

 STANDARDS COMMITTEE 15TH JUNE 2008		Agenda Item No.
Title	Internal Audit Annual Report 2008/09	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Standards Committee – 11 th June 2008	
Background Papers	Internal Audit Reports	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director	22 May 2009	Andrew Jones
Chief Executive		
CMT		
Section 151 Officer	27 May 2009	Mike Snow
Legal	27 May 2009	Peter Oliver
Finance		As S151 Officer
Portfolio Holder(s)		Councillor Doody
Consultation Undertaken		
Not applicable		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 SUMMARY

- 1.1 Forming part of the evidence for the Annual Governance Statement, the Committee is required to note the Internal Audit Annual Report for 2008/09.

2 RECOMMENDATIONS

- 2.1 That the Committee notes the Internal Audit Annual Report providing an opinion on the overall adequacy and effectiveness of the organisation's control environment.

3 REASON FOR THE RECOMMENDATIONS

- 3.1 To comply with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 which provides the "proper practices" referred to in Regulation 4 of The Accounts and Audit Regulations 2003 & The Accounts and Audit (Amendment) (England) Regulations 2006 in respect of production of an annual governance statement.

4 ALTERNATIVE OPTION(S) CONSIDERED

- 4.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

5 BUDGETARY FRAMEWORK

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 POLICY FRAMEWORK

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Policy Framework, Community Plan and the Council's policies.

7 BACKGROUND TO THE ANNUAL GOVERNANCE STATEMENT

- 3.1 Regulation 4 of The Accounts and Audit Regulations 2003 & The Accounts and Audit (Amendment) (England) Regulations 2006 states:

Responsibility for financial management

4. - (1) The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

(2) The relevant body shall conduct a review at least once in a year of the effectiveness of its system of internal control.

(3) The findings of the review referred to in paragraph (2) shall be considered by a committee of the relevant body, or by the members of the relevant body meeting as a whole, and following that consideration, shall approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(4) The relevant body shall include the statement referred to in paragraph (3) with—

(a) any statement of accounts it is obliged to publish in accordance with regulation 11, or

(b) any income and expenditure account, statement of balances or record of receipts and payments it is obliged to publish or display in accordance with regulation 12.

8 REQUIREMENT FOR INTERNAL AUDIT ANNUAL REPORT

8.1 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states that: “The Head of Internal Audit must provide a written report to those charged with governance timed to support the Annual Governance Statement.”

8.2 The Head of Internal Audit’s annual report must:

- (a) include an opinion on the overall adequacy and effectiveness of the organisation’s control environment
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- (d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- (e) 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 targets
- (f) comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

8.3 Finally, in respect of this area, the Code states: “In addition to the 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 annual report.”

8.4 The Annual Report is set out as Appendix 1.

HEAD OF INTERNAL AUDIT'S ANNUAL REPORT AND PRESENTATION
OF AUDIT OPINION 2008/09

INTRODUCTION

This report is produced to satisfy proper practices under Regulation 4 of The Accounts and Audit Regulations 2003 & The Accounts and Audit (Amendment) (England) Regulations 2006 in respect of production of an annual governance statement. The proper practices are those set out in section 10.4 of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

OPINION ON THE OVERALL ADEQUACY AND EFFECTIVENESS OF THE ORGANISATION'S CONTROL ENVIRONMENT

Based on internal audit assignments undertaken as part of the Audit Plan, it must be concluded that the Council has an effective internal control framework to address relevant risks with controls being consistently applied.

There were, however, a few instances of non-compliance and these have been detailed in internal audit reports issued during the year and summarised each quarter for the Audit and Resources Overview and Scrutiny Committee. Action to address these areas have been confirmed by management in nearly all cases.

There are no qualifications to that opinion, although clearly it is based on the audits undertaken during that year. The Council's external auditors form their own opinion based on their own work and the Annual Governance Statement provides an overall judgement on the control environment, derived from many sources, one of which is this Internal Audit Annual Report.

SUMMARY OF THE AUDIT WORK FROM WHICH THE OPINION IS DERIVED

The audits which form the basis of the opinion are set out as Appendix 1A. The results of these audits have been communicated to the Audit and Resources Committee each quarter and are therefore not reproduced here.

ISSUES PARTICULARLY RELEVANT TO THE PREPARATION OF THE ANNUAL GOVERNANCE STATEMENT

Issues particularly relevant to the preparation of the Annual Governance Statement have been identified by the Corporate Management Team. Some of these, such as the lack of progress implementing the requirements set out in the Partnerships Policy, approved by Executive in 2005 and included within last year's action plan accompanying the Annual Governance Statement, had been highlighted by Internal Audit during the year.

