

<b>Title of Report:</b>	<b>Internal Audit Annual Report 10-11</b>
<b>Report to be considered by:</b>	Governance and Audit Committee
<b>Date of Meeting:</b>	05 September 2011
<b>Forward Plan Ref:</b>	GA2056

**Purpose of Report:** To provide the Committee 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:** Note the opinion

**Reason for decision to be taken:** To provide assurance to the Leader and Chief Executive on the Council's internal control framework and support the Annual Governance Statement

**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 Priorities and Themes by:  
Supporting the Council's governance arrangements

<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>	18.7.11

<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

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**Policy:** none  
**Financial:** none  
**Personnel:** none  
**Legal/Procurement:** none  
**Property:** none  
**Risk Management:** The internal audit work highlights weaknesses and risks in processes within the Council  
**Equalities Impact Assessment:** not required  
**Corporate Board's Recommendation:** Went to Corporate Board as an information report.

<b>Is this item subject to call-in?</b>	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 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 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 such were identified then management action has been taken to remedy them.

## **3. Conclusion**

- 3.1 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:
- 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 Annual Governance Statement.
  - 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 January 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 or is being 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	0	0	0	6	3
Other systems	0	3	6	2	2

3.2 The following paragraphs highlight the issues raised in respect of the weak opinion audits noted above. All three of these audits were finalised in the second half of the year.

- (1) Agency Staff in Adult Social Care – The main issues of concern are that the Service has not established a standard approach across all teams to manage the use of agency staff. There are contracts in place covering four agencies, however there are no procedures to ensure that all agencies used have been selected taking into account quality of service provision together with cost. Also, that purchase orders are not being raised at the point that agency workers are booked, therefore the predicted costs are not being committed to the relevant service budgets. The Head of Adult Social Care has confirmed that procedures are now in place to ensure a standard approach.
- (2) Leisure Centre Management in Cultural Services – The main issues of concern are that the overall management framework is not sufficiently robust to ensure that all of the key aspects / areas of the contract and operational performance are being 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 Culture has commented that the "client" team for this contract is fewer than 2.6 f.t.e. employees. The report was issued at a time when the team manager role was vacant and the 0.6 employee was on maternity leave. A new manager was appointed in April 2011 and the maternity leave finished in July 2011. Despite the lack of personnel, many of the recommended actions have been put into place and the newly appointed Arts and Leisure Manager has prioritised the implementation of the remaining actions within his personal work programme.
- (3) Enforcement in Planning and Countryside - the main issue identified was that the team should review and document its existing planning enforcement policy and procedures including the use of the Uniform database. The Head of Planning and Countryside has confirmed that this work is being done.

- 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.
- 3.4 This table demonstrates that the Council has responded effectively where weaknesses were identified in 24 out of 27 audits. Overall this represents very good performance.

Type	Unsatisfactory	Satisfactory
Key Financial System	0	8
Other systems	3	16

- 3.5 The following paragraph highlights the concerns related to the unsatisfactory follow up that took place in the second half of the year. The other two unsatisfactory follow ups were considered in detail in the interim report to the Governance and Audit Committee.

- (1) Carers Grant in Adult Social Care - we found that the Service has made good progress on defining the use of the carers grant together with the records that need to be maintained. However, we were concerned to find a lack of compliance with some key areas of the procedures, i.e. need to obtain evidence of the appropriateness of expenditure being incurred together with carrying out a reconciliation between records on RAISE and those on Agresso. The Head of Adult Social Care has confirmed that procedures are now in place and managers have been advised of the need to request receipts.

- 3.6 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 within target in the current year, 71% against a target of 80%. This is a drop in output against previous years and is due to the level of vacancies within the section that arose during the year.

#### **Appendices**

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There are no appendices to this report.

#### **Consultees**

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**Local Stakeholders:** Not consulted  
**Officers Consulted:** Corporate Board  
**Trade Union:** Not consulted