

INTERNAL AUDIT

Annual Assurance Report For the year ended 31 March 2014

Our mission statement is toprovide a high quality cost-effective service, which adapts and responds to the Authority's needs based on achieving a high standard of professionalism and expertise in service delivery and also to contribute in achieving Best Value Public Services.



1. ANNUAL ASSURANCE

1.1 Introduction

- 1.1.1 The Head of Audit's annual assurance opinion is designed to assist the Council to meet its obligations, under Regulation 4 of the Accounts and Audit Regulations, to review at least annually the effectiveness of the system of internal control and for a committee or body to consider its findings.
- 1.1.2 The Public Sector Internal Audit Standards¹ defines the way in which Internal Audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the control environment.
- 1.1.3 This report provides the Head of Internal Audit's assurance opinion on the adequacy and effectiveness of the Council's internal control arrangements for the year April 2013 to March 2014. The report and assurance opinion have been structured to:
- Draw attention to matters of particular concern, especially via individual assurance opinions; and
 - Draw attention to areas requiring specific attention.
 - Highlight internal audit performance
- 1.1.4 This report summarises Internal Audit activity for 2013/14, highlights matters for consideration and refers to audit plans for ongoing activity in areas of concern. The report is broken down into an overall opinion and a summary of assurance for each functional area of audit work, drawing attention to matters of particular concern, especially via individual assurance opinions; and highlights internal audit performance. The extent and direction of audit coverage is driven by assessment of risk and, by necessity, available resources.

1.2 Roles and Responsibilities

- 1.2.1 It is management's responsibility to develop and maintain the internal control systems, to ensure compliance with them and for ensuring the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It is also the responsibility of management to determine whether to accept and implement recommendations made by Internal Audit, or, alternatively, to recognise and accept the risks resulting from any failure to take action.
- 1.2.2 It is the responsibility of the Head of Audit to form an independent and objective opinion on the adequacy of the system of internal control. It is also Internal Audit's responsibility to draw any concerns about the adequacy of the system of internal controls and its audit plans to the attention of the Audit & Governance Committee, as appropriate.

¹ *Public Sector Internal Audit Standards – Applying the CIIA International Standards to the UK Public Sector*. Institute of Internal Auditors, April 2013.

1.3 Basis of Assurance

1.3.1 We have conducted our audits both in accordance with the mandatory standards and good practice contained the Public Sector Internal Audit Standards.

1.3.2 My opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the Internal Audit programme. While all principal risks identified within the organisation's framework may not have been included in Internal Audit's 2013/14 coverage, we have undertaken sufficient work to allow me to give a reasonable assurance, that risks are being managed effectively. The levels of assurance achieved on the systems audited by Internal Audit are depicted in the table below.

LEVEL OF ASSURANCE	NUMBER OF REPORTS
SUBSTANTIAL	28
CONDITIONAL	14
LIMITED	02
Total:	44

1.3.2 The aim of most audit reports is to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment. From those reviews which were given an assurance opinion (44 audit reviews). 64% (28) were issued with substantial assurance, 32% (14) conditional, and 4% (2) were issued with limited assurance.

2. HEAD OF INTERNAL AUDIT ASSURANCE STATEMENT

2.1 Purpose

- 2.1.1 This opinion statement is provided for the use of Reading Borough Council in support of its Annual Governance Statement (required under Regulation 4(2) of the Accounts and Audit Regulations 2011) that accompanies the statement of accounts for the year ended 31 March 2014.
- 2.1.2 My opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2013/14, including our assessment of the Council's corporate governance and risk management processes. The internal audit plan for 2013/14 was developed to primarily provide the Audit & Governance Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, governance and risk management.

2.2 Assurance Opinion

- 2.2.1 Based on the work the internal audit team has completed during the course of the year, which is set out in more detail below, *we have concluded that Reading Borough Council's control environment is acceptable for its business needs and operates in an effective manner.*
- 2.2.2 In addition, using assurance gained from our audit work on governance matters *we can conclude that RBC'S governance arrangements are adequate and effective.*
- 2.2.3 There have been no restrictions imposed on the scope of the Internal Audit function.
- 2.2.4 However there were a small number of reports issued as part of the agreed audit plan that identified specific areas where improvements were required. Management action plans have been agreed to strengthen the control weaknesses identified in these reports and will be subject to continual follow up.
- 2.2.5 The Basis for forming our opinion is as follows:
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the internal audit plan that have been reported to the Audit & Governance Committee throughout the year. This assessment has taken account of the relative materiality of these areas and management's response in respect of addressing control weaknesses.
 - Reviews of the management of key strategic risks associated with the main financial and corporate systems.
 - Reviews of the management of a selection of key directorate risks and of a wide range of control systems in place at an operational level
 - Probity and system reviews of key services
 - Assurance provided by the external Auditors in their Annual Audit Letter, in which KPMG state that they have reviewed the work of Internal Audit and

have been able to rely on it. Moreover, that they have not identified any major weaknesses in the overall control framework.

