

Annual Report of the Head of Internal Audit

Summary

- 1 This report summarises the outcome of audit and fraud work undertaken in 2012/13 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 (England) Regulations 2011 and relevant professional standards. During 2012/13, the applicable standards for internal audit were contained in the CIPFA Code of Practice for Internal Audit in Local Government (2006)¹. In accordance with the code of practice, the Head of Internal Audit is required to report to those charged with governance on the findings of audit work, provide an annual opinion on the council's control environment and identify any issues relevant to the preparation of the Annual Governance Statement.

2012/13 Internal Audit & Counter Fraud Work

- 3 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of audits finalised since the last report to this committee in April 2012 are included at Annex 2.

¹ The CIPFA Code of Practice for Internal Audit in Local Government was replaced on 1 April 2013 by the Public Sector Internal Audit Standards.

- 4 Internal audit delivered 94.8% of the 2012/13 internal audit plan by 30 April 2012 (against a target of 93%). The service also achieved a positive customer satisfaction rating of 100% (against a target of 95%), and agreed actions to address 100% of high priority issues identified through audit work (against a target of 95%).
- 5 All of the actions agreed with services as a result of internal audit work are followed up to ensure that the underlying control weaknesses are addressed. The results of follow up work are summarised twice yearly for this committee (the last report was in April). Overall, good progress in implementing actions continues to be made.
- 6 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included in Annex 3. This has been another successful year for the team with, for example, 23 successful housing investigations being conducted – up from 18 last year. The team has also established itself in the investigation of social care fraud issues. Following the development of referral arrangements and delivery of fraud awareness training, 16 referrals for social care fraud were made during the year.

Breaches of Financial Regulations

- 7 Where breaches of council regulations, legislation, or other external regulations are identified through internal audit work these are reported to the committee in accordance with best practice. In most cases, actions agreed with managers as a result of the audit work will address the breaches identified. There have been a number of breaches of the council's financial regulations identified during the course of internal audit work in 2012/13. A summary of breaches identified since the last report to this committee in April 2012 is included in annex 4. There are no specific issues arising from known breaches of financial regulations in 2012/13 that require drawing to members' attention.

Opinion of the Head of Internal Audit

- 8 In accordance with the council's terms of reference for internal audit, the Head of Internal Audit is required to provide an annual written report to the Audit and Governance Committee. The report sets out the Head of Internal Audit's opinion on the

overall adequacy and effectiveness of the council's control environment and contributes to the overall review of the effectiveness of its systems of internal control and to the preparation of the Annual Governance Statement.

- 9 The opinion of the Head of Internal Audit is given in annex 1. The opinion is based on audit and counter fraud work completed during the year including that detailed in the annexes to this report and other monitoring reports to this committee during the year. Internal audit work has been conducted in accordance with proper standards.
- 10 In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2012/13 Annual Governance Statement:
 - a) Information Security – There continue to be weaknesses in the council's arrangements for managing information securely. There have been improvements since the previous year; however, there are still significant areas of weakness. Recent changes such as the move to West Offices may have led to further improvement, but there is insufficient evidence of this yet. Checks in 2012/13 identified examples of sensitive documents left out on desks or in unlocked cabinets. In many cases, secure storage was available but was not being used.
 - b) Health and Safety – Significant concerns were raised in the 2011/12 audit. While many of the issues have been addressed, the development of processes is still at an early stage. Work is ongoing – for example the Health and Safety team's own review of processes is expected to be completed in July 2013. Further follow up work will be undertaken by internal audit in 2013/14 to ensure weaknesses have been fully addressed.
 - c) Adult Social Care Budgetary Control – Procedures for controlling expenditure need improving. Issues included insufficient action taken to mitigate significant overspends identified through budget monitoring. There were also no clear links between control of expenditure and budget responsibility in some areas.

- d) The 2011/12 audit of partnerships identified significant weaknesses in corporate arrangements for managing partnership risks. No evidence has been seen of action to address those concerns.

Consultation

- 11 Not relevant for the purpose of the report.

Options

- 12 Not relevant for the purpose of the report.

Analysis

- 13 Not relevant for the purpose of the report.

Council Plan

- 14 The work of internal audit of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

- 15 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

- 16 The council will not comply with proper practice for internal audit if the results of audit work are not reported to those charged with governance.

Recommendation

17 Members are asked to:

- (a) note the results of audit and counter fraud work undertaken in 2012/13.

Reason

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

- (b) accept the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's internal control environment.

Reason

To enable members to consider the opinion of the Head of Internal Audit.

- (c) 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

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Report
Approved



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- 2012/13 Audit, Counter Fraud, and Information Governance Plan
- Internal Audit, Counter Fraud, and Information Governance Monitoring Reports to Audit and Governance Committee in 2012/13 (September, December, April)
- Reports on Follow up of Internal Audit Agreed Actions to Audit and Governance Committee in 2012/13 (September, April)

Annexes

- Annex 1 - Opinion of the Head of Internal Audit
- Annex 2 - Audits Completed and Reports Issued
- Annex 3 - Counter Fraud Work
- Annex 4 - Breaches of Financial Regulations