

<b>Title of Report:</b>	<b>Internal Audit - Interim Report for 2010-11</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	14 <sup>th</sup> February
<b>Forward Plan Ref:</b>	GAC2114

**Purpose of Report:** To update the Committee on the outcomes of work performed by Internal Audit during 2010-11.

**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:** This report forms part of the Councils Performance Monitoring Framework

**Other options considered:** None

**Key background documentation:** None

The proposals contained in this report will help to achieve the following Council Plan Priority:

**CPP2 – Raise levels of educational achievement** – improving school performance levels

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 Priorities and Themes by:  
Ensuring that there are adequate controls in the systems and procedures that are designed to deliver the Council's objectives

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<b>Date Portfolio Member agreed report:</b>	6 <sup>th</sup> December 2010

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## **Implications**

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<b>Policy:</b>	none
<b>Financial:</b>	none
<b>Personnel:</b>	non
<b>Legal/Procurement:</b>	none
<b>Property:</b>	none
<b>Risk Management:</b>	none
<b>Equalities Impact Assessment:</b>	none required

# 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 In the past this report has been produced on a quarterly basis. In line with the resources available to Internal Audit, reporting is now being carried out only half yearly. This is in line with the Code of Practice.

## 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.
- 2.2 In addition audits on other systems were all assessed as satisfactory or better.
- 2.3 The one area of concern relates to two follow up audits in Property Services, where the absence of a working asset management database is hampering implementation of agreed recommendations.

## 3. Conclusion

- 3.1 The Council's key financial systems are 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:

- include an opinion on the overall adequacy and effectiveness of the organisation’s risk management systems and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the “Head of Internal Audit” judges particularly relevant to the preparation of the statement on internal control
- 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. 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, in most cases, management action has been taken to resolve issues identified. Overall the internal control framework remains very robust.

2.2 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 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.

2.3

Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial System	0	0	0	6	0
Other systems	0	0	5	2	2

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
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Key Financial System	0	5
Other systems	2	9

- 2.5 The issue of concern in respect of the first unsatisfactory result for the “other system” (Building Maintenance), was in relation to the inadequacy of the Asset Database, which is not functional at present and as a consequence is hampering the operation of the maintenance of the Council’s properties.
- 2.6 The issue of concern in respect of the second unsatisfactory result for the “other systems” (Commercial Rents) was also in relation to the inadequacy of the Asset Database. The service is using excel spreadsheets and hard copy files to manage property and this is not a very effective control mechanism for a complex range of procedures.
- 2.7 The Head of Property and Public Protection has provided the following update in relation to these two audits.
- (1) Work commenced in September on a project to implement a Quality Management System that will introduce formal Process and Procedure to the service. In addition Project Management Methodology is now in place for the implementation of construction and maintenance projects. Lack of Procedural guidance was a criticism within the audit. The QMS is seen as the key solution to meeting the audit recommendations.
  - (2) Capital Finance has been approved for the installation of a new Asset Database. The specification for any new system will ensure that stakeholders/users will be able to access all information relating to their property and thus assist with prioritising maintenance work and allocating budget provisions. The specification requirements are currently being applied to a module within the updated version of the Council's finance system, Agresso. At the time of writing it is not known whether this system will meet the specification sufficiently, however if it does it is hoped that implementation could **commence** April/May 2011.
  - (3) The delay in implementing these solutions has been due to the inability to recruit to the Business Development Manager, the post which has never been filled due to the findings of the Senior Management Review, recent recruitment freeze and savings targets. From September 2010 Property has been given a secondment resource which is now allowing these projects to proceed.

### **3. Performance of Internal Audit**

- 3.1 Delivery of the audit plan was within target in the current year. However, the target is unlikely to be met due to vacancies in the Section.

## **Appendices**

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None

## **Consultees**

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**Local Stakeholders:** None

**Officers Consulted:** Corporate Board

**Trade Union:** None