



<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	30 May 2017
<b>Reporting Officer:</b>	Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2016/2017</b>
<b>Report Summary:</b>	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.
<b>Recommendations:</b>	Members note the report.
<b>Links to Community Strategy:</b>	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
<b>Policy Implications:</b>	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	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.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance”.
<b>Risk Management:</b>	The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively managed and controlled.
<b>Access to Information:</b>	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: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## 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 organisation’s 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 Audit Standards 2017.

## 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 Council’s Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the Council’s financial systems are operating satisfactorily.

### 2.2 Accounts and Audit Regulations 2015 Part 2, Section 3 – Responsibility for Internal Control

A relevant authority must ensure that it has a sound system of internal control which:-

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

### 2.3 Accounts and Audit Regulations 2015 Part 2, Section 5 – Internal Audit

- (1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- (2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:-
  - (a) Make available such documents and records; and
  - (b) Supply such information and explanation;as are considered necessary by those conducting the internal audit.
- (3) In this regulation “documents and records” includes information recorded in an electronic form.

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.

#### 2.4 **Accounts and Audit Regulations 2015 Section 6 – Review of Internal Control System**

- (1) A relevant authority must, each financial year:-
  - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
  - (b) prepare an annual governance statement.
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must:-
  - (a) consider the findings of the review required by paragraph (1)(a):-
    - (i) by a committee; or
    - (ii) by members of the authority meeting as a whole; and
  - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:-
    - (i) a committee; or
    - (ii) members of the authority meeting as a whole.
- (3) Relates to Category 2 authorities and not applicable to the Council.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be:-
  - (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
  - (b) prepared in accordance with proper practices in relation to accounts(a).

2.5 The Terms of Reference for the Audit Panel adequately meet the requirements of the Accounts and Audit Regulations.

2.6 The review of the effectiveness of the system of internal control referred to in paragraph 2.4 has been conducted and a separate report is on the agenda.

### **3. KEY ACHIEVEMENTS DURING 2015/2016**

3.1 The major achievements of the Service Unit for 2016/2017 are as follows:-

- 93% of planned audits were delivered.
- 92% of audit recommendations made have been implemented.
- Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
- Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
- The Annual Governance Statement was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.
- The National Anti-Fraud Network service was further redesigned during the year to add three posts to the establishment of a Business Development Manager and two Administrative Support Officers.
- Twenty seven fraud cases were investigated during the year.
- One Direct Payment Fraud was prosecuted through the courts this year and the defendant received a sixteen month custodial sentence suspended for two years and was ordered to repay the overpayment of £53,000.

- A Procurement Fraud was also prosecuted through the courts and the defendant received a twenty month custodial sentence. The value of the fraud was £102,000, and a Proceeds of Crime Act Hearing is still outstanding where the financial situation of the defendant will be assessed and a repayment order determined.

#### 4. COVERAGE FOR 2016/2017

4.1 The report presented to the Audit Panel in May 2016 provided an overview of the work planned for 2016/2017 for the service unit. The Original Audit Plan of 1,798 days was detailed in the report and approved by the Panel. The plan however as reported during the year has been revised on a regular basis to ensure that it is aligned to changes in service priorities, risks, directorate structures and resources available.

4.2 Table 1 below shows the full year position of the audit plan by Directorate/Service Area. It details the approved plan, the revised plan, the actual days as at 31 March 2017 and the percentage completed.

**Table 1 – Annual Audit Plan Progress as at 31 March 2017**

Service Area	Approved Plan May 2016	Revised Plan 2016/17	Actual Days To 31 March 2017	% Complete
People	250	217	178	82
Public Health	51	43	42	98
Place	222	173	173	100
Governance/Resources	262	210	203	97
Schools	175	224	208	93
Cross Cutting	63	44	42	95
Pension Fund	300	300	268	89
<b>Planned Days 2015/16</b>	<b>1,323</b>	<b>1,211</b>	<b>1,114</b>	<b>92</b>
Fraud Work	475	475	478	101
<b>Total Days 2016/17</b>	<b>1,798</b>	<b>1,686</b>	<b>1,592</b>	<b>94</b>

- 4.3 Resources on planned work reduced during the year for the following reasons:-
- A member of the team left as she obtained a promotion in another Greater Manchester Audit Team;
  - Part time working was approved for a member of the team;
  - The number of days allocated to training a new member of staff was underestimated; and
  - The resources needed to upgrade the Audit Management System Galileo were underestimated as a number of issues were identified once the system went live that needed to be addressed by the software provider.

