



## **Supporting Information**

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### **1. Background**

- 1.1 A report is made by Internal Audit twice a year to Corporate Board
- 1.2 The purpose of the report is to update the Executive on the results of work carried out by Internal Audit.
- 1.3 The report covers the last six months. A similar report was made to the Executive in June 2004

## **Appendices**

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Appendix 9(a) – November 2004 Interim Report

## **Consultation Responses**

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<b>Local Stakeholders:</b>	None
<b>Officers Consulted:</b>	None
<b>Trade Union:</b>	None

**Executive**

**Internal Audit  
Interim Report 2004 -05**

**November 04**

# Internal Audit – Interim Report for 2004-05

## 1 Introduction

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government requires the “Head of Internal Audit” to make a formal report annually to the Council. The report should cover:
- An opinion on the overall effectiveness of the Council’s internal control framework, making any qualifications as necessary
  - Provide a summary of the work undertaken upon which the opinion is based
  - Highlight any issues relevant to the preparation of the Statement of Internal Control
  - Summarise performance of Internal Audit and comment on compliance with the CIPFA Code of Practice
- 1.2 The Code recommends interim reporting during the year on any emerging issues and this interim report meets that requirement.
- 1.3 The Council’s contract with Amey also requires half yearly updates on the work of Internal Audit.
- 1.4 The annual report will be produced in line with the timetable for the production of the Statement of Internal Control, in May – June 2005.

## 2 The Internal Control Framework

- 2.1 The internal control framework remains robust. No fundamental weaknesses were identified in the work carried out by Internal Audit.
- 2.2 Significant progress is being made in terms of formalising the internal control framework. This is reflected in the progress made in the “Stronger Governance” development theme.
- 2.3 Progress has also been made in Risk Management with further improvements to be made over the coming months in the further embedding of Risk Management across Council services.
- 2.4 One significant gap exists in respect of the Amey contract. Because of a conflict of interest Internal Audit are unable to comment on the extent of contingency planning in respect of the contract. Given current negotiations the Council should seek assurance that appropriate contingency planning is in place.

## 3 Progress with the audit plan, including results of work completed

- 3.1 The audit plan was approved in May 04 by the Executive as part of the Assurance Work Programme.
- 3.3 No material variations have been agreed to the 04-05 plan as yet.
- 3.4 A listing of the results of work that has been completed over the last six months is attached at appendix A. This list uses a traffic lights system to set out the position of each audit or follow up audit.

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- 3.2 A rating system is used to derive the overall opinion. Each audit is categorised into one of five, these are – Very Weak, Weak, Satisfactory, Well Controlled, Very Well Controlled. Satisfactory and better are given a Green rating, weak and very weak are give Amber. Where an action plan for an audit that was Amber has not been implemented, then a Red rating is given.
- 3.3 The following table, at appendix A, highlights the outcomes of the audits that have been completed in the last six months. This indicates that 92% of audits were given a Green rating and 8% of the audits an Amber rating.
- 3.5 A key outcome of each audit is a management action plan that is designed to resolve issues of concern. All action plans are drawn up between the auditor and the service manager, agreed with the Head of Service, and copied to the relevant Corporate Director.
- 3.5 Internal Audit follow carry out follow up reviews to ensure that action plans are progressing as agreed.
- 3.6 The areas of real concern are those where a weak or very weak opinion has been given, action plans agreed, but follow up work, or repeat audits, by Internal Audit indicate difficulties in delivery of agreed action plans. As noted above, such audits are given a Red. There were no areas in the Red category.

## 4 Statement of Internal Control

- 4.1 The Council is currently putting in place the measures to deliver the assurance that will underpin the Statement of Internal Control.
- 4.2 Corporate Board recently approved the following actions to ensure the delivery of the Statement of Internal Control.

