

# Internal Audit Annual Report 2013/14

“Providing assurance on the management of risks”

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## “Providing assurance on the management of risks”

This document summarises the results of internal audit work during 2013/14 and as required by the Accounts and Audit (England) Regulations 2011 gives an overall opinion of the Authority’s control environment.

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### Opinion

Based upon the results of work undertaken during the year my opinion is that the Authority’s control environment provides moderate assurance that the significant risks facing the Authority are addressed.

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### Context

This report outlines the work undertaken by the internal audit between 1 April 2013 and 31 March 2014.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

Internal audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards.

The primary role of audit to provide assurance to the organisation (managers, heads of services and the audit and standards committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. The service helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Authority’s control environment which feeds into the Annual Governance Statement.

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## Internal audit work during 2013/14

The underlying principle to the 2013/14 plan was risk and accordingly audits were only completed in areas that represent an *'in year risk'*.

The methodology adopted in preparing the 2013/14 audit plan, and the plan itself, were approved by the Audit and Standards Committee on 24 June 2013.

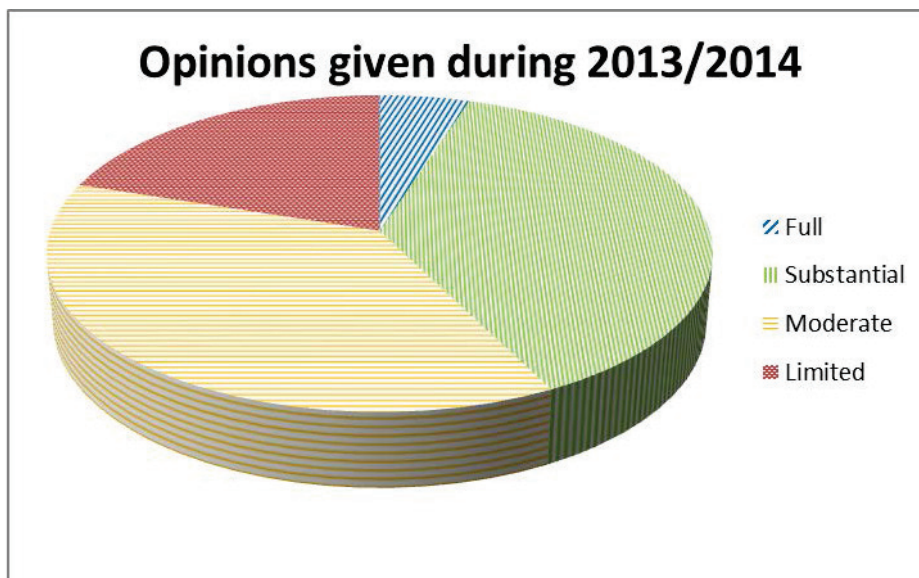
Since the original plan was approved a number of additional audits have proved necessary and some planned audits were no longer required. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation. The net effect is that although the work undertaken during the year was different to that anticipated 12 months ago, I am pleased to report that in terms of total number of days the target of completing 90% of the plan was achieved.

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## Summary of assurance work

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls. The Audit and Standards Committee has received regular reports during the year summarising audits undertaken.

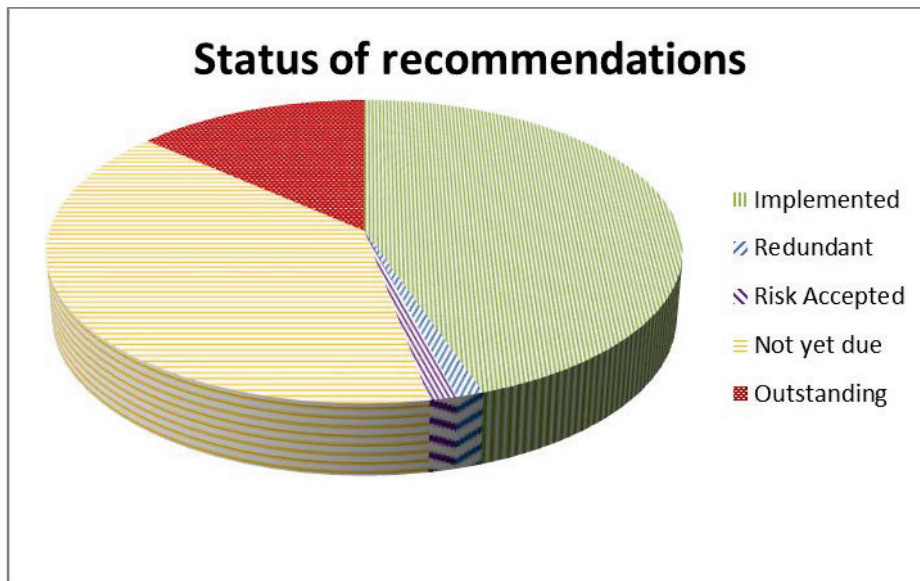
As shown in the following chart the results of this year's audits are positive with the majority having a moderate or substantial opinion. However, there were seven audits where controls provided only Limited assurance that significant risks were being addressed. These tend to relate to specific areas, often arms length from the Council, rather than represent an across the board breakdown in controls. The key issues arising from these audits have been reported to the Audit & Standards Committee.



A full list of the assurance work completed during the year is given in Appendix A.

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, in increasing order of importance are: Merits Attention, Significant and Fundamental.

During the year 244 recommendations were made to improve controls. As shown in the following chart significant progress has been made in implementing the recommendations made during the year. Progress on fundamental recommendations is particularly encouraging with only five in total outstanding at year end.



