

**2012/13 INTERNAL AUDIT ANNUAL REPORT**

Relevant Portfolio Holder	Councillor Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas Head of Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

**1. SUMMARY OF PROPOSALS**

1.1 To present:

- The 2012/13 Internal Audit Annual Report for the period 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.

**2. RECOMMENDATION**

- 2.1 **The Board is asked to RESOLVE that the 2012/13 Internal Audit Annual Report is noted.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 None as a direct result of this report.

**Legal Implications**

- 3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 3.3 To aid compliance with the Regulation, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that “Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources”.

**Service / Operational Implications**

- 3.4 As can be seen in Appendix 1 during 2012/2013 there were 284 chargeable audit days delivered. This equates to a delivery of 94.7% against a target for the year of 90%.
- 3.5 **Appendix 2** provides a breakdown of the audits completed and the overall assurance.
- 3.6 The Worcestershire Internal Audit Shared Service has achieved and delivered the full 2012/2013 internal audit plan.
- 3.7 The Internal Audit Plan for 2012/2013 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) using a predefined scoring system. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
  - a number of operational systems, for example parks and open spaces, markets and cemeteries, were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 3.8 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment and process re-engineering are taken into consideration within the annual plan.
- 3.9 The purpose of the 2012/13 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
  - Audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
  - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit,
  - An opinion can be formed on the adequacy of the Authority's system of internal control, which feeds into the Annual Governance Statement which is presented with the statement of accounts.
- 3.10 2012/13 was a demanding year for the Internal Audit team with the loss of a Lead Auditor early in the year, the departure of an Auditor in November 2012 who had not been in post long, the uncertainty over

the permanent appointment of the Service Manager post and a couple of office moves. There was a need to vacancy manage posts for a significant proportion of the year in order to ensure correct resourcing was available to deliver the risk based internal audit plan. In addition there was 'managed' long term sickness as well as significant unforeseen long term sickness absence within the Service which placed further pressure on the service and its ability to deliver the internal audit programme. Internal Audit has carefully managed its resource and worked with partners to deliver the full audit programme for Bromsgrove District Council for 2012/13.

**Quality Measures**

- 3.11 Managers are asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product – see Appendix 2.
- 3.12 To further assist the Board with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conform to the Public Sector Internal Audit Standards and use the CIPFA Self Assessment questionnaire to self assess the Service on an annual basis. The outcome has indicated that there is a sound basis from which the shared service will work and which will be enhanced as certain key developments are implemented, for example the audit management software, over the next twelve months and further development of the Shared Service. Any areas of non-compliance with the Standards or Code would be reported as exceptions to the Client Officer Group and Audit Committee. There are no known exceptions to report.

**3.13 Anti-Fraud and Corruption Survey.**

The anti fraud and corruption survey was completed by Internal Audit and submitted on the 17th May 2013 in respect of financial year 2012/13. The survey examined several key anti fraud measures that exist within the Council. There were no significant weaknesses identified by the survey.

**Customer / Equalities and Diversity Implications**

- 3.13 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

The main risks associated with the details included in this report are.

- Non-compliance with statutory requirements.

**5. APPENDICES**

Appendix 1 ~ Delivery against plan 2012/13

Appendix 2 ~ Audits completed with assurance for 2012/13

**6. BACKGROUND PAPERS**

None.

**7. Key**

N/a

**AUTHOR OF REPORT**

Name: Andy Bromage  
Service Manager ~ Worcestershire Internal Audit Shared  
Service  
E Mail: andy.bromage@worcester.gov.uk  
Tel: 01905 722051

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date: 4<sup>th</sup> July 2013

**APPENDIX 1**

**Delivery against Internal Audit Plan for 2012/13**  
**1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013**

<b>Audit Area</b>	<b>DAYS USED TO 31/03/13</b>	<b>2012/13 PLANNED DAYS</b>	<b>TARGET DAYS FOR THE YEAR</b>
Core Financial Systems	74	88	88
Corporate Audits	67	69	69
Other Systems Audits	102	109	109
<b>TOTAL</b>	<b>243*</b>	<b>266</b>	<b>266</b>
Audit Management Meetings	15	15	15
Corporate Meetings / Reading	5	5	5
Annual Plans and Reports	7	8	8
Audit Committee support	6	6	6
Other chargeable	8	0	0
<b>TOTAL</b>	<b>41</b>	<b>34</b>	<b>34</b>
<b>TOTAL</b>	<b>284</b>	<b>300</b>	<b>300</b>

**Note 1**

\*Full number of budgeted days not used due to some a small 'call off' budgets e.g. consultancy, investigations, which was not fully used as well as the finalisation of a couple of audits which fell into the 2013/14.

