



ITEM NO: 5

Report To:	AUDIT PANEL
Date:	26 May 2015
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2014/2015
Report Summary:	The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's systems of internal control.
Recommendations:	Members note the report, the overall audit opinion on the control environment, the Key Achievements in Section 3 and the overall performance of the Service Unit for the period April 2014 to March 2015.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2011, which require the Council to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control...”
Risk Management:	The services of the Risk Management and Internal Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively controlled and managed.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk

1 INTRODUCTION

1.1 "Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

1.2 The key elements of the definition are:-

- **Risk Management** – A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisations objectives.
- **Control** - Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
- **Governance** – The combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

1.3 The definition of Internal Auditing is defined by the Public Sector Internal Auditing Standards (PSIAS) 2013.

2 THE AUTHORITY FOR INTERNAL AUDIT

2.1 **Local Government Act 1972 Section 151.**

"Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs"

The Council's Constitution formally nominates the Assistant Executive Director of Finance as the authority's Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the authority's financial systems are operating satisfactorily.

2.2 **Accounts and Audit Regulations 2011 Section 4 – Responsibility for Financial Management**

- (1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.
- (2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.
- (3) The findings of the review referred to in paragraph (2) must be considered:-
 - (a) In the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and
 - (b) In the case of a smaller relevant body, by the members of the body meeting as a whole, and following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.
- (4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies:-
 - (a) Any statement of accounts it is obliged to prepare in accordance with regulation 7, or

- (b) Any accounting statement it is obliged to prepare in accordance with regulation 12.

2.3 **Accounts and Audit Regulations 2011 Section 6 – Internal Audit**

- (1) A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- (2) Any officer or member of a relevant body must, if the body requires:-
 - (a) Make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
 - (b) Supply the body with such information and explanation as that body considers necessary for that purpose.
- (3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.
- (4) The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 4(3), by the committee or body referred to in that paragraph.

2.4 This is supported by the Council's Financial Regulations, which reflect Internal Audit's statutory authority to review and investigate all areas of the Council's activities in order to ensure that the Council's interests are protected.

2.5 The Terms of Reference for the Audit Panel adequately meet the requirements of the Accounts and Audit Regulations in relation to the Annual Governance Statement.

2.6 The review of Internal Audit referred to in paragraph 2.3 (3) has been conducted and a separate report is on the agenda.

3 KEY ACHIEVEMENTS DURING 2014/2015

3.1 The major achievements of the Service Unit for 2014/2015 are as follows: -

- Achievement of the Revised Internal Audit Annual Plan as agreed with key stakeholders. 92% of audit recommendations have been implemented.
- Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
- Annual reports, strategic plans and regular progress reports presented to Members via the Audit Panel and the Ethics and Audit Working Group for Pension Fund issues.
- Audit activity reports provided for Heads of Service and Executive Members on a quarterly basis throughout the year to provide an update on progress against the plan.
- The Annual Governance Statement was produced in accordance with agreed timescales and reviewed by our External Auditor (Grant Thornton) without receiving any adverse comments.
- Training in relation to Information Governance has been delivered to staff and members. Work in support of the decant from the Council Offices has been undertaken and is ongoing to ensure information is protected and securely transferred to new premises.

The introduction of the Single Fraud Investigation Service by the DWP has started to have an impact on NAFN and the Executive Board in response has reviewed the size and structure of NAFN going forward and decided to consolidate operations in Tameside.

