

<b>Title of Report:</b>	<b>Internal Audit - Interim Report for 2011-12</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	20th February 2012
<b>Forward Plan Ref:</b>	GA2388

**Purpose of Report:** To update the Committee on the outcomes of work performed by Internal Audit during 2011-12.

**Recommended Action:** Note the contents of the report and consider whether the actions identified in the report are adequate.

**Reason for decision to be taken:**

**Other options considered:**

**Key background documentation:**

The proposals will also help achieve the following Council Plan Themes:

- CPT13 - Value for Money**
- CPT14 - Effective People**
- CPT16 - Excellent Performance Management**

The proposals contained in this report will help to achieve the above Council Plan Themes by:  
Supporting the Council's Governance by reviewing the internal control framework

<b>Portfolio Member Details</b>	
<b>Name &amp; Telephone No.:</b>	Councillor Keith Chopping - (0118) 983 2057
<b>E-mail Address:</b>	kchopping@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	22 November 2011

<b>Contact Officer Details</b>	
<b>Name:</b>	Ian Priestley
<b>Job Title:</b>	Chief Internal Auditor
<b>Tel. No.:</b>	01635 519253
<b>E-mail Address:</b>	ipriestley@westberks.gov.uk

### **Implications**

**Policy:** none  
**Financial:** none  
**Personnel:** none

**Legal/Procurement:** none

**Property:** none

**Risk Management:** Internal Audit is a key part of the internal control framework and contributes to the identification and effective management of risk across the Council

**Equalities Impact Assessment:** Stage 1 EIA attached as Appendix A.

Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval		<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council		<input type="checkbox"/>
Delays in implementation could compromise the Council's position		<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months		<input type="checkbox"/>
Item is Urgent Key Decision		<input type="checkbox"/>

# Executive Summary

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## **1. Introduction**

- 1.1 The purpose of this report is to provide an interim report to the Governance and Audit Committee as required by the Code of Practice for Internal Audit in Local Government.
- 1.2 The report highlights the results of internal audit work on the Council's systems and procedures and provides assurance on the Council's internal control framework.

## **2. Proposals**

- 2.1 The work carried out by internal audit demonstrates that the Council's main financial systems are very sound. Six of these key systems have been audited so far and all have been assessed as well controlled or very well controlled.
- 2.2 The one area of concern relates to an audit of the Grounds Maintenance contract for the Council, which was assessed as weak. The service has responded positively and has implemented the agreed recommendations.

## **3. Conclusion**

- 3.1 The Council's overall internal control framework remains robust.

# Executive Report

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## 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:

- (1) include an opinion on the overall adequacy and effectiveness of the organisation’s risk management systems and internal control environment
- (2) disclose any qualifications to that opinion, together with the reasons for the qualification
- (3) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- (4) draw attention to any issues the “Head of Internal Audit” judges particularly relevant to the preparation of the statement on internal control
- (5) compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures.

1.2 In addition to the formal annual report, the Head of Internal Audit should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the formal annual report. This report provides an interim view looking at the first 6 months of the year.

## 2. Opinion on the “Internal Control Framework”

2.1 No fundamental weaknesses were identified in Council’s internal control framework through the work carried out by Internal Audit. Where audit work identified weaknesses then management action has been taken to resolve issues identified. Overall the internal control framework remains robust.

2.2 The following table summarises the results of the audit work where an opinion was given, and this demonstrates that, in particular, the main financial systems of the Council are very robust. In addition it should be noted that the identification of weaknesses is an inevitable part of the auditing process. What is then key is that Management responds positively by implementing agreed recommendations.

Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial System	0	0	0	5	1
Other systems	0	1	5	2	0

2.3 The issue of concern in relation to the weak opinion (Grounds Maintenance - Planning and Countryside) was that there was not a signed contract in place. Also the overall management framework could be strengthened to ensure that all of the key aspects / areas of the contract and operational performance are effectively monitored. We also found that the processes and procedures for monitoring the contract have not been clearly defined and documented to ensure that standard processes have been specified and a consistent approach is followed by all members of staff involved. The Head of Planning and Countryside has confirmed that the lack of a signed contract was resolved immediately and that only one recommendation remains outstanding - relating to the need to document procedures. This was scheduled to be progressed January 2012.

2.4 The following summarises the results of follow up work. This table demonstrates that the Council has responded effectively where weaknesses have been identified.

Type	Unsatisfactory	Satisfactory
Key Financial System	0	4
Other systems	0	2

### 3. Performance of Internal Audit

3.1 Delivery of the audit plan is within target in the current year. The team is fully staffed at present following recruitment of a Senior Auditor in May and a successful redeployment into an Auditor post.

## **Appendices**

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Appendix A - EIA

## **Consultees**

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**Local Stakeholders:** Not consulted

**Officers Consulted:** Corporate Board

**Trade Union:** Not consulted

## APPENDIX A

### Equality Impact Assessment – Stage One

<b>Name of item being assessed:</b>	Internal Audit - Interim Report 2011-12
<b>Version and release date of item (if applicable):</b>	n/a
<b>Owner of item being assessed:</b>	Ian Priestley
<b>Name of assessor:</b>	Ian Priestley
<b>Date of assessment:</b>	1.11.12

<b>1. What are the main aims of the item?</b>
To outline the results of the work of internal audit over the first 6 months of the year.

<b>2. Note which groups may be affected by the item, consider how they may be affected and what sources of information have been used to determine this.</b> (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this.</b>
none		
<b>Further comments relating to the item:</b>		

<b>3. Result</b> (please tick by clicking on relevant box)	
<input type="checkbox"/>	<b>High Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Medium Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input type="checkbox"/>	<b>Low Relevance</b> - This needs to undergo a Stage 2 Equality Impact Assessment
<input checked="" type="checkbox"/>	<b>No Relevance</b> - This <b>does not</b> need to undergo a Stage 2 Equality Impact Assessment

**For items requiring a Stage 2 equality impact assessment, begin the planning of this now, referring to the equality impact assessment guidance and Stage 2 template.**

<b>4. Identify next steps as appropriate:</b>	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	Not required

**Name:** Ian Priestley

**Date:** 1.11.12