- Completion of follow up audit reviews to confirm the implementation of audit recommendations.
- Management requests for additional business assurance reviews.
- Review of organisational documentation e.g. key committees minutes and attendance at organisational meetings
- Outcomes from special audit reviews and counter fraud work including fraud & irregularity investigations.

2.3 Risk Based Internal Audit Assignments

2.3.1 The audit coverage has focused on key strategic and operational risk areas and as such the outcome of the reviews therefore naturally highlight control weaknesses that impact on the assurance provided.

2.3.2 The overall assessment takes account of the relative materiality of each of the risks/areas reviewed. Each of the reviews provides a conclusion and opinion as at the point in time the work was completed. As part of the ongoing programme of follow up work, individual recommendations from the reviews are monitored to provide assurance that appropriate management actions are delivered to enhance the level of control. Key outcomes arising from our work reported in 2013/14 include the following:

- The majority of assignments reported on during the year were given substantial and conditional assurance with a small number given limited assurance.
- The audits of the key financials systems have again identified that the overall control environment was robust and to a high standard, although we did raise concerns over the monitoring and recovery of debt.
- There were a small number of assignments issued during the course of the year that identified specific areas where the level of control was inadequate and were given limited assurance. Management action plans have been deployed to strengthen the control weaknesses identified in these reports and will be subject to follow up. These assignments are highlighted in tables 7 and 8.

2.4 Inherent qualifications to the assurance opinion

2.4.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness.

3. SUMMARY OF THE AUDIT WORK

3.1 Audit Plan

- 3.1.1 An annual audit plan was produced by Internal Audit to cover the period 1st April 2013 to 31st March 2014, which was agreed with the Corporate Management Team and the Audit & Governance Committee. The annual audit plan was in line with the Public Sector Internal Audit Standards for Internal Audit.
- 3.1.2 Satisfactory progress has been made against the Internal Audit plan during the period. Assignments have been completed in accordance with the plan, although there are a small number that still require finalisation of the reports. The findings and assurance ratings as appropriate from these reviews have been consolidated in the formation of the opinion. A full schedule of assignment and assurance ratings can be found in tables 1 to 9 below.
- 3.1.3 An analysis of the audit days undertaken against the planned days is included in section 5 of the report.
- 3.1.4 The opinion provided in section 2 of this report is limited to the scope and objectives of each individual audit assignment. Detailed information on the scope and any limitations to these has been provided within the individual audit reports. Section 4 of the report provides some further commentary on those audits assigned limited assurance and/or need consideration to be included in the Council's AGS. The tables in the following pages provide a summary of the reviews undertaken, contributing to the overall opinion along with the assurance rating.

SUBSTANTIAL ASSURANCE (Table 1 - 3 below) - There is a sound system of internal control and there is consistent operational compliance with controls across all areas reviewed. There are no key findings and only enhancements or minor issues with limited consequences to the achievement of system objectives (may) have been highlighted.

Table 1- Substantial Assurance (Finance Systems)

Title	Start	Draft	Final	Recs		
				H	M	L
Council Tax	16-Aug-13	21-Mar-14	30-Apr-14	0	1	4
NNDR	12-Aug-13	11-Oct-13	07-Nov-13	0	1	2
Rent Accounting	22-Oct-13	11-Feb-14	01-Mar-14	0	0	0
Accounts Payable	30-Oct-13	30-Jan-14	27-Feb-14	0	1	6
Main Accounting	18-Jun-13	25-Oct-13	02-Dec-13	0	0	2
Treasury Management	10-Oct-13	17-Jan-14	30-Jan-14	0	0	4
Benefit Payments	15-Aug-13	11-Feb-14	24-Mar-14	0	2	1
Payroll	10-Feb-14	02-Apr-14	02-May-14	0	0	3
Bank & Cash Reconciliations	18-Nov-13	24-Mar-14	04-Apr-14	0	0	2
Asset planning	27-Feb-12	03-Jun-14		0	2	1

Table 2 - Substantial (Operational Audits)

Title	Start	Draft	