	Action	Responsibility	Date for delivery
1	An internal control framework be established along the lines at the CIPFA / SOLACE guideline	Monitoring Officer / Head of Assurance	31.12.04
2	The CFO review the SIC annually as part of his review of the statement of accounts	Head of Resources	31.7.05
3	The Monitoring Officer to lead of the provision of the management assurance required for the SIC, using the Risk Management JCC as a vehicle to ensure service based assurance is delivered	Monitoring Officer / Risk Manager	30.6.05
4	The Internal Audit Service provide an annual report in line with the CIPFA code of practice for Internal Audit	Head of Assurance	30.6.05
5	The risk management process be enhanced to provide the necessary assurance, in line with the best practice	Corporate Board 7 all Heads of	1.12.04

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	identified by the External Auditor	Service	
6	Corporate Board, in conjunction with the Executive, carry out a refresh of the Strategic Risk Register and bring the Strategic Risk Register into the normal business of the group. The refresh will need to identify the officers responsible for the operation and testing of controls.	Corporate Board / Executive	1.11.04
7	Service Management Teams carry out a refresh of their Operational Risk Register and bring the Operational Risk Register into the normal business of the group. The refresh will need to identify the officers responsible for the operation and testing of controls	All SMT's	1.12.04
8	Projects need to be identified as strategic or operational so the risk management of them can be identified with the relevant management group	Corporate Board / Heads of Service	1.12.04
9	Heads of Service produce assurance statements in respect of their service and project risks that they are managing	Heads of Service	31.5.05
10	The Monitoring Officer produce an assurance statement in respect of the strategic risks that the Corporate Board is managing	Monitoring Officer	31.6.05
11	The Corporate Board and Executive review the assurance statements provided, as set out above and any relevant information from external review agencies. Any significant internal control issues should be highlighted and a SIC be drafted based on this review	Corporate Board / Executive	31.7.05

## 5 Internal Audit performance and Compliance with the CIPFA Code of Practice

- 5.1 Overall progress in completion of the audit plan is monitored quarterly by the Council through a KPI, LPIIA2. 85% of the 03-04 audit plan was completed. As at 30.9.04, 43% of the 04-05 plan has been completed.
- 5.2 The Internal Audit service fully complies with the CIPFA Code of Practice. An effective quality assurance process is in place.
- 5.3 The Audit Commission recently completed the CPA assessment for Internal Audit and all aspects of the service scored the maximum 4 apart from the requirement to complete 90% of the audit plan.

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5.4 Issues that require addressing relate to:

- the need to revise the Internal Audit Quality Manual to update it in line with changes in working practices
- the imminent loss of a Group Auditor, Helen Taylor, who has been promoted to Head of Audit with another Council.

## Appendix A – summary of audits and opinions

	Service	Audit	Opinion
1	Highways and Engineering	Concessionary Fares Follow-Up	Green
2	Information and Communication	Hungerford Library	Green
3	Information and Communication	Pangbourne Library	Green
4	Community Care and Housing	Travel Claims	Green
5	Environment and Public Protection	Travel Claims	Green
6	Older People	Downlands Day Centre	Green
7	Older People	Windmill Court Day Centre	Green
8	Older People	Walnut Close EPH	Green
9	Older People	Notrees EPH Follow-up	Green
10	Older People	High View Day Centre follow-up	Green
11	Community Care & Housing	Newbury Day Centre	Green
12	Revenues & Benefits	NNDR	Amber
13	Revenues and Benefits	Council Tax	Green
14	Accountancy	General Ledger 03-04	Green
15	Finance Policy and Planning,	Treasury Management	Green
16	Exchequer	Debtors	Green
17	Exchequer	Creditors	Green
18	Community Care & Housing	Supporting People	Green
19	Education Services	Badger's Hill PRU Follow-up	Green
20	Education Service	Education Centre – Follow up	Green
21	Education Service	PLASC	Green
22	Education Service	Nursery provision – providers	Green
23	ICT	File Controls – Advisory points	Green
24	Children's Services	Budgetary Control Follow up	Green