These changes resulted in a reduction of 112 planned days from 1,323 to 1,211 and these changes were reported to the Panel in November 2016 and March 2017. In terms of the overall plan 1,592 actual days were delivered against a revised plan of 1,686.

- 4.4 The successful delivery of the plan can be measured in two ways:-
- Actual Productive Audit Days Delivered against the Plan  
The days delivered against the plan, including Fraud Work totalled 1,592 compared to the revised plan of 1,686, which represents 94%.

- Percentage of Planned Audits Completed

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 2016/17 is 93% compared to 94% in 2015/2016 and 92% in 2014/2015.

4.5 This following sections of the report provide details of the key areas covered during the period April 2016 to March 2017 and comment on any important issues arising from our work.

### **Financial Systems**

4.6 During 2016/17 audits have been undertaken on the following financial systems to ensure they were operating securely, 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:-

- General Ledger
- Capital Monitoring
- External Audit Checks – General Ledger and Payroll
- Better Care Fund

4.7 Post Audit Reviews have been completed for NNDR, Council Tax and Debtors and the majority of recommendations made have been implemented.

4.8 Audits were also undertaken on a number of the financial systems used by the Pension Fund. 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:-

- Pension Benefits Payable
- Debtors

4.9 In relation to the Pension Fund, Post Audit Reviews were undertaken on the Contribution Income, Creditors and Pensions Benefits Payable audits, and the majority of recommendations made have been implemented.

4.10 Sections 4.14 to 4.19 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.

### **4.11 People**

Areas reviewed during the year have included:-

- Pupil Referral Service;
- Procurement of Placements for Children;
- Early Years Funding;
- Schools Cash Flow/Deficit Recovery Plans;
- Community Response Service;
- Integrated Urgent Care Team; and
- Troubled Families.

### **4.12 Place**

Areas reviewed during the year have included:-

- Local Authority Bus Subsidy Grant;
- Pinchpoint Grant;
- Car Parking and Enforcement Income;
- Hattersley Collaboration Agreement;
- Device Management;

- Cyber Security; and
- Libraries – New System Sign Off.

#### 4.13 Public Health

Areas reviewed during the year have included:-

- Ring-Fenced Public Health Grant;
- Information Governance;
- Contract Monitoring.

#### 4.14 Governance and Resources

Areas reviewed during the year have included:-

- Revenue Expenditure/Payroll (External Audit Checks);
- Bank Transfer Arrangement Appointeeships/Deputyships;
- General Ledger;
- Monitoring of the Capital Programme;
- Payroll;
- Year End Compliance Checks for Greater Manchester Pension Fund;
- Review of Terms and Conditions; and
- Review of Car Allowances.

#### 4.15 Greater Manchester Pension Fund

Areas reviewed during the year have included:-

- Debtors;
- Unitisation;
- Assurance visits to Contributing Bodies;
- Pension Benefits Payable;
- Application Review of Altair;
- Visit to Property Investment Manager (La Salle).

#### 4.16 Cross Cutting

Areas reviewed during the year have included:-

- Data Barring Service Procedures; and
- Grant Certification work for the Combined Authority.

4.17 A summary of the audit opinions issued in relation to system based audit work for 2016/17 compared to 2015/16 and 2014/15 is shown in Table 2 below:-

**Table 2 – Final Reports System Based Audits**

Opinion	Total for 2016/17	%	Total for 2015/16	%	Total for 2014/15	%
High	5 (4)	20	6 (4)	24	2 (2)	14
Medium	13 (8)	52	14 (3)	56	8 (3)	57
Low	7 (2)	28	5 (0)	20	4 (0)	29
<b>Totals</b>	<b>25 (14)</b>	<b>100</b>	<b>25 (7)</b>	<b>100</b>	<b>14 (5)</b>	<b>100</b>

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

4.18 In addition to the twenty-five final reports issued above, a further seven draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.