COMPARISON OF THE WORK ACTUALLY UNDERTAKEN WITH THE WORK THAT WAS PLANNED AND SUMMARISE THE PERFORMANCE OF THE INTERNAL AUDIT FUNCTION AGAINST ITS PERFORMANCE MEASURES AND TARGETS

This is set out as Appendix 1B.

COMMENTARY ON COMPLIANCE WITH CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT AND COMMUNICATION OF THE RESULTS OF THE INTERNAL AUDIT QUALITY ASSURANCE PROGRAMME

Following a review of Internal Audit by the Audit Commission, Internal Audit is fully-compliant with the CIPFA Code of Practice for Internal Audit in Local government in UK.

The Internal Audit quality assurance programme comprises completion by auditees, post audit, of questionnaires for all audits and, biennially, completion of overall client satisfaction surveys by management. Please refer to Appendices 1C and 1D. It also includes reviews of audit files by the Audit and Risk Manager before issue of final reports and external audit reviews of Internal Audit Work. It also includes an annual review of the effectiveness of Internal Audit by the Responsible Financial Officer.

The results of the Internal Audit quality assurance programme are used to improve the service provided by Internal audit.

In terms of the post audit questionnaires the modal overall score from auditees is 4 indicating broad satisfaction with the audits undertaken. Very few audits are scored less than 4 with none being scored less than 3.

SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN 2008/09

ACTIVITY	TARGET DAYS FOR YEAR	ACTUAL DAYS TO DATE	VARIATION: DAYS UNDERSPENT (+) / OVERSPENT (-)
Car Park Income	C/O	C/O	–
Capital Accounting	C/O	C/O	–
Collection of Council Tax	C/O	C/O	–
National Non-Domestic Rates	14.0	21.2	-7.2
Housing & Council Tax Benefit	17.0	20.4	-3.4
Accounting & Budgetary Control	C/O	C/O	–
Payroll and Staff Expenses	C/O	C/O	–
Sundry Debtors	C/O	C/O	–
Payment of Creditors	13.0	15.0	-2.0
Treasury Management	C/O	C/O	–
Housing Rent Collection	C/O	C/O	–
Property Management	10.0	9.3	+0.7
Corporate Governance	5.0	4.5	
Performance Management	7.0	11.0	+7.0
Partnership Working / Local Area Agreements	10.0	C/O	–
Corporate Training	6.0	7.5	
Personnel Absence Monitoring	10.0	11.0	
Personnel Policy Compliance	10.0	9.7	+10.0
Licenses	10.0	10.5	+10.0
Assisted Travel Scheme	14.0	14.5	+14.0
Document Management Centre	5.0	5.4	+5.0
ICT Strategy	3.0	3.7	-0.7
Information Security Policy	5.0	4.7	
ICT Back-up Strategy and Procedures	C/O	C/O	–
Software Licensing	5.0	7.2	+5.0
ICT Change Management	C/O	C/O	–
Business Applications – PARIS			
Income Management	9.0	10.0	
Business Applications – IBS			
Revenues	14.0	11.3	+14.0
Voice/Data Communication Management	8.0	5.9	+8.0
General Fund Capital Programme	5.0	4.9	+5.0
Insurances	13.0	12.8	
Homelessness and Housing Advice	12.0	12.0	–
Lettings and Void Control	10.0	9.5	+0.5
Incentive Schemes	7.0	7.0	–
Leaseholder Service Charges	9.0	10.2	-1.2
Royal Spa Centre	2.0	1.9	
Royal Pump Rooms	12.0	10.2	
Town Hall Lettings	8.0	10.4	
Outdoor Recreation Facilities	8.0	8.0	
Catering Concessions	8.0	7.8	
<i>Continued overleaf</i>			

