

Audit and Governance Committee

29 June 2009

Report of the Head of Internal Audit

Annual Report of the Chief Internal Auditor

Summary

- 1 This report summarises the outcome of audit and fraud work undertaken in 2008/09 and provides an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.

Background

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government (issued in 2006). In accordance with the Code of Practice, the Chief Internal Auditor (CIA) is required to report to those charged with governance on the findings of audit work, provide an annual opinion on the council's internal control environment and identify any issues relevant to the preparation of the Annual Governance Statement.

2008/09 Internal Audit and Counter Fraud Plans

- 3 The internal audit service delivered 94.2% of the 2008/09 internal audit plan by 30 April 2009. Details of the work completed and the reports issued are given in Annex 2.
- 4 Counter fraud work was also undertaken in accordance with the approved plan, and a summary of the work completed during the year is included in Annex 3.

Opinion of the Chief Internal Auditor

- 5 The audit and counter fraud work undertaken during the year is designed to provide assurance to members and officers on the adequacy of the control environment as an essential part of the council's corporate governance framework. Audit testing has also been undertaken so as to provide assurance to the S151 Officer, to help him discharge his responsibility for ensuring that proper arrangements exist for the administration of the council's financial affairs.
- 6 The reports detailed in Annex 2, together with the results of investigations into suspected fraud and corruption, have been sent to the relevant directors, service managers, and where necessary to the

S151 Officer. All audit reports include recommendations and action plans agreed with the relevant parties aimed at remedying identified weaknesses in control. In addition, follow up reviews are conducted on an ongoing basis to track the progress made by managers in implementing agreed recommendations. The follow up work undertaken in 2008/09 identified that while there were issues in some areas which required escalation in accordance with the agreed policy, good progress was made overall to rectify weaknesses in control.

- 7 The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the council's internal control environment is given in Annex 1. The opinion is based on the results of the audit and counter fraud work completed during the year. The establishment of adequate control systems is however the responsibility of management. Internal audit work is conducted on a sample basis and cannot therefore review every transaction. Therefore, while the implementation of internal audit recommendations can reduce risk, and may lead to a system of controls being considered adequate, they cannot eliminate risk altogether. In giving this opinion attention is drawn to the following significant control weaknesses which are considered relevant to the preparation of the 2008/09 Annual Governance Statement.
 - a) There are inconsistencies in the application of the council's policies in relation to the declaration of employees' interests and acceptance of gifts and hospitality. While no evidence of any impropriety was identified there is a need to ensure improved consistency and compliance. Management are currently preparing an action plan as part of the council's Improvement Plan to address these issues following the recent issue of the draft audit report and outcomes of the Corporate Governance Review.
 - b) Weaknesses in the council's financial accounting arrangements, including the systems for accounting for fixed assets, were highlighted by the Audit Commission as part of their audit of the 2007/08 statutory accounts. Management prepared a detailed action plan to address these weaknesses. Work has been ongoing during 2008/09 to ensure that the accounting systems are improved.
 - c) There were weaknesses in financial planning and monitoring arrangements during 2008/09. These were identified by senior management, and the area was also the subject of reviews by the Audit Commission and internal audit. Actions to address the issues identified were developed by management and have been implemented.

Consultation

- 8 Not relevant for the purpose of the report.

Options

- 9 Not relevant for the purpose of the report.

Analysis

10 Not relevant for the purpose of the report.

Corporate Priorities

11 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything it does. It also contributes to the effective organisation corporate priority.

Implications

12 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

13 The council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported and the annual statement and opinion of the CIA is not considered by those charged with governance. This in turn could adversely impact on the council's Use of Resources score and therefore its overall CAA score.

Recommendations

14 Members are asked to;

- Note the results of the audit and fraud work undertaken in 2008/09.

Reason

To enable Members to consider the implications of audit and counter fraud findings.

- Accept the opinion of the Chief Internal Auditor on the adequacy and effectiveness of the council's internal control environment;

Reason

To enable Members to consider the opinion of the Chief Internal Auditor.

- Note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.

Reason

To enable the Annual Governance Statement to be prepared.

Contact Details

Author:

Max Thomas
Head of Internal Audit – Veritau
Limited
Telephone: 01904 552940

Chief Officer Responsible for the report:

Pauline Stuchfield
Assistant Director (Customer Service and Governance)
Telephone: 01904 551706

Report Approved



Date 15/6/09

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

Internal Audit Risk Assessment and Strategic Audit Plan
2008/09 Audit Plan
2008/09 Counter Fraud Activity Plan

Annexes

Annex 1 - Opinion of the Chief Internal Auditor
Annex 2 – 2008/09 Audits Completed and Reports Issued
Annex 3 - Counter Fraud Activity