- Insurance savings of £113,564 were achieved as a result of the insurance tender and renewal process.
- An underpayment of Contributions to the Pension Fund was identified following a visit to a GM Authority during the year amounting to £124,000.
- Positive feedback was received from the Greater Manchester Pension Fund for the work undertaken by the team in relation to the Ministry of Justice Project. The Closure Report stated that, *“Involving the Internal Audit Team was vital and their input was invaluable.”*

4 COVERAGE FOR 2014/2015

- 4.1 The work of the section covered all the Council’s main areas of activity and provided assurance that major financial systems reviewed are operating satisfactorily and that key business risks are mitigated by satisfactory systems of internal control. In all cases, where issues have been raised action plans have been agreed with the managers responsible. All audits performed are followed up after six months (three months for audits with a low level of assurance) with post audit reviews to ensure remedial action has been taken where recommended.
- 4.2 Recommendations implemented by management have decreased to 92% compared to 95% in 2013/2014. Where recommendations have not been implemented, internal audit is satisfied with the reasons presented and a second post audit review will be undertaken in areas where high-level recommendations are outstanding. Any significant issues will be reported to future meetings of this panel.
- 4.3 The report presented to the Audit Panel in June 2014 provided a listing of the work planned for 2014/2015. The plan as reported during the year is revised on a regular basis to ensure that it is aligned to changes in service priorities, risks, directorate structures and resources available. Successful delivery of the plan can be measured in two ways:-
- Actual productive audit days delivered against the plan.
 - Percentage of planned audits completed.
- 4.4 Table 1 below shows the full year position of the audit plan by Directorate/Service Area. It details the original plan, the year-end plan, the actual days as at 31 March 2015 and the percentage completed. The days delivered against the plan in total were 1,762 compared to the revised plan of 1,767, which represents 99.7%.
- 4.5 The Year-End Plan details the realignment of the plan, taking into account the management restructure which became effective in November 2014.
- 4.6 The second measure focuses on the planned audits, and calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2014/2015 is 92% compared to 93% in 2013/2014. Whilst this indicator is above the target of 90%, it shows a reduction from last year and the volatility of the indicator. This is because a large number of audits were still in progress at the end of March 2015 resulting in the dip in performance.

4.7 **Table 1 – Annual Audit Plan – Year End as at 31 March 2015**

Service Area / Directorate	Original Plan 2014/2015	Year End Re-Aligned Plan 2014/2015	Actual Days As At 31/03/15	% Days Delivered to Plan
People	573	294	339	115
Public Health	0	35	20	57

Service Area / Directorate	Original Plan 2014/2015	Year End Re-Aligned Plan 2014/2015	Actual Days As At 31/03/15	% Days Delivered to Plan
Place	197	217	192	88
Finance	271	271	210	77
Governance	101	81	83	102
Schools	0	244	220	90
GM Pension Fund	350	350	364	104
Planned Days 2014/15	1492	1492	1428	96
Proactive Fraud Work and Irregularity Investigations	235	275	334	121
Total Days 2014/15	1727	1767	1762	99.7

4.8 This following sections of the report provides details of the key areas covered during the period April 2014 to March 2015 and comments on any important issues arising from our work.

Financial Systems:

4.9 During 2014/15 audits have been undertaken on the following financial systems to ensure they were operating securely, were fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

- Treasury Management,
- Council Tax,
- NNDR,
- Creditors and
- Debtors

4.10 Post Audit Reviews were also conducted on the Softbox system (Social Care payments system), Housing Benefit, Council Tax Support Scheme, General Ledger and Monitoring of the Capital Programme. From the work, undertaken assurance can be given that the systems are now operating effectively and that the recommendations made have been implemented.

4.11 Testing was also performed on a number of the financial systems used by the Pension Fund and again there was found to be an appropriate level of emphasis on controls and the security of the assets being managed.

Schools

4.12 Twenty schools have been audited and final reports issued as part of our cyclical review programme during 2014/2015. A summary of the opinions issued for schools during 2014/2015 compared to 2013/14, 2012/2013 and 2011/2012 is shown in Table 2 below: -

4.13 **Table 2 – Audit Opinions - Schools**

Audit Opinion	2014/2015	2013/2014	2012/2013	2011/2012
Full Assurance	0	0	0	1
High Assurance	4	4	2	3
Medium Assurance	13	10	9	10
Low Assurance	3	4	9	4
TOTALS	20	18	20	18

4.14 The Schools Financial Value Standard (SFVS) which is returned annually and signed by the Headteacher and Chair of Governors is used to inform the risk assessments held in the audit management system for schools and is reviewed as part of the audit process. Any discrepancies in judgement identified at an audit would be notified to the governing body and the Council.