4.19 Twelve schools have been audited and final reports issued as part of our cyclical review programme during 2016/2017. A summary of the opinions issued for schools during 2016/2017 compared to 2015/16 and 2014/15 is shown in Table 2 below:-

**Table 3 – Audit Opinions – Schools**

Opinion	Total for 2016/17	%	Total for 2015/16	%	Total for 2014/15	%
High	6	50	9	43	4	20
Medium	5	42	7	33	13	65
Low	1	8	5	24	3	15
<b>Totals</b>	<b>12</b>	<b>100</b>	<b>21</b>	<b>100</b>	<b>20</b>	<b>100</b>

- 4.20 A further four draft reports have been issued for comments and management responses and these will be reported to the panel in due course.
- 4.21 In addition to the reports issued in Tables 2 and 3, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The reasons for this are:-
- Grant Certification;
  - Advice and consultancy work provided to support service redesigns and the implementation of new or updated systems; and
  - Investigation control reports.
- 4.22 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, that new/amended systems are introduced with satisfactory controls in place and that control issues identified as part of irregularity investigations are resolved to improve the control environment.
- 4.23 Thirty one 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. Four of these post audit reviews related to the Pension Fund and twenty one related to Schools.

## 5. ANTI-FRAUD WORK

### 5.1 Irregularity Investigations

Investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach. All cases were investigated using the approved standard protocol and procedure, which complies with best practice. A control report is produced in the majority of cases for management to ensure that corrective action is taken where possible to ensure that the control environment is improved therefore minimising the risk of similar irregularities occurring in the future.

- 5.2 All investigations and assistance cases are reviewed by the Standards Panel every month and where appropriate the members of the Panel challenge and comment on the cases and offer further guidance and direction. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.

- 5.3 The number of cases investigated during the period April 2016 to March 2017 is summarised in Table 4 below.

**Table 4 – Investigations Undertaken from April 2016 to March 2017**

Detail	No. of Cases
Cases B/Forward from 2015/2016	12
Current Year Referrals	15
<b>Total</b>	<b>27</b>
Cases Closed	10
Cases Still under Investigation	17
<b>Total</b>	<b>27</b>

5.4 The above investigations can be categorised by fraud type as shown in Table 5 below.

**Table 5 – Investigations by Fraud Type**

Fraud Type	No. of Cases	Value £	Recovered To Date £	Potential Annual Savings £
Direct Payment	12	184,492	4,528	42,741
Procurement/Duplicated Invoices Fraud	3	101,950	Awaiting Proceeds of Crime Hearing	
Misappropriation of Monies/Stock	7	200	-	-
Staff Conduct (Time/HB Fraud)	3	To Be Assessed	-	-
Misappropriation of Grant Monies	2	41,766	20,000	-
<b>Total</b>	<b>27</b>	<b>328,408</b>	<b>24,528</b>	<b>42,741</b>

5.5 Seventeen of the above cases investigated involved frauds perpetrated against the Council by claimants or third parties. The figures shown in the Value and Potential Annual Savings column in Table 5 are estimated based on the information available to date. Several of the cases are still being investigated or prepared for prosecution and the value of the fraud could change as the case progresses. The ongoing savings are the value of the Direct Payments that have been stopped because of ongoing investigations.

5.6 One Direct Payment Fraud was prosecuted through the courts this year and the defendant received a sixteen month custodial sentence suspended for two years and was ordered to repay the overpayment of £53,000.

5.7 A Procurement Fraud was also prosecuted through the courts and the defendant received a twenty month custodial sentence. The value of the fraud was £102,000, and a Proceeds of Crime Act Hearing is still outstanding where the financial situation of the defendant will be assessed and a repayment order determined.

