

<b>Subject:</b>	<b>Annual Internal Audit Report 2016/17</b>		
<b>Date of Meeting:</b>	<b>25 July 2017</b>		
<b>Report of:</b>	<b>Head of Internal Audit</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Graham Liddell</b>	<b>Tel:</b> 01273 291323
	<b>Email:</b>	<b>Graham.liddell@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

## FOR GENERAL RELEASE

### 1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The Internal Audit annual report sets out:

- the Head of Internal Audit's opinion on:
  - the overall adequacy and effectiveness of the council's framework of governance, risk management and control for the year-ended 31 March 2017
  - whether the council's arrangements continue to be fit for purpose in accordance with Delivering Good Governance in Local Government Framework 2016 published by CIPFA/SOLACE
- a summary of the results of internal audit work for the year
- the Head of Internal Audit's assessment of effectiveness of internal audit including conformance with UK Public Sector Internal Audit Standards and actions to make further improvements to the internal audit function.

### 2. RECOMMENDATIONS

2.1 That the Committee notes that the Head of Internal Audit has given reasonable assurance on:

- the overall adequacy and effectiveness of the council's framework of governance, risk management and control for the year-ended 31 March 2017
- that the council's arrangements continue to be fit for purpose in accordance with Delivering Good Governance in Local Government Framework 2016 published by CIPFA/SOLACE.

2.2 That the Committee notes the council has an effective internal audit function which has achieved some notable successes in 2016/17.

2.3 That the Committee notes that opportunities to strengthen the function further have been identified and will be implemented as part of Orbis IA.

2.4 That the Committee considers the implications of the Annual Audit Report for the Annual Governance Statement.

### **3. CONTEXT/ BACKGROUND INFORMATION**

3.1 The Accounts and Audit Regulations (England) 2015 require local authorities to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

3.2 As part of these requirements the Head of Internal Audit is required to:

- give an opinion on the control environment
- conduct an annual review of the effectiveness of the internal audit function and have the findings considered by a committee. This can be a self-assessment, provided that an external review is carried out at least every five years. For Brighton & Hove City Council an external review is required for 2017/18.

### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

4.1 The Head of Internal Audit's opinion is set out in the Internal Audit Annual Report (see appendix 1). This states that in the opinion of the Head of Internal Audit reasonable assurance can be provided:

- on the overall adequacy and effectiveness of the council's framework of governance, risk management and control for the year-ended 31 March 2017
- that the council's arrangements continue to be fit for purpose in accordance with Delivering Good Governance in Local Government Framework 2016 published by CIPFA/SOLACE.

4.2 This judgment has been based on the effectiveness of core financial systems, good governance principles being in place, the council delivering a challenging budget and the council's objectives being largely on track.

4.3 The report identifies key challenges which have been included in the draft Annual Governance Statement:

- risks from continued financial challenges, especially school balances
- the risk that reduced capacity will compromise effectiveness of internal controls
- ensuring the robustness of our arrangements to keep data secure
- addressing variable contract management practices.

4.4 At the same time as delivering its own efficiency savings of £64k (9.8%), Internal Audit has achieved some notable successes in 2016/17 including:

- delivering 95% of the audit plan (91% in 2015/16) with 90% of recommendations implemented (88% in 2014/15)
  - supporting the council to
    - develop a corporate risk assurance framework,
    - address new and emerging risks such as changes to the General Data Protection Regulations
    - recover council assets and cash
  - improving further customer satisfaction
  - being shortlisted and winning awards in Brighton & Hove and across the Orbis partnership.
- 4.5 The Head of Internal Audit has carried out a self-assessment of the effectiveness of Internal Audit. This has concluded that for 2016/17 Internal Audit delivered its Quality Assurance Improvement Plan (QAIP) and conformed with International Standards for the Professional Practice of Internal Auditing.
- 4.6 For 2017/18 the function is being formally delivered in partnership with East Sussex County Council and Surrey County Council as part of Orbis IA:
- The 2017/18 QAIP for Brighton & Hove will be integrated within Orbis IA.
  - An external review covering the audit function for all three councils is planned for 2017/18.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 The annual report has been prepared by the Head of Internal Audit and informed by audit and corporate fraud work carried out during the year which has included extensive engagement with officers and members.

## **6. CONCLUSION**

- 6.1 The council has an effective internal audit function which has achieved some notable successes in 2016/17. Opportunities to strengthen the function further have been identified and will be implemented as part of Orbis IA.
- 6.2 The Head of Internal Audit has concluded that reasonable assurance can be provided:
- on the overall adequacy and effectiveness of the council's framework of governance, risk management and control for the year-ended 31 March 2017
  - that the council's arrangements continue to be fit for purpose in accordance with Delivering Good Governance in Local Government Framework 2016 published by CIPFA/SOLACE.

6.3 The council has set out in the annual governance statement how it plans to address the areas for improvement.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

7.1 The areas for service development within this review can be managed within the budget of the Internal Audit service for 2017/18.

*Finance Officer Consulted: James Hengeveld*

*Date: 06/07/17*

### Legal Implications:

7.2 The statutory provisions are set out in the Accounts and Audit Regulations 2015. These regulations require the findings of the effectiveness review to be considered by full Council or a council committee. In the case of Brighton & Hove, the Audit & Standards Committee is the designated committee for this purpose. Following the review, the Committee must approve an annual governance statement prepared in accordance with proper practices in relation to internal control.

*Lawyer Consulted: Victoria Simpson*

*Date: 23/6/17*

### Equalities Implications:

7.3 None.

### Sustainability Implications:

7.4 None

### Any Other Significant Implications:

7.5 None

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Internal Audit Annual Report

### **Documents in Members' Rooms**

1. None

### **Background Documents**

1. None