

Title of Report:	Internal Audit - Interim Report for 2012-13
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	11 February 2013
Forward Plan Ref:	GA2552

Purpose of Report: To update the Committee on the outcomes of work performed by Internal Audit during 2012-13.

Recommended Action: Note the contents of the report.

Reason for decision to be taken: Support the annual review of the Council's system of internal control

Other options considered: None

Key background documentation: Internal Audit reports

The proposals will also help achieve the following Council Strategy principles:

- CSP5 - Putting people first**
- CSP6 - Living within our means**
- CSP8 - Transforming our services to remain affordable and effective**
- CSP9 - Doing what's important well**

The proposals contained in this report will help to achieve the above Council Strategy principles by:
helping to improve the Council's system of internal control

Portfolio Member Details	
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Date Portfolio Member agreed report:	21.11.12

Contact Officer Details	
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Implications

Policy: none
Financial: none
Personnel: none

Legal/Procurement: none
Property: none
Risk Management: none
Equalities Impact Assessment: not required

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

Executive Summary

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.

3. EIA

- 3.1 There is no decision to be made and therefore no Equality Impact Assessment has been undertaken.

4. Conclusion

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

Executive Report

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 the key financial systems are very robust. Two audits were given "weak" opinions. 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	2	1
Other systems	0	2	2	4	1

2.3 There were two audits where a "weak" opinion was given. Details of these are set out below:

- (1) Parking, (Highways and Transport) - Weaknesses were identified in the overall reconciliation of cash sales (revenue) recorded by each machine with the actual income collected and banked. However, an upgrade to the computer system (in June 2011), provided additional reporting functionality, so that there is better assurance that unauthorised transactions have not been made. Also regular independent reconciliations of manual ledgers of issued permits and season tickets, completed application forms with the main database are not undertaken. The Parking Team needs to document detailed procedures and processes covering all areas of the Parking Team's operations, i.e. covering car park machine income collection and recording processes, the issuing and recording of resident permits, season tickets and penalty charge notices, etc.

The Head of Highways and Transport has commented that this is the first audit to be carried out of parking systems since 2005 when the internal audit was rated as satisfactory. This 2011/12 audit placed significant emphasis on the shortcomings of the three computer systems in place. Whilst these are fit for purpose for the day to day operation of running a parking service, they will not provide the depth of reporting that the audit seems to be seeking. The Parking Manager has developed an Action Plan for his team which addresses all of the audit recommendations, many of which have been implemented. The remaining recommendations will be acted upon within the agreed timescales.

Internal Audit will increase the frequency of the audit of parking to every alternate year.

- (2) Homelessness, (Care Commissioning, Housing and Safeguarding) - The key areas noted where improvement is required cover the need to tailor the central government guidance to local needs and processes. The financial records used to monitor the various elements of the budget need to be reconciled to the client data on Locata (client database) as well as Agresso. We also consider that there needs to be improvement in the timeliness of raising invoices requesting repayment of Threshold loans and deposits.

The Head of Care Commissioning, Housing and Safeguarding has commented that the agreed actions are almost completed.

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	3
Other systems	1	2

2.5 One follow up was considered "Unsatisfactory". The Head of Planning and Countryside will attend the Governance and Audit Committee to provide an update on this audit.

- (1) Enforcement, (Planning and Countryside) – From the total of 19 agreed recommendations, we found that 2 had become redundant, 3 had been fully implemented, 4 partially implemented and 2 recommendations were in the process of being implemented. The remaining 8 recommendations had not been implemented.

The Head of Planning and Countryside has commented that the delays relating to the implementation of previously identified recommendations resulted from the following:

- The identified actions were to be implemented by the Planning Enforcement Team Leader. Unfortunately these were not completed in the agreed time frames. This post was part of our savings programme and was deleted with the post holder being made redundant in March 2012.
- The Planning Enforcement team has had a long term vacant / frozen post. This increased the workload of the other team members so reducing the team's capacity to implement the recommendations.
- Significant performance difficulties in Development Control (DC) resulting from the highest ever number of planning applications and a high number of vacant posts resulted in management capacity being focused / prioritised on performance improvement in DC.
- We are now working on the actions and should have most, if not all of them complete by the time the report progresses.

3. Performance of Internal Audit

3.1 Delivery of the audit plan is within target in the current year. The team has a vacancy at Auditor level and recruitment is underway for this post. In addition, one of the Senior Auditors is on maternity leave.

Appendices

Appendix A – Equality Impact Assessment – Stage 1

Consultees

Local Stakeholders: N/a
Officers Consulted: Corporate Board
Trade Union: N/a

APPENDIX A

Equality Impact Assessment – Stage One

Name of item being assessed:	Interim Internal Audit Report
Version and release date of item (if applicable):	
Owner of item being assessed:	Ian Priestley
Name of assessor:	Ian Priestley
Date of assessment:	15.10.12

1. What are the main aims of the item?
Provide an update on the outcomes of internal audit work for 12-13

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. (Please demonstrate consideration of all strands – age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; sexual orientation)		
Group Affected	What might be the effect?	Information to support this.
none		
Further comments relating to the item: N/a		

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

4. Identify next steps as appropriate:	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	

Name: Ian Priestley

Date: 15.10.12