5.8 The processes in place within Internal Audit and across the Council to manage the risk of fraud and corruption are in accordance with the code of practice issued by the Chartered Institute of Public Finance and Accountancy in 2014 entitled “Managing the Risk of Fraud and Corruption”.

#### 5.9 National Fraud Initiative

Work in ongoing in relation to the NFI 2016 Data Matching Exercise, which became available from January/February 2017 and Table 6 below summarises the results.



**Table 6 – National Fraud Initiative Data Matches 2016**

NFI Data Set	Total Number of Matches	Number of Matches (Recommended)	Outcomes	
			Processed	No. of Error/Frauds and Value
Pensions to Department of Work and Pensions Deceased Persons	936	<b>559</b>	0	0
Housing Benefits to Student Loans	67	<b>16</b>	0	0
Housing Benefits to Payroll	287	<b>0</b>	0	0
Council Tax Reduction Scheme to Housing Benefit Claimants	85	<b>59</b>	0	0
Housing Benefit to In- Country Immigration	1	<b>1</b>	0	0
Blue Badge to Department of Work and Pensions Deceased	43	<b>42</b>	0	0
Private Residential Cares Homes to Department of Work and Pensions Deceased	47	<b>21</b>	0	0
Pensions to Payroll	2,112	<b>608</b>	0	0
Creditors Duplicate Records/Payments	1,564	<b>154</b>	0	0
Housing Benefits Claimants to Department of Work and Pensions Deceased Persons	100	<b>60</b>	0	0
<b>Totals</b>	<b>5,242</b>	<b>1,520</b>	<b>0</b>	<b>0</b>

5.10 The expectation from the Cabinet Office is that all “Recommended Matches” are investigated. Updates will be provided to future meetings of the Audit Panel as the investigations are progressed.

## **6. NATIONAL ANTI-FRAUD NETWORK**

6.1 With the transfer of all Housing Benefit Investigations now transferred to the Department of Works and Pensions, the National Anti-Fraud Network during 2016/17 concentrated on the processing of RIPA, Prevention of Social Housing Fraud Act, Council Tax Reduction Scheme and Driver and Vehicle Licensing Agency requests. The concerns that local authorities would not continue to support the organisation were unfounded as membership continues to grow.

6.2 The structure of the team was further reviewed and a revised structure was approved in December 2016, which introduced the post of Business Development Manager and two Administrative Support Officers.

6.3 The Council is now the single host organisation for the National Anti-Fraud Network and the service is part of the Risk Management and Audit Service Unit.

6.4 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 7 below:-

**Table 7 – NAFN Membership**

Member Type	March 2017	March 2016	Target	%
Local Authorities	359	350	418	86
Registered Social Landlords/Private Registered Providers	47	48	N/A	-
Department of Work and Pensions	1	1	N/A	-
Others	11	11	N/A	-
<b>Totals</b>	<b>418</b>	<b>410</b>		

- 6.5 As mentioned above the Marketing Plan is continuing to pay dividends as the service is continuing to attract new members from both local authorities and housing associations. Weekly marketing emails are being despatched to all registered users outlining the various services on offer to all members as the membership subscription provides corporate membership.
- 6.6 The number of requests received during 2016/17 as detailed in Table 8 below has decreased by 3% overall from 2015/2016.

**Table 8 – NAFN Requests Received**

Type of Request	2016/17	2015/16	2014/15
General Data Protection Requests	47,625	62,703	70,886
Social Security Fraud Act	-	11,219	50,878
Driver and Vehicle Licensing Agency	15,489	14,478	21,084
Regulation of Investigatory Powers Act	946	1,035	2,768
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	8,449	6,802	3,292
<b>Sub Total</b>	<b>72,509</b>	<b>96,237</b>	<b>148,908</b>
Type B (Online)	99,227	80,980	55,241
<b>Grand Total</b>	<b>171,736</b>	<b>177,217</b>	<b>204,149</b>
<b>% Increase/(Decrease)</b>	<b>(3%)</b>	<b>(13%)</b>	<b>(14%)</b>

- 6.7 The number of Regulation of Investigatory Powers Act requests continues to be a concern for the Executive Board and progress is being monitored on a quarterly basis. The introduction of the judicial review process is still affecting usage.
- 6.8 The increase in Type B (Online) requests is in line with the business plan. These provide direct access to services for members increasing the turnaround time for them and allowing the team to concentrate on the more complex requests received.

