

Subject:	Internal audit annual report and opinion 2014-15		
Date of Meeting:	23 June 2015		
Report of:	Graham Liddell, Head of Internal Audit		
Contact Officer:	Name:	Graham Liddell	Tel: 29-1323
	Email:	Graham.Liddell@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Appendix 1 summarises the work carried out by internal audit and the corporate fraud team, including the Head of Internal Audit's annual opinion for 2014/15.

2. RECOMMENDATIONS

- 2.1 That the Audit & Standards Committee notes the report.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Accounts and Audit Regulations (England) 2011 require local authorities to maintain an adequate and effective system of internal audit in accordance with proper practice. This requires the Head of Internal Audit to give an annual opinion on the control environment.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The Head of Internal Audit's opinion is based on:
- findings from individual internal audit reviews and the corporate fraud team
 - management's understanding and response to control shortfalls, including the extent to which audit recommendations are being actioned and implemented
 - known changes to systems and control frameworks
 - assurance work carried out by third parties
 - the Council's risk management strategy and reporting arrangements.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The Head of Internal Audit has consulted various officers, including the Executive Director of Finance and Resources. However, the opinion is his independent professional judgement.

6. CONCLUSION

- 6.1 The Head of Internal Audit has concluded that **reasonable assurance** can be provided on the overall effectiveness of the council's control environment for the year ended 31 March 2015, but only **limited assurance** on the council's purchasing and contract management practices.
- 6.2 The evidence to support the assessment of reasonable assurance on the overall effectiveness of the control environment includes:
- robust controls over most of the core financial systems
 - the positive attitude of managers, particularly senior management, in addressing control weaknesses.
- 6.3 The assessment of limited assurance on purchasing and contract management practices is based on:
- an increase in the number of limited assurance reports being issued than in previous years, with the main area of concern relating to a lack of compliance with the council's procurement and contract management procedures
 - further weaknesses in purchasing and contract management practices identified through fraud and audit investigations
 - the council being exposed to losses from contracts for cash handing and with the housing local delivery vehicle.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The Internal Audit & Opinion Annual Report 2014/15 outlines how resources were applied, the internal control recommendations, savings through counter fraud and other issues. The Internal Audit Plan for 2014/15 was delivered within budgetary resources for the year.

Finance Officer Consulted: James Hengeveld

Date: 09/06/15

Legal Implications:

- 7.2 The statutory basis for conducting internal audit work is regulation 6 of the Accounts and Audit Regulations 2011. This provision imposes a duty on the council to undertake internal audit functions.

Lawyer Consulted: Elizabeth Culbert

Date: 09/06/15

Equalities Implications:

- 7.3 Effective systems of internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the community.

Sustainability Implications:

- 7.4 None

SUPPORTING DOCUMENTATION

Appendices:

1. Internal audit annual report and opinion 2014-15

