

<b>Title of Report:</b>	<b>Internal Audit - Annual Report 2012-13</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	2 <sup>nd</sup> September 2013
<b>Forward Plan Ref:</b>	GA2702

**Purpose of Report:** To provide Members with an opinion from the "Head of Internal Audit" on the Council's internal control framework, and to support the approval of the Annual Governance Statement.

**Recommended Action:** To note the report.

**Reason for decision to be taken:** None

**Other options considered:** None

**Key background documentation:** Internal Audit reports

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

- 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:

<b>Portfolio Member Details</b>	
<b>Name &amp; Telephone No.:</b>	Councillor Alan Law - Tel (01491) 873614
<b>E-mail Address:</b>	alaw@westberks.gov.uk
<b>Date Portfolio Member agreed report:</b>	15 <sup>th</sup> July 2013

<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

<b>Policy:</b>	none
<b>Financial:</b>	none
<b>Personnel:</b>	none
<b>Legal/Procurement:</b>	none
<b>Property:</b>	none
<b>Risk Management:</b>	Internal Audit identifies solutions to risks posed by weaknesses in the Council's systems and procedures
<b>Corporate Board's Recommendation:</b>	The report should be noted

Is this item relevant to equality?	Please tick relevant boxes		Yes	No
Does the policy affect service users, employees or the wider community and:				
• Is it likely to affect people with particular protected characteristics differently?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Is it a major policy, significantly affecting how functions are delivered?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Will the policy have a significant impact on how other organisations operate in terms of equality?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to an area with known inequalities?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Outcome</b> (Where one or more 'Yes' boxes are ticked, the item is relevant to equality)				
Relevant to equality - Complete an EIA available at <a href="http://www.westberks.gov.uk/eia">www.westberks.gov.uk/eia</a>				<input type="checkbox"/>
Not relevant to equality				<input type="checkbox"/>

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"/>
Report is to note only		<input type="checkbox"/>

# Executive Summary

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## 1. Introduction

- 1.1 This report sets out the Annual Report on the work of Internal Audit as required by the CIPFA Code of Practice for Internal Audit in Local Government.

## 2. Proposals

- 2.1 This report is intended to provide evidence to support the Council's Annual Governance Statement by setting out the results of the work Internal Audit has done over the last year.
- 2.2 This report builds on the interim report made to Governance and Audit earlier in the year, but does not repeat the detail of that report.
- 2.3 The report highlights the fact that no fundamental weaknesses were identified during the year and that where weaknesses were identified then management action has been taken to remedy them.

## 3. Equalities Impact Assessment Outcomes

- 3.1 This item is not relevant to equality.

## 4. Conclusion

- 4.1 The Council's internal control framework is 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 Annual Governance Statement.
- (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 and criteria.

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. An interim report was made to the Governance and Audit Committee at the February meeting of the Committee.

1.3 This annual report meets the requirements of the CIPFA Code of Practice.

## 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.

2.2 Overall the internal control framework remains robust.

## 3. Issues identified in the course of the year

3.1 The following summarises the results of the audit work where an opinion was given, and this table demonstrates that, in particular, the main financial systems of the Council are 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			1	1	
Other systems		2	5	2	

3.2 The following paragraphs highlight the issues raised in respect of the weak opinion audits noted above.

- (1) Children Services - Client Contributions - The Service does have a charging policy, but as far as we have been able ascertain, the Service has carried out only 1 financial assessment. There are no processes in place for logging where assessments have been undertaken, for ensuring that the charge is requested or for ensuring that annual reassessments are carried out to take into account any changes in circumstances/care package costs. However, to put our overall opinion into context, we were informed that for the majority of cases the families concerned would be on a low income/benefits and therefore would be exempt from charges being made. Also to put our findings into context, the results of a benchmarking exercise with the other five Berkshire Council's show none of them raise any income through this route. Three have decided that it is not cost effective to raise income in this way and one only makes token charges (£4 per session for respite care).

Heads of Children's Services Comments - There are two fundamental problems with the charging policy. Firstly it is far from clear that any income delivered through its enforcement would exceed the cost of staff hours in assessing and charging parents. Secondly until recently Children's Services had no mechanism for enforcing charges on parents who refuse to be assessed, or once assessed refuse to pay charges. We are currently working with colleagues in adult services to consider if we can share resources to enable debts to be recouped. This work will be considered by the Munro Financial Strategy Group, who will prioritise alongside a range of other finance driven projects.

- (2) Adult Social Care - Purchase of Respite Care - Respite care is considered a key element of meeting the social care needs of both clients as well as their carers. However, the Council has not defined what it means by respite care, in what circumstances respite care would be considered, the types of respite care it will fund or the associated costs. There is a significant backlog of undertaking client reviews to ensure their care packages are still relevant and appropriate. There is also an issue with clients receiving a Personal Budget Direct Payment not providing the required financial information in order for the Council to verify that the payments have been spent in accordance with the client's care plans or to be able to flag up where this is not the case.

The Head of Adults Social Care comments – The audit recommendations have been accepted by the service and work is underway to produce a clear policy and procedure for the commissioning of respite and to improve the monitoring of Personal Budgets

3.3 The following summarises the results of follow up audit work. A follow up review is carried out, usually six months after the audit has been finalised. The purpose of this review is to assess the extent to which agreed recommendations have been implemented by management. Follow up audits measure the progress with implementing agreed recommendations and are scored as either "satisfactory" or "unsatisfactory".

3.4 This table demonstrates that the Council has responded effectively where weaknesses were identified. In all cases the follow up audit found satisfactory progress had been made with implementing agreed action plans. Overall this represents very good performance.

Type	Unsatisfactory	Satisfactory
Key Financial System		2
Other systems		5

3.5 What the above demonstrates is that the Council has responded quickly and effectively to the items of concern identified. This provides further evidence of the robust nature of the system of internal control within the Council.

#### **4. Performance of Internal Audit**

4.1 Delivery of the audit plan was below target in the current year, 74% against a target of 80%. The shortfall is due to a combination of factors, a vacancy, a new and hence inexperienced member of staff, and a Senior Auditor being on maternity leave. In addition these issues are magnified by the relatively small size of the team.

#### **Appendices**

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Appendix A - Current work  
Appendix B - Completed work

#### **Consultees**

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**Local Stakeholders:** N/a  
**Officers Consulted:** N/a  
**Trade Union:** N/a