## 7. RISK MANAGEMENT AND INSURANCE

- 7.1 The approved priorities for 2016/2017 were:-
- To review the risk management system and facilitate the delivery of risk workshops for managers to enable risk registers to be updated.

- To facilitate the continued implementation of the Information Governance Framework by:-
  - Providing advice and guidance in relation to information governance;
  - Keeping the framework up to date and fit for purpose with any new guidance issued by the Information Commissioners Office (ICO);
  - Delivering and monitoring training for general users and for staff in high risk areas.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.

7.2 With regards to Information Governance, a number of the Information Governance Framework documents were refreshed during the year and presented to the Audit Panel in November 2016 for approval. The Information Governance Group continued to meet during the year to consider information governance issues and developments to ensure robust policy, procedures and protocols are in place.

7.3 Information was finalised for the insurance renewal process in the last quarter and renewal terms were offered and agreed by the deadline of 30 March 2017.

7.4 Progress was delayed in terms of reviewing the risk management and business continuity processes for the Council as the Risk and Insurance Manager who transferred to Greater Manchester Connect on secondment in October 2015 had his secondment extended and the Risk and Insurance Officer was on Maternity Leave from November 2016. This will be carried forward as a high priority for 2017/18. The service was managed and delivered by the Head of Risk Management and Audit with the support of an Apprentice from November 2016 onwards.

7.5 Advice and guidance has been delivered across the Council ensuring that proper insurance covers are in place and that risks are managed to an acceptable level. We 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. Learning is also shared with services in year as a result of case conferences and court decisions to prevent reoccurrence or improve future defences.

## **8. PERFORMANCE INDICATORS**

8.1 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 has not taken place for a number of years due to budget cuts and capacity, however, this is being reviewed by the North West Chief Audit Executive Group to determine if a small number of key performance indicators could be compared locally.

8.2 The Key Performance Indicators for Internal Audit for 2016/17 are detailed in Table 9 below and they are compared to the two previous years 2015/16 and 2014/15. Four out of five performance indicators have been achieved.

**Table 9 - Key Performance Indicators 2016/17**

	INDICATOR	TARGET	16/17	15/16	14/15	Comments
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	Target Achieved
2	% of Plan Completed	90%	93%	94%	92%	Target Achieved
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"	94%	95%	100%	Target Achieved
4	% Recommendations Implemented	90%	92%	92%	92%	Target Achieved
5	No. of Irregularities Reported/Investigated	Downward Trend	15	14	19	Target Not Achieved

- 8.3 The aspiration for the team is that the targets are met and exceeded wherever possible however, it must be acknowledged that the measures used are not fully within the control of the team as explained below.
- 8.4 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 work to reactive work.
- 8.5 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.
- 8.6 The number of Irregularities Reported/investigated has increased from fourteen to fifteen, however this is a reactive indicator and not within the team's control.
- 8.7 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 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.
- 8.8 The process and procedures in place within Internal Audit are continually reviewed and during 2016/17, the audit process was reassessed in advance of the upgrade to the Audit Management System Galileo to ensure efficiencies available in the new version can be captured going forward. A new report format has been designed in conjunction with Policy and Communications and this will be rolled out for reports issued from the 2017/18 Audit Plan.
- 8.9 As reported earlier on the agenda, the service is compliant with the Public Sector Internal Audit Standards (PSIAS) and as required, it is confirmed that the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2016/17.

**9. AUDIT OPINION BASED ON RESULTS OF 2016/17 ACTIVITY**

- 9.1 The Audit Panel can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, are suitably designed and applied effectively.
- 9.2 It has to be accepted that the gross risk for the Council has increased in recent years (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.

**10. RECOMMENDATION**

- 10.1 Members note the report and the performance of the Service Unit during 2016/17.