ACTIVITY	TARGET DAYS FOR YEAR	ACTUAL DAYS TO DATE	VARIATION: DAYS UNDERSPENT (+) / OVERSPENT (-)
<i>Continued from previous page</i>			
Newbold Comyn Leisure Centre	2.0	2.2	-0.2
St Nicholas Park Leisure Centre	2.0	1.9	
Castle Farm Recreation Centre & Abbey Fields Swimming Pool	13.0	12.2	+0.8
Energy Management	12.0	12.5	-0.5
Building Control	12.0		
Highways and Drainage Functions – District Financed	12.0	10.7	+1.3
Office Cleaning Contract	9.0	9.0	–
Recycling Services	13.0	13.9	-0.9
Car Parking	10.0	10.5	-0.5
Health and Safety	12.0	12.4	-0.4
Environmental Protection Functions	13.0	10.4	+2.6
Local Land Charges	11.0	10.9	+0.1
Additional Testing 08/09	0.0	3.5	-3.5
Assistance on Contracted-Out Audits	0.0	3.4	-3.4
<i>Total planned audit time</i>	380.0	403.4	-23.4
<u>Other Time</u>			
Sundry audit advice	30.0	23.0	+7.0
Fraud/Irregularities/Special investigations	30.0	18.8	+11.2
Corporate and departmental initiatives	63.0	49.4	+13.6
Non-chargeable activities	132.0	156.5	-24.5
Leave and other absences	135.0	143.8	-8.8
<i>Total Other Time</i>	.0	.0	+0.0
<i>Total Time</i>	770.0	794.9	-24.9

C/O = Contracted Out

APPENDIX 1B

OVERALL SUMMARY OF PERFORMANCE

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	41	11	52
Number of planned audits completed	41	11	52
% assigned audits completed	100.0%	100.0%	100.0%
Number of audits completed within time allocation	22	N/A	22
% audits completed within time allocation	42.3%	N/A	42.3%
Number of days overspent (-) / underspent (+) on completed audits to date	-16.1	N/A	-16.1
% of days overspent (-) / underspent (+) on completed audits to date	-4.9%	N/A	-4.9%
Number of audit days – planned	380.0	N/A	380.0
Number of audit days – actual	403.4	N/A	403.4
Productive time as % of available time – target	77.4%	N/A	77.4%
Productive time as % of available time – actual	72.8%	N/A	72.8%
Number of audit reports issued on time	40	11	51
% audit reports issued on time	97.6%	100.0	98.1%

Post Audit Questionnaire

Audit:**Date of report:****Auditor:****Manager:**

In order to help us improve our service we would be grateful if you would spend a few moments answering the questions below.

	Yes	No	Comments (if applicable)
Pre-audit consultation			
Were you given adequate notification of the audit?			
Were the scope and objectives of the audit discussed with you?			
Was the audit process explained to you adequately?			
The audit			
Was the audit work undertaken at an agreed and convenient time?			
Was the audit conducted in a proficient manner?			
Were the appropriate staff interviewed for the audit areas covered?			
Were interviews conducted in a professional manner?			
Were the findings discussed with the right staff?			
Was the audit completed within a reasonable timescale?			
Audit reporting			
Was the draft report produced within a reasonable timescale?			

Were you given the opportunity to discuss the report with the auditor?			
If so, did you find the discussion useful?			
Was the discussion conducted in a professional manner?			
Were your views and comments presented adequately in the final report?			
Were the recommendations in the report practical and realistic?			
Was the report produced to a professional standard?			
Did the audit reveal any unknown weakness in the system?			
Do you feel that the audit was worthwhile and has added value to your work?			

On a scale of 1 to 5, 1 being "very dissatisfied" and 5 representing "very satisfied", please score your level of satisfaction with the audit in overall terms:

If you have any other comments that you wish to make about the audit please record them below:

Name of Manager: _____

Date: _____

Please return the form to Richard Barr, Audit and Risk Manager, Finance.

INTERNAL AUDIT CUSTOMER SURVEY - JULY 2005

Please complete the following short questionnaire. This will help us improve our service to you. It is intended to obtain your views in this way every two years.

On a scale of 0 - 10, where 0 = not all and 10 = completely, please record:

The extent to which the reviews undertaken by Internal Audit are useful to you:

The extent to which you are satisfied with the quality of advice given by Internal Audit:

The extent to which Internal Audit meets your needs:

By ticking the appropriate box, please indicate your rating, overall, of the service provided by Internal Audit:

Excellent	
Good	
Satisfactory	
Poor	

Please comment on the following matters:

What in your view are Internal Audit's strengths?

What in your view are Internal Audit's weaknesses?

What improvements, if any, would you like to see to the service provided by Internal Audit?

Please record any other comments that you would wish to make about Internal Audit:

Please record the following information concerning yourself and your relationship with Internal Audit:

Name: _____

Position: _____

Service: _____

Nature of relationship with Internal Audit (e.g. manager receiving audit report; member of staff being audited; working in partnership on project; Councillor involvement):

Please indicate, by ticking the appropriate box, how frequently you have contact with the Internal Audit:

A few times a year

About once a year

About every 3 years

Never

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

Thankyou for providing your views. We will summarise these and inform you of the results. *Individuals will not be identified.*

Please return form to:

Richard Barr
Audit and Risk Manager
Finance