

 <b>Finance and Audit Scrutiny Committee</b> <b>29<sup>th</sup> May 2012</b>		<b>Agenda Item No.</b>
<b>Title</b>	Internal Audit Annual Report 2011/12	
<b>For further information about this report please contact</b>	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
<b>Service Area</b>	Finance	
<b>Wards of the District directly affected</b>	Not applicable	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Standards Committee – 21 <sup>st</sup> June 2011	
<b>Background Papers</b>	Internal Audit Reports Code of Practice for Local Govt. Internal Audit in the United Kingdom 2006 (CIPFA) Monthly and Quarterly Progress Reports Post-audit user questionnaires and satisfaction surveys	

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

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	11 May 2012	Andrew Jones
Head of Service	11 May 2012	Mike Snow
CMT		
Section 151 Officer	11 May 2012	Mike Snow
Monitoring Officer		
Finance	11 May 2012	As S151 Officer
Portfolio Holder	11 May 2012	Councillor Mobbs
<b>Consultation Undertaken</b>		
Not applicable.		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1 SUMMARY

- 1.1 Forming part of the evidence for the Annual Governance Statement, this report presents Internal Audit's annual report. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 requires a report that provides an opinion on the overall adequacy and effectiveness of the organisation's control environment to be presented to the committee designated to consider or approve the Annual Governance Statement. Accordingly, this report will be presented to Standards Committee later this month and the Finance and Audit Scrutiny Committee is invited to address any views it may have on the report to that Standards Committee meeting.

## 2 RECOMMENDATIONS

- 2.1 That this Committee considers the Annual Report of Internal Audit for the year ended 31st March 2012, and addresses its views to Standards Committee for its meeting in June.

## 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 that provides the "proper practices" referred to in Regulation 4 of The Accounts and Audit (England) Regulations 2011 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

- 7.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 states:

### **Responsibility for financial management**

4.—(1) The relevant body is 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 must 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) must be considered—

- (a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and
- (b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and following the review, the body or committee must approve an annual governance statement prepared in accordance with proper practices in relation to internal control.

(4) The relevant body must ensure that the statement referred to in paragraph (3) with—

- (a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or
- (b) any accounting statement it is obliged to prepare 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 2011/12**

**INTRODUCTION**

This report is produced to satisfy proper practices under Regulation 4 of The Accounts and Audit (England) Regulations 2011 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, some instances of non-compliance and these have been detailed in internal audit reports issued during the year and summarised each quarter, where the overall level of assurance was assessed at less than 'substantial', for the Finance and Audit Scrutiny Committee. Action to address these areas have been confirmed by management in the overwhelming majority of cases, and certainly in respect of significant issues.

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 table in Appendix 1A. The results of these audits have been communicated to the Finance and Audit Scrutiny Committee each quarter and are therefore not reproduced here. However, each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited and this is set out in the table . The bands of assurance are set out at the bottom of Appendix 1A.

**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 Senior Management Team, particularly through the service assurance statements completed by services. Some of these had been highlighted by Internal Audit during the year. These issues are now being addressed.

## **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 includes reviews of audit files by the Audit and Risk Manager before issue of final reports and external audit reviews of Internal Audit's 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 for the year was 5 indicating very broad satisfaction with the audits undertaken. No audits were assessed at less than 4. This is in line with the previous year's results so the improvement noted in relation to the year before that has been maintained.

**SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN 2011/12**

Client	Assignment	Assurance
Fundamental Systems	Collection of Council Tax	Substantial
Fundamental Systems	Collection of National Non-Domestic Rates	Substantial
Fundamental Systems	Administration of Housing & Council Tax Benefit	Substantial
Fundamental Systems	Payment of Creditors	Substantial
Fundamental Systems	Treasury Management	Substantial
Corporate Functions	Corporate Governance	Substantial
Corporate Functions	Corporate Procurement	Substantial
Human Resources	Corporate Training	Substantial
Members' Services	Electoral Registration	Substantial
Members' Services	Local Elections	Substantial
Members' Services	Communications	Moderate
Customer & Information Services	Customer Access Facilities	Moderate
Customer & Information Services	Document Management Centre	Substantial
Customer & Information Services	Benefit Fraud Investigation	Moderate
ICT	Information Governance	Moderate
ICT	Information and IT Strategy	Substantial
ICT	ICT Service Continuity Management	Substantial
ICT	Network Security & Administration	Substantial
ICT	TOTAL Financial Management - IT Application	Substantial
ICT	HR and Payroll - IT Application	Moderate
ICT	Telephony Services	Moderate
ICT	Planning, Building Control & Land Charges - IT Apps.	Substantial
Joint Community Partnership	Grants to Voluntary Organisations	Moderate
Finance	General Fund Capital Programme	Substantial
Housing Strategy	Homelessness and Housing Advice	Substantial
Housing Strategy/Property Services	Lettings and Void Control	Substantial
Housing & Property Services	Leaseholder Service Charges	Moderate
Housing & Property Services	Plant Maintenance	Substantial
Cultural Services	Royal Spa Centre	Moderate
Cultural Services	Golf Course	Substantial
Cultural Services	Sports Development	Substantial
Cultural Services	Newbold Comyn Leisure Centre: Cash Collection Procedures	Substantial
Cultural Services	St Nicholas Park Leisure Centre: Cash Collection Procedures	Substantial

Client	Assignment	Assurance
Cultural Services	Castle Farm Leisure Centre & Abbey Fields Swimming Pool	Moderate
Development Services	Building Control	Substantial
Community Protection	Highways Functions	Substantial
Community Protection	Licensing	Substantial
Neighbourhood Services	Recycling Services	Substantial
Neighbourhood Services	Street Cleansing	Substantial
Neighbourhood Services	Car Parking	Substantial
Environmental Services	Health and Safety	Substantial
Environmental Services	Environmental Protection Functions	Substantial
Legal	Shared Legal Services	Moderate

**Key to Level of Assurance:**

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control but there is evidence of non-compliance with some of the controls.
Moderate Assurance	Whilst there is a basically sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some of the controls.
Limited Assurance	The system of control is weak and there is evidence of non-compliance with the controls that do exist.

**APPENDIX 1B****OVERALL SUMMARY OF PERFORMANCE 2011/12**

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	42	1	43
Number of planned audits completed	42	1	43
% assigned audits completed	100.0%	100.0%	100.0%
Number of audits completed within time allocation	25	N/A	25
% audits completed within time allocation	58.1%	N/A	58.1%
Number of days overspent (-) / underspent (+) on completed audits to date	+20.2	N/A	+20.2
% of days overspent (-) / underspent (+) on completed audits to date	+5.1%	N/A	+5.1%
Number of audit days – planned	393.0	N/A	393.0
Number of audit days – actual	376.1	N/A	376.1
Productive time as % of available time – target	79.0%	N/A	79.0%
Productive time as % of available time – actual	72.7%	N/A	72.7%
Number of audit reports issued on time	42	1	43
% audit reports issued on time	100.0%	100.0	100.0%



## 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)
<b>Pre-audit consultation</b>			
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?			
<b>The audit</b>			
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?			
<b>Audit reporting</b>			
Was the draft report produced within a reasonable timescale?			
Were you given the opportunity to discuss the report with the auditor?			

	Yes	No	Comments (if applicable)
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:

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Manager: \_\_\_\_\_

Date: \_\_\_\_\_

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

**INTERNAL AUDIT CUSTOMER SURVEY**

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	<input type="checkbox"/>
Good	<input type="checkbox"/>
Satisfactory	<input type="checkbox"/>
Poor	<input type="checkbox"/>

*Please comment on the following matters:*

What in your view are Internal Audit's strengths?

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What in your view are Internal Audit's weaknesses?

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

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

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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):

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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


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