
Meeting	Audit Committee
Date	21 June 2012
Subject	Internal Audit Annual Opinion
Report of	Assistant Director of Finance – Audit and Risk Management
Summary	The Committee is asked to note the content of the Annual Opinion for 2011-12.

Officer Contributors	Maryellen Salter, Assistant Director – Audit and Risk Management
Status (public or exempt)	Public
Wards Affected	None
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Full Council
Enclosures	Appendix A: Internal Audit Annual Opinion 2011-12
Contact for Further Information:	Maryellen Salter, Assistant Director – Audit and Risk Management, 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Annual Opinion/Report.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee Work Programme which was approved at the meeting on 26th April 2012 included the Internal Audit Annual Opinion for inclusion at this meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 All internal audit planned activity is aligned with the Council's objectives and, thus, supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.
- 3.2 The Internal Audit Annual Opinion forms part of the Annual Governance Statement that is presented to this Committee.

4. RISK MANAGEMENT ISSUES

- 4.1 All Internal Audit activity is directed toward giving assurance about controls put in place by management to mitigate risks they have identified. Specifically giving assurance around the design of those controls and the operating effectiveness.
- 4.2 Internal Audit work contributes significantly to increasing awareness and understanding of risk and controls amongst managers and thus, leads to improving management processes for securing more effective risk management. Internal Audit also makes recommendations to assist managers in improving the internal control environment.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 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 entire community.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 None directly as a result of this Report.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 The Constitution Part 2 Paragraph 3.3 recognises that the annual audit opinion plays an essential part in advising the Council that risk management procedures and processes are in place and operating properly.

9. BACKGROUND INFORMATION

- 9.1 This report summarises the work that Internal Audit has undertaken during 2011-12 and the key internal control environment strengths and high priority recommendations identified within each directorate during the year.
- 9.2 This annual report has the primary function of giving an overall opinion on the internal control environment. The 2011-12 financial year has evidenced improvement in the quality of design and effectiveness of controls in place to mitigate risk. This was particularly evident for fundamental and key financial systems in place, for which now satisfactory assurance is given that these are in place and operating as designed.
- 9.3 Overall 51% of audits undertaken were given satisfactory assurance compared to the previous year where only 28% received satisfactory assurance. However once the fundamental and key financial systems were excluded from this analysis it was clear that the overall control environment had not improved significantly so as to change the limited assurance on the overall internal control environment. As such an overall limited assurance has been given on the overall internal control environment but with improvement noted.
- 9.4 Schools financial management continues to receive satisfactory assurances around schools that we have direct responsibility for. We audit schools on a three year cycle, and although not directly comparable year on year as the same schools are not audited, we have noted a slight reduction on the number of schools receiving satisfactory assurances.
- 9.5 The Audit Committee's role in receiving this report is to note the overall assurance given for the financial year and to focus on the areas noted as themes for 2012-13 for improvement, which are:
- Contract management and compliance
 - Data quality
 - Data protection
 - Improved efficiencies within processes

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Cleared by Finance (Officer's initials)	MGC and JH
Cleared by Legal (Officer's initials)	TE