

<b>Title of Report:</b>	<b>Annual Internal Audit Report 2013/14</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	01 September 2014
<b>Forward Plan Ref:</b>	GA2863

**Purpose of Report:** To provide the Committee with an opinion from the Chief Internal Auditor on the Council's internal control framework, and to support the approval of the Annual Governance Statement

**Recommended Action:** Note the report

**Reason for decision to be taken:**

**Other options considered:** none

**Key background documentation:** Internal Audit Reports

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

- CSP6 - Living within our means**
- CSP8 - Doing what's important well**

The proposals contained in this report will help to achieve the above Council Strategy priorities and principles by:  
Providing assurance over the systems and procedures used to deliver the above objectives

<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>	E-mailed to Councillor Alan Law on 22 <sup>nd</sup> May 2014

<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:** None  
**Corporate Board's Recommendation:** Corporate Board noted the report.

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 checked="" type="checkbox"/>	
• Is it a major policy, significantly affecting how functions are delivered?		<input checked="" type="checkbox"/>	
• Will the policy have a significant impact on how other organisations operate in terms of equality?		<input checked="" type="checkbox"/>	
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?		<input checked="" type="checkbox"/>	
• Does the policy relate to an area with known inequalities?		<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 checked="" type="checkbox"/>

Is this item subject to call-in?	Yes: <input type="checkbox"/>	No: <input checked="" 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		
Delays in implementation could have serious financial implications for the Council		
Delays in implementation could compromise the Council's position		
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months		
Item is Urgent Key Decision		
Report is to note only		<input checked="" 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 Public Sector Internal Audit Standards (PSIAS) 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 remains robust.

# Executive Report

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## 1. Introduction

- 1.1 The Public Sector Internal Audit Standards, as applied by CIPFA requires the Chief Internal Auditor to make a formal report annually to the Council. The report should:
- (1) include an opinion on the overall adequacy and effectiveness of the Council's internal control framework.
  - (2) include a summary of the work that supports the opinion.
  - (3) disclose and explain any qualifications to that opinion.
  - (4) disclose any impairments or restrictions in scope.
  - (5) a statement of conformance with the Public Sector Internal Audit Standards.
  - (6) the results of the quality assurance and improvement programme for Internal Audit.
  - (7) 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 Chief Internal Auditor provides an interim report for the Council covering the first 6 months of the year. The aim of the interim report is to 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 March meeting of the Committee.
- 1.3 This annual report meets the requirements of the PSIAS.

## 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 and an unqualified opinion is therefore appropriate.
- 2.3 A summary of the work completed in the second half of the year is included in Appendices A and B. These, taken together with the details reported in the interim report, outline the extent of work undertaken that underpins the opinion given in paragraph 2.2.
- 2.4 The scope of the work of internal audit is unrestricted and the work has been carried out in conformance with the PSIAS. An initial review of the work of Internal Audit, measured against the PSIAS indicates that there are no areas for improvement.

- 2.5 The performance of the audit team against the agreed plan was very good. There has been no turnover in the team and the level of experience is, overall, very high now. There are 2 key performance indicators for internal audit as set out in the table below.

KPI	Target	Actual for 13-14
% of audit plan completed	80%	88%
% of Fundamental systems audited	100%	100%

### 3. Audit 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	
Other systems		2	3	3	

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

#### 3.3 Finance - Procurement Cards

- (1) Internal Audit found that comprehensive guidance has been put in place. The main areas of weakness identified related to the fact that services/teams issued with cards are not always following the required processes. There are no central processes for checking/identifying any cases where services are not adhering to the required processes. Note the review only covered a sample of three teams. However, to put these comments into context, at the time of the review there was a small number of cards in use, and the level of expenditure being incurred was low.
- (2) The Head of Finance comments - the Finance Manger for Capital, Assets, VAT and Treasury is in the process of revising the procedure notes for card users and accountancy staff to clarify the types of expenditure for which cards may be used to and the processes for authorisation of expenditure. Responsibilities for checking that cards are used appropriately will also be reviewed and revised. The Finance Manager will also write to all relevant Heads of Service, Service

Managers, other card holders and administrators to draw their attention to the weaknesses highlighted by the audit and reminding them of the importance of adhering strictly to the procurement card procedures. In the future, where there is evidence that procedures are not being adhered to, the Head of Finance will consider cancelling the procurement card account for the service in question.

3.4 Care Commissioning, Housing and Safeguarding - Appointee / Deputyship Administration.

- (1) We found that the Deputyship Team has set up a Handbook which gives an overview of what is involved in the administration of Deputyship and Appointee arrangements as a guide to both staff and member of the public. However, this guidance needs to be further expanded to provide comprehensive detail for all of the procedures required to be followed when administering these arrangements. We found that the majority of key controls were in place, although there were a number of areas where they could be strengthened. The one exception to this related to the procedures for safeguarding client personal possessions/property. From our review we could not always identify if/when items had been removed from a client's property, or reconcile the content of the Deputyship Team's safe with the records of personal possessions that should have been in the safe. We found one client who had jewellery in excess of £24.5k being held in the safe. We found that the Team had not established a protocol as to when it would be deemed prudent to have clients' possessions valued and how very valuable items should be securely stored.
- (2) The Head of Care Commissioning, Housing and Safeguarding comments - Eleven of the sixteen actions identified have now been completed of the remaining five one of these is with Adult Social Care to progress, the rest are all in progress and due to be completed within the first quarter of 14/15.

3.5 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".

3.6 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		1
Other systems		5

3.7 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.

## **Appendices**

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Appendix A - Work in progress

Appendix B - Completed in the second half of 13-14

## **Consultees**

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**Local Stakeholders:** \*

**Officers Consulted:** \*

**Trade Union:** \*