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**INTERNAL AUDIT ANNUAL REPORT 2016-17**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 11.2**

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**Appendix C of Annex 1 of the attached report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**Reason for this Report**

1. The Audit Committee's new Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.
2. At the end of each financial year, a report is prepared providing an overview of the approach adopted to audit assignments, and detailing the work undertaken by the Audit teams over the past 12 months. This is shared with the Section 151 Officer and Audit Committee.

**Background**

3. The Annual Internal Audit Strategy/Plan for 2016-17 was reported to the Audit Committee on 22 March 2016, outlining the work plan for the Audit Section. The work of the Section is then measured against this plan.
4. Each quarter a progress report has been prepared for the Corporate Director Resources, which outlines the work undertaken by Internal Audit and measures progress against the Plan. This provided an opportunity to discuss and review work undertaken and prioritise high risk assignments. These reports also provided feedback on some key performance indicators, client feedback and other initiatives with which Audit are engaged. During 2016-17, these reports were presented to Audit Committee at each meeting.
5. The Annual Report outlines the productivity performance of the Internal Audit function and the position at the end of 31 March 2017 in relation to the status of the audits and the assurance opinions that have been completed.
6. This report also identifies that 673 recommendations have been made in 130 reports issued. Whilst 100% of the red risk recommendations have been accepted, the key success factor for the Council is the number of actioned recommendations.
7. As discussed at the last meeting, in 2017-18 there will be a focus on ensuring that the implementation of audit recommendations will be captured and be a priority for the Council. The previous update also provided information on the revised approach to be taken in respect of follow up audits and the revised assurance ratings that will be implemented in 2017-18.
8. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director, Resources.

## **Issues**

9. The Annual Report for the financial year 2016 -17 is attached at Annex 1.
10. A key feature of this report is where the Audit Manager, in compliance with the Public Sector Internal Audit Standard (PSIAS) has provided an opinion following an assessment of the effectiveness of the control environment, risk and governance arrangements within the Council, based on the work of the Audit teams.
11. In addition to an overview of work undertaken and its outcomes, the report also provides information on the Section that covers the period of the past 12 months and some useful performance monitoring information in relation to client interaction and feedback.

## **Reasons for Recommendations**

12. To provide Audit Committee Members with an overview of Internal Audit activity during 2016-17.

## **Legal Implications**

13. There are no direct legal implications arising from this report.

## **Financial Implications**

14. There are no direct financial implications arising from this report.

## **RECOMMENDATIONS**

15. That the Committee note the report.

**IAN ALLWOOD**  
Head of Finance  
09 June 2017

The following Annex is attached:  
Annex 1 - Internal Audit Annual Report, 2016-17