**APPENDIX 1**

**Key Performance Indicators (KPIs) for 01<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.**

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2012/13.

	<b>KPI</b>	<b>Progress at Year End (1/4/12 to 31/03/13)</b>	<b>Target</b>	<b>Frequency of Reporting</b>
1	% Plan delivered excluding overruns	94.7%	90% for year ~ exceeded	Quarterly
2	Customer satisfaction surveys	2x received as excellent 1x received as good 7x issued in total at time of publishing	90% Good or above ~ achieved	Quarterly
3	Number of audits delivered compared to plan	2012/13 17x Final Reports 4x Draft Reports	18 ~ exceeded	Quarterly
4	Annual survey of Internal Audit Service	To be monitored by the Client Officer Group throughout the year.  Performance confirmation provided 25th April 2013.	Good or above ~ achieved	Annually

The Internal Audit Self-Assessment checklist assessing compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 will also be completed at the end of the annual cycle. Any areas of partial or non-compliance with the Code will be reported as exceptions to the Client Officer Group and Audit Committee. WIASS operates within and conforms to the Public Sector Internal Audit Standards.

**BROMSGROVE DISTRICT COUNCIL****AUDIT BOARD**Date 4<sup>th</sup> July 2013**Appendix 2****Audit Opinion Analysis ~  
Audits completed during financial year 2012/2013:**

<b>Audit Report / Title</b>	<b>Final Report issued</b>	<b>Assurance</b>
Cash, General ledger and Bank Reconciliation	11th March 2013	Significant
Budgetary Control & Strategy	26th April 2013	Significant
Treasury Management	13 <sup>th</sup> November 2013	Significant
Debtors	3 <sup>rd</sup> January 2013	Significant
Creditors	1 <sup>st</sup> March 2013	Significant
Asset Management	21 <sup>st</sup> March 2013	Significant
ICT incl. Project Auditing	26 <sup>th</sup> February 2013	Significant
Street Scene incl. abandoned vehicles, fly tipping, etc	7 <sup>th</sup> January 2013	Significant
Cemeteries	26 <sup>th</sup> April 2013	Significant
NDR	22 <sup>nd</sup> May 2013	Significant
Council Tax	22 <sup>nd</sup> May 2013	Significant
Governance incl. Procurement	20 <sup>th</sup> May 2013	Significant
Parks and Open Spaces (Sanders Park)	8 <sup>th</sup> March 2013	Moderate
Markets	21 <sup>st</sup> March 2013	Limited
Risk Management	22nd May 2013	N/a ~ critical friend
Data Management Post Room	22 <sup>nd</sup> May 2013	N/a ~ critical friend
Renovation Grants (including Festival Housing Contract and DFGs)	2 <sup>nd</sup> April 2013	N/a ~ critical friend
Climate Change	Draft Report 26/04/2013	Draft ~ Significant
Benefits	Draft Report 20/05/2013	Draft ~ Moderate
Shared Services (Shared Service/Transformation Savings And Clarity Of Reporting To The Members)	Draft Report 16/05/2013	Draft ~ Moderate
Regulatory Services	Draft Report	Draft ~ Limited

**AUDIT BOARD**

Date 4<sup>th</sup> July 2013

**Summary of 2012/13 Audits Assurance Levels.**

2012/13	Number of BDC Audits	Assurance	Overall %
From 21 audits	0	Full	0
	12	Significant	57
	1	Moderate	5
	1	Limited	5
	0	No	0
	4	To be confirmed	19
	3	N/a	14

**Client Feedback Analysis ~ IA Reporting**

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2012/13 financial year has been limited but that which has been received indicated that:

- auditee was more than happy with the process and format of the audits. This continues to be further developed.
- Recommendations made would help to support and give assurance on recently implemented changes.
- There is a high satisfaction rate with the audit product from the data received.

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**Overall Conclusions:**

- 76% of the audits undertaken for 2012/13 which have received an assurance allocated returned an assurance of 'moderate' or above. This figure is inclusive of the critical friend audits i.e. 'N/A'.
- Clients are satisfied with the audit process and service from the data received.