:	Internal Audit Annual Report - 2015/16

Summary:

This report gives the Head of Internal Audit opinion on the adequacy of the Council's governance, risk and control environment and delivery of the Internal Audit Plan for 2015/16.

Recommendation(s):

That the Committee consider the content of the Audit and Risk Manager's Head of Internal Audit Annual Report and any actions it may wish to make.

Background

1. The Annual Internal Audit Report aims to present a summary of the audit work undertaken over the past year. In particular:
 - Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council can rely on it;
 - Inform how the plan was discharged and of overall outcomes of the work undertaken;
 - Draw attention to any issues particularly relevant to the Annual Governance Statement.
2. The detailed report is attached in Appendix A.

Conclusion

3. Our internal audit service continues to work with the Audit Committee and Management to help the Council maintain effective governance, risk and control processes.

4. In forming my opinion I have also drawn upon other assurance intelligence in the Council.
5. During 2015/16 there have been a number of areas where we have identified the need for improved compliance and strengthening of the control processes. Overall the Council's control environment has deteriorated over the year due largely to the impact of the implementation of the new financial system and the level of assurance over the Council's IMT function.
6. Taking all the information into account - I have assessed the:
 - Governance and risk as **green/amber** – performing well with some improvements identified over the Council's governance, risk and control framework or to manage medium risks across the Council
 - Internal and Financial control environment as **red/amber**. Inadequate Performance – urgent management action identified (in progress) on major governance issue or high risk in a key system / process area which has a negative impact throughout the Council.
5. The content of the Internal Audit Annual report has also informed the development of the Councils' Annual Governance Statement 2016 – due to be presented to this Committee.
6. We have also delivered 98% of the revised audit plan to agreed performance of 100% target.
7. Audit Lincolnshire conforms to the UK Public Sector Internal Audit Standards. This has been assessed through our Quality Assurance Framework and self-assessment – an external quality assessment is planned for the Autumn of 2016.
8. A quality assurance improvement plan is in place to help us continually improve and develop.- it includes:
 - Update Internal Audit Charter and practice manual following revision PSIAS in April 2016
 - Implement upgrade to audit software (delayed due to SERCO)
 - Upgrade reporting template to help focus on risk and added value.
 - Contemporary reporting
 - Improve clarity over consultancy engagement terms of reference
 - Further develop Assurance Lincolnshire collaboration
 - Continuing professional development around new and emerging practice guidance e.g. PSIAS, Fighting Fraud Locally, CIPFFA/SOLACE delivering good governance

Consultation

a) Policy Proofing Actions Required

Not applicable

Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Annual Report - 2015/16

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Internal Audit Annual Plan -2015/16	Audit Committee minutes and papers
Internal Audit progress reports	Audit Committee minutes and papers

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