

AGENDA MANAGEMENT SHEET

Name of Committee **Audit And Standards Committee**

Date of Committee **25 September 2006**

Report Title **Internal Audit Report**

Summary This report summarises the results of internal audit work carried out in the quarter ended 30 June 2006.

For further information please contact:

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Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers None

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s) Not applicable
- Other Elected Members
- Cabinet Member Cllr Fowler
- Chief Executive
- Legal Reporting officer
- Finance Dave Clarke
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals



FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Agenda No

Audit And Standards Committee - 25 September 2006.

Internal Audit Report

**Report of the Strategic Director of Performance and
Development**

Recommendation

That the results of internal audit work in the period be noted.

The Committee is asked to consider the attached report which outlines the results of internal audit work completed during the quarter ended 30 June 2006.

DAVID CARTER
Strategic Director of
Performance and
Development

Shire Hall
Warwick

7 August 2006

**Internal Audit Report for the Quarter
Ended
30 June 2006.**

“Providing assurance on internal controls”

Internal Audit Report for the Quarter Ended 30 June 2006.

1. Introduction

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls. This report summarises the work completed by internal audit in the quarter ended 30 June 2006. Those audits not finalised by the end of the quarter are noted in this report and details will be included in the next report.

2. Basis of Assessment

- 2.1 The results of each audit are categorised in two ways. Firstly, the report gives an overall opinion on the level of assurance provided by the controls within the area audited. The bands of assurance are shown in Table 1. Secondly, recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used are shown in Table 2.

Table 1: Assurance Levels

Level of Assurance	Definition
Full Assurance	There is a sound system of control designed to address relevant risks with controls being consistently applied.
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.
No Assurance	There is no system of control in place.

Table 2: Categorisation of recommendations

Category of Recommendation	Definition
Fundamental	Action that is considered imperative to ensure that the County Council is not exposed to high risks. Major adverse impact on achievement of Authority's objectives if not adequately addressed.
Significant	Action that is considered necessary to avoid exposing the County Council to significant risks.
Merits attention	Action that is considered desirable and should result in enhanced control or better value for money. Minimal adverse impact on achievement of the Authority's objectives if not adequately addressed.

2.2 These definitions have been developed following extensive discussions with other local authority audit sections.

3. Summary of completed audits.

3.1 Using the definitions outlined above, Table 3 summarises the results of the audits completed during the quarter.

3.2 The results of the audits are very positive with no audits having a limited or no assurance opinion.

Table 3: Summary of audits completed during the quarter.

Audit	Opinion	Number of fundamental issues	Number of significant issues	Number of merits attention issues
Ordering and payment of creditors (Adult – Libraries /Heritage)	Moderate	0	8	3
CRB Checks	Moderate	3	4	3
Budget Management (P&D)	Moderate	0	3	2
Staff Costs (Finance)	Moderate	1	0	1

Audit	Opinion	Number of fundamental issues	Number of significant issues	Number of merits attention issues
Income and debt recovery (Property)	Moderate	0	1	7
Regeneration	Moderate	0	4	5
Framework Agreements and Term Maintenance Contracts	Moderate	5	0	0
Ordering and payment of creditors – non bank account schools (central aspects)	Substantial	0	2	1
Staff Costs (School based staff)	Moderate	1	2	1
School Trips	Substantial	0	4	1

4. Draft Reports

- 4.1 Final agreement is awaited on the following draft reports issued during the quarter:

Directorate	Topic
Corporate	Partnerships
Children, Young People and Families	School Governance
Community Protection	Staff Costs
	Training (Fire & Rescue)
Adult, Health and Community	Occupational Therapy
	Staff costs
Environment and Economy	Highways Maintenance
Resources	Central payroll services

The results of these audits will be included in my next report.

5. Audits in Progress

5.1 The following audits were in progress at the end of the quarter:

Directorate	Topic
Adult, Health and Community Services	Internal Homecare
Corporate	Risk Management
	HR Management
	Procurement
Children, Young People and Families	Ordering and payment of creditors (Bank account schools)
	Budget management
Resources	Central payroll services
	Ordering and payment of creditors (IT)
Environment and Economy	Employment training
	Smallholdings and Rural Estates
	Development regulation

The results of these audits will be included in my next report.

6. Advice

- 6.1 Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. Managers are therefore required by the Authority's Financial Standing Orders to consult internal audit at the start of such processes. Internal audit must be informed and consulted about plans for major or complex changes to systems. During the quarter internal audit provided advice on controls in a number of areas, as explained below.
- 6.2 Audit continues to provide advice on a number of ongoing E-Government projects, including e-tendering, the development of a procurement toolkit, contract management system and an ESPO contract solution for property contractors, whereby contractors can purchase materials via ESPO with the savings being shared between WCC and the contractor. Advice on these projects and future planned projects will continue throughout the year. An audit representative continues to attend the contract coordinators working party.
- 6.3 Advice was also provided to Adult, Health and Community Services on new procedures for the collection of fees for Adult and Community Learning courses provided. This has arisen as funding provided by the Learning and Skills Council has reduced resulting in a new charging scheme being applied for attending training courses provided by the service.

7. Special Investigations

- 7.1 Work on two special investigations has started during the quarter. Both investigations are ongoing and any issues arising will be reported when investigations are complete.

8. Status of recommendations

- 8.1 In view of the difficulties experienced in contacting many responsible officers, especially in schools, over the summer holiday period the usual tables showing progress in implementing recommendations are omitted from this report. I propose to resume the usual reporting framework for the next meeting of the Committee. This is the same arrangement as in previous years.

9. Conclusions

- 9.1 It is the responsibility of the County Council to develop and maintain the internal control framework. In undertaking its work, internal audit has a responsibility under the Cipfa Code to form an opinion on the Authority's overall control system. This opinion forms a key input to the Authority's Statement on Internal Control.
- 9.2 The results of individual audits as outlined in this report, when combined, form the basis for the overall opinion on the adequacy of the County Council's internal control systems. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The work of internal audit is intended only to provide reasonable assurance on controls.
- 9.3 Inevitably a range of issues will be identified during audits but in general terms the overall picture from this quarter's audits is a positive one with controls in the topics audited providing at least moderate assurance that risks are being managed. Action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. It is encouraging that there are no consistent themes arising from the work done to date and there is no evidence of a fundamental breakdown in the corporate control environment.

G Rollason
Audit and Risk Manager

1 August 2006