4.15 Sections 4.16 to 4.20 provide a flavour of the audit work undertaken in each directorate. The amount of time spent per audit can vary from a simple grant claim to a complex data assurance piece of work and the lists are not weighted and do not accurately reflect the days delivered in those areas.

4.16 **People**

Areas reviewed during the year have included:-

- Planning and Commissioning – Strategic Monitoring;
- Learning Disability Client Accounts;
- Out of Hours;
- Residential Homes;
- Homelessness;
- Transition of Clients from Childrens to Adults;
- Payment for Contact/Emergency Payments;
- Childrens Centres; and
- Troubled Families.

4.17 **Place**

Areas reviewed during the year have included:-

- Bus Subsidy Grant;
- Local Transport Settlement Grant;
- Severe Weather Grant;
- Trade Waste;
- Vehicle Checks;
- Rationalisation of ICT Systems;
- Final Account Audits;
- Markets;
- Highways Maintenance and Management;
- Transport Recharges;
- Hattersley Collaboration Agreement; and
- Pinchpoint Grant.

4.18 **Public Health**

Areas reviewed during the year have included:-

- Ring-Fenced Public Health Grant.

4.19 Finance

Areas reviewed during the year have included:-

- Construction Industry Scheme;
- Integrated Care Organisation;
- Agresso Upgrade;
- Duplicate Payments;
- Contract Monitoring – Revenue;
- Direct Payments transfer to Abacus; and
- Data Assurance – Housing Benefit.

4.20 Governance

Areas reviewed during the year have included:-

- Payroll;
- Car Mileage;
- iTrent;
- New Starter Contract Checks; and
- Registrars.

4.21 Greater Manchester Pension Fund:-

Areas reviewed during the year have included:-

- Ministry of Justice Assurance Work;
- Pensions Benefits Payable;
- Contribution Income;
- General Ledger; and
- Property.

4.22 A summary of the opinions issued for non-schools audited during 2014/2015 compared to 2013/14, 2012/2013 and 2011/2012 is shown in Table 3 below: -

4.23 Table 3 – Audit Opinions – Non-School Audits

Audit Opinion	2014/2015	2013/2014	2012/2013	2011/2012
Full Assurance	0	0	0	1 (1)
High Assurance	2 (2)	9 (6)	17 (6)	10 (6)
Medium Assurance	8 (3)	21 (10)	24 (15)	19 (4)
Low Assurance	4 (0)	6 (1)	6 (3)	8 (5)
TOTALS	14 (5)	36 (17)	47 (24)	38 (16)

Note: The figures in brackets in the above table relate to the Pension Fund

4.24 In addition to the fourteen (14) reports issued above, a further nine (9) draft reports have been issued for comments and management responses and these will be reported to the panel in due course.

4.25 The number of reports issued has decreased because a significant number of days were allocated throughout the year to audits that did not generate a report with a level of assurance attached. The reasons for this are:-

- Staff were diverted off planned work during the first three quarters of the year to assist with investigating irregularities to ensure a timely response was delivered.
- Increased grant work has been undertaken.
- Advice and consultancy provided to support service redesigns and the implementation of new or updated systems.
- Fifty additional days were provided to the Pension Fund to take into account the risks associated with the Ministry of Justice Project.

- 4.26 It is important to note however, that whilst the above work does not generate an audit opinion it undoubtedly adds value to the Council. It ensures that expenditure is in accordance with grant conditions, new/amended systems are introduced with satisfactory controls in place and that safeguards are in place to give assurance that data migration has been conducted effectively.
- 4.27 Thirty six (36) Post Audit Reviews have been completed during the year and 92% of agreed recommendations have been implemented. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not been fully implemented. Eight (8) of these post audit reviews related to the Pension Fund and a further fifteen (15) related to Schools.

5 ANTI-FRAUD WORK

Work has concentrated on three specific areas: -

Allegations of Fraud or Irregularity within Tameside MBC

- 5.1 Fraud and irregularity cases can be divided into two categories those that warrant a full investigation and those where assistance is provided. Twenty six (26) referrals were received during the year, seventeen (17) of which required a full investigation and nine (9) were assistance cases. Table 4 provides a summary by Directorate and Fraud Type.
- 5.2 All cases were investigated using the approved standard protocol and procedure. A control report is produced in the majority of cases to ensure that corrective action is taken where possible to ensure that similar frauds do not re-occur. All activity is reported to the Standards Panel, comprising of the Chief Executive, Monitoring Officers and Chief Finance Officer where progress is monitored and direction given where appropriate.
- 5.3 In February the Standards Panel approved an increase in the resources in relation to Fraud Investigations and Counter Fraud work by adding a another person to the team. The new post is to be self-financing and the appointment has been made initially on a two year fixed term contract so that savings can be demonstrated. A member of the Benefits Fraud Team transferred to Internal Audit instead of transferring to the DWP Single Fraud Investigation Service, which has added another accredited counter fraud specialist to the team, and will allow us to progress cases more timely and undertake proactive fraud work.

5.4 Table 4– Fraud/Irregularity Cases 2014/2015

Directorate	Type of Fraud	Full Investigation	Assistance
People	Direct Payments	11	
	Blue Badge	1	
	Time/Mileage	2	
	Email/Internet/PC Logs		3
	Abuse of Sickness Scheme	1	
Finance	Identity	1	
	Email/Internet/PC Logs		3
	Time/Mileage		2
Schools	Single Person Discount	1	
	Theft of Cash	1	
	Procurement	1	
	Abuse of Sickness Scheme		1
	Totals	19	9

5.5 Fourteen (14) of the nineteen (19) cases investigated involved frauds perpetrated against the Council by claimants or third parties.

National Fraud Initiative (NFI)

5.6 Work commenced during the final quarter of 2014/2015 on the matches identified from the NFI 2014 Data Matching Exercise, which became available at the end of January 2015. Investigations are ongoing however, Table 5 below summarises the results to date.

5.7 **Table 5 – NFI Data Matches**

NFI Data Set	Total Number of Matches	Number of Recommended Matches	Comments		
			Processed	In Progress	No. of Frauds (Errors)
Pensions to DWP Deceased Persons (52)	91	501	0	0	0
Housing Benefits to Student Loans (2)	134	281	46	82	0
Housing Benefits to Payroll	129	623	7	2	0
Housing Benefit to Personal Alcohol Licences	22	42	0	0	0
Housing Benefit Claimants to UK Visas	6	6	0	0	0
Housing Benefit Claimants to Pensions	150	1088	9	4	0
Blue Badge to DWP Deceased	451	457	0	0	0
Private Residential Cares Homes to DWP Deceased	11	33	11	0	1 Error
Pensions to Payroll	687	2032	0	0	0
Housing Benefits to Taxi Drivers	51	159	0	0	0
Totals	1732	5222	73	88	1 Error

5.8 The expectation is that all “Recommended Matches” are investigated. The above table highlights that to date only one error has been identified with a value of £5,743.93. Further updates will be presented to the Panel during 2015/2016 as further investigations are conducted by both Internal Audit and service areas.

5.9 Any requests for data from other local authorities are dealt with by Internal Audit in conjunction with service areas (where appropriate) to ensure compliance with the Data Protection Act 1998.

National Anti-Fraud Network

5.10 Tameside MBC has supported the National Anti-Fraud Network (NAFN) since its inception in 1996. NAFN is managed by an annually elected Executive Board and funded externally from members annual subscriptions and grant funding from the Home Office and other initiatives.

- 5.11 The Head of Risk Management and Audit Services continues to chair the Executive Board.
- 5.12 88% of local authorities in England, Scotland and Wales are members of NAFN. Other members include the Department for Work and Pensions UK and Northern Ireland, OFCOM (Regulator for the UK Communications Industry), the Federation against Copyright Theft (F.A.C.T.) and the Land Registry.
- 5.13 NAFN exists to support members in their protection of the public purse and acts as an Intelligence Hub providing a single point of contact for members to acquire data and intelligence in support of investigations, enforcement action and debt collection. A breakdown of the membership is provided in Table 6 below:-

5.14 **Table 6 – NAFN Membership**

Member Type	Number	Target	%
Local Authorities - England, Wales and Scotland	358	407	88
Local Authorities – Northern Ireland	1	11	9
RSLs/PRPs	37	N/A	-
NHS	3	N/A	-
DWP	1	N/A	-
Others	7	N/A	-
Totals	407		

- 5.15 The number of requests received during 2014/15 has decreased by 14% from 2013/2014 due to the implementation of the Single Fraud Investigation Service (SFIS) and the transfer of Housing Benefit Investigators to the DWP. The introduction of Type B requests (online) has provided members with direct access to services, and demand for these services has continued to grow. The number of requests received during 2014/15 are summarised in Table 7 below.

5.16 **Table 7 – NAFN Requests Received**

Type of Request	2014/15	2013/14	2012/13	2011/12
General	70,886	72,851	82,952	80,577
SSFA	50,878	82,797	96,251	93,471
DVLA	21,084	34,898	33,247	31,894
RIPA	2,768	1,617	2,087	2,045
PoSHFA	3,013	-	-	-
CTRS	279	-	-	-
SUB TOTAL	148,908	192,163	214,537	207,987
Type B (ONLINE)	55,241	44,194	-	-
GRAND TOTAL	204,149	236,357	214,537	207,987
% Increase/(Decrease)	(14%)	10%	3%	

- 5.17 The introduction of the Single Fraud Investigation Service (SFIS) has impacted on NAFN requiring the transfer of work and related staff to the DWP. As a consequence, the Executive Board approved a restructure of NAFN involving the closure of the Brighton Office and transferring all operations to Tameside effective from October 2015. Work is ongoing to complete the governance process and recruit staff to the new structure so that NAFN can inform the DWP of the number of staff in scope for transfer to the SFIS.
- 5.18 The NAFN AGM/Summit 2014 was held in Leicester and focused on Collaborative Working and was well attended by a cross section of its members. NAFN also delivered a series of national events showcasing services, new systems and providing guidance to members.

- 5.19 NAFN continues to raise its profile as a provider of robust, secure and legally compliant services and on 1 December 2014, the Home Office prescribed that all local authorities must submit their communications data requirements via the NAFN SPoC facility.

6 RISK MANAGEMENT AND INSURANCE

- 6.1 During the last quarter of 2014/2015, resources were directed towards the procurement exercise undertaken for combined liability and motor insurance and the renewal process for all other covers including property. The combined saving achieved was £113,564.
- 6.2 The other key priority was to continue to deliver training in relation to information governance and support the “Decant” from TAC by providing assistance to teams to manage their paper documents, by working with them to clarify retention periods, provide alternative storage solutions and ensure the secure disposal and transportation of records to new locations.
- 6.3 Work has also continued in relation to several projects across AGMA to assist with data sharing protocols and privacy impact assessments.
- 6.4 The documented processes in relation to risk management, business continuity and information asset registers are being reviewed to design a streamlined process for presentation to the Senior Management Team in June 2014.
- 6.5 Throughout the year advice and guidance has continued to be delivered across the Council ensuring that proper insurance covers are in place and that risks are managed to an acceptable level. The Team have continued to work with our insurers, claims handlers and legal representatives to ensure that all claims (including the litigated claims) have a robust defence in place. Along with providing advice following any claim as to how services can improve their actions to prevent similar claims and improve further defences.

7 PERFORMANCE INDICATORS

- 7.1 The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy (CIPFA) and cross the AGMA local authorities has not taken place for a number of years due budget cuts and reduced capacity in teams.
- 7.2 The Key Performance Indicators for Internal Audit for 2014/2015 are detailed in Table 7 below and they are compared to the two previous years 2013/2014 and 2012/2013. Three out of the four performance indicators have been achieved.
- 7.3 The aspiration for the team is that the targets are met and exceeded wherever possible however, it must to be acknowledged that the measures used are not fully within the control of the team as explained below.
- 7.4 With regards to the Percentage of Plan Complete this a volatile indicator and affected by the timing of audits, staff availability in both internal audit and services areas to support the audit, reactive work (irregularities) and the timing of in year priority requests. Whilst every effort is made to ensure that the planned work is delivered, a surge in reported irregularities can adversely affect this as it is important to provide a responsive service and divert staff from planned to reactive work.
- 7.5 The Percentage of Recommendations Implemented indicator whilst demonstrating that the standard and quality of recommendations made are acceptable, their implementation is the

responsibility of management and delays can occur for example due to lack of capacity, new systems and service redesigns.

7.6 The number of Irregularities Reported/investigated has increased from six (6) to nineteen (19), however the increase is not a reflection on the performance of the internal audit team. This is a reactive indicator and not within the teams control.

7.7 **Table 7 - Key Performance Indicators 2014/15**

	INDICATOR	TARGET	14/15	13/14	12/13	Comments
1	% of Plan Completed	90%	92%	93%	94%	Target Achieved
2	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"	100%	93%	93%	Target Achieved
3	% Recommendations Implemented	90%	92%	95%	87%	Target Achieved
4	No. of Irregularities Reported/Investigated	Downward trend	19	6	6	Target Not Achieved

7.8 The effectiveness of the team in terms of adding value to the Council is an important element of the role of internal audit (as per the CIPFA definition outlined in section 1.1) and the service as a whole, however, it is extremely difficult to use quantitative indicators to measure this performance. Added value is demonstrated by the variety of work undertaken above, the responsive and flexible approach adopted, the positive comments and feedback received from auditees and the opinion of our External Auditors that they can place reliance on the work of Internal Audit.

7.9 The process and procedures in place within Internal Audit are continually reviewed and during 2014/2015, a revised process was introduced to ensure that all Assistant Executive Directors are fully engaged in the audits being conducted in their area to ensure that quality audit reports are issued.

7.10 As reported earlier on the agenda the service is compliant with the Public Sector Internal Audit Standards (PSIAS) and in line, them the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2014/2015.

8 AUDIT OPINION BASED ON RESULTS OF 2014/2015 ACTIVITY

8.1 From our work undertaken on the financial systems of the Council and the Pension Fund during the year, Internal Audit is satisfied that systems are being properly managed; they are fit for purpose and operating within an effective control environment. Where issues have been identified, assurance has been received that all recommendations will be implemented.

8.2 Issues raised with management are followed up as part of the post audit review process, whereby the area is revisited to ensure that the agreed recommendations have been implemented. As positive responses were received to all recommendations made, Internal Audit is confident that all control weaknesses highlighted will be improved within the required six months or three months for a Low Level Assurance Audit. Failure to satisfactorily implement audit recommendations will in the first instance be escalated to senior management and where appropriate reported to future meetings of the Audit Panel.

- 8.3 The overall Audit Opinion on the Control Environment for 2014/2015 based upon the audit work undertaken it is strong and effective. It has to be accepted that the gross risk for the Council has increased (as we have reduced capacity while still having to deliver a significant change programme to meet our financial challenges). The finding of our work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

9 RECOMMENDATION

- 9.1 Members note the report, the overall audit opinion on the control environment and the performance of the Service Unit for 2014/2015.