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## Summary of non-assurance work

### Special investigations

The size and complexity of the County Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a small number of special investigations were needed during the year and the significant issues arising were reported to the Audit and Standards Committee during the year.

Suspected frauds can be reported to our dedicated fraud hotline 01926 412052 or by email to [tellusaboutfraud@warwickshire.gov.uk](mailto:tellusaboutfraud@warwickshire.gov.uk)

### Advice

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. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year therefore the service continued to provide consultancy input into a number of topics including:

- Civil Parking Enforcement
- Financial processes
- Priority families
- Financial practice rules
- Electronic social care records
- Digital mail room

## Certification

Audit has traditionally carried out a small amount of work in relation to the certification of accounts for miscellaneous County Council related funds and is required to certify a small number of grants. These were all cleared satisfactorily.

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## Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Institute of Internal Auditors Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

A best practice audit service is provided which fully complied with the former CIPFA Standards. A self-assessment against the requirements of the PSIAS is underway and initial indications are that we comply with all significant aspects of the Standards but this will need to be confirmed by an external assessment in due course.

Internal audit processes are reviewed annually by external assessors as part of our ISO 9000 accreditation. This inspection provides independent assurance that processes outlined in the audit manual are being followed. The last accreditation visit proved to be successful with no non-conformances identified. Internal audit therefore continues to be registered under this exacting standard.

In accordance with best practice there is a rigorous internal review of all work undertaken by senior staff and the results feed into the staff appraisal process.

Following most audits a “post audit questionnaire” is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire includes a range of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys.

The post audit questionnaire responses returned continue to be good with the average score from all surveys returned during 2013/14 being 4.4 out of a maximum of five, and a number of positive comments and compliments about the service provided have been received, including:

- The auditors were critical friends not out to trip us up or catch us out but to help us improve the systems we have in place

- The Auditor was very thorough with his research into our area before our initial meeting. This helped the process to be more fluid.
- The review captured a lot of data from a wide range of personnel, uncovering areas or putting a new perspective onto issues for us to re consider
- The review was a shared task and it was done in a collaborative way
- The Auditor was very approachable and clear on what was required for the audit process
- The lead auditor was both friendly and professional and appeared able to get up to speed with the department's processes and procedures quickly.

It is clearly important for any audit service to keep abreast of best professional practice. The internal audit service is fortunate in having strong links with colleagues both within the midlands and nationally. The Service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. The secretary of the Cipfa audit panel regularly briefs heads of audit on new developments in the profession. At a regional level there are networking opportunities for auditors specialising in adult social care, fraud and police. The head of audit is a member of the editorial board of the Cipfa Internal Audit Technical Information Service. As well as good opportunities for continuing professional development and sharing best practice these activities provide advance information on new developments which can be reflected in the audit plan.

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## Opinion

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 PSIAS to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

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. In assessing the level of assurance to be given, I have taken into account:

- all audits completed during the year;
- any follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- the effect of non-assurance work undertaken during the year;
- the effect of any significant changes in the Authority's systems; and
- matters arising from previous reports to members.

Some significant issues have arisen during the year but 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. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, it is clearly important that issues identified during the year are addressed.

Based upon the results of work undertaken during the year my opinion is that the Authority's control environment provides moderate assurance that the significant risks facing the Authority are addressed.

## Appendix A: Summary of audits completed during the year.<sup>1</sup>

Audit		Opinion on level of assurance provided by controls
	<b>Resources</b>	
1	Debt Recovery	Moderate
2	Sales to Cash	Moderate
3	Financial Management of IT/IT Strategy	Substantial
4	Network Security	Substantial
5	Compliance with payment card industry standards	Substantial
6	Financial Management Arrangements – People Group	Moderate
7	Financial Management Arrangements – Resources Group	Moderate
8	Pensions Administration	Moderate
9	Vetting of staff	Limited
10	Programme and Project Management	Moderate
11	Network	Substantial
12	Learning & Development	Substantial
13	IT Service Continuity	Moderate
14	Accounts Receivable – Nuneaton	Moderate
15	Contact Centre Telephony and CRM replacement	Moderate
16	Compliance with Payment Card Industry Standards	Substantial
17	Programme and Project Management IT	Moderate
18	Agresso interfaces	Full
19	Coroner	Limited
	<b>Communities</b>	
20	Community Safety	Full
21	Highways Maintenance Contract	Substantial
22	Public Health Business Processes	Substantial
23	Emergency Planning	Substantial
24	Ecology	Substantial
	<b>People</b>	
25	Integrated Disability Service	Limited
26	The Dasset CE Primary	Moderate
27	St Benedict's Catholic High School	Substantial
28	Snitterfield Primary School	Substantial
29	St Marie's Catholic Primary School and Nursery	Limited
30	Adult Social Care - Assessment	Moderate
31	Capital programme - Schools	Substantial

<sup>1</sup> Note that some of these audits started in 2012/13

<b>Audit</b>		<b>Opinion on level of assurance provided by controls</b>
32	Continuing Healthcare	Limited
33	County Music Service	Limited
34	NEET (Not in Employment, Education or Training)	Moderate
35	Financial Management in Schools	Moderate
36	Commissioning	Substantial
37	Stratford Upon Avon Primary School	Limited
	<b>Fire &amp; Rescue</b>	
38	Premises Risk Information	Moderate
39	Fire Protection/Safety	Substantial
40	Young Fire Fighters	Limited

**G Rollason**  
**Chief Risk and Assurance Manager**  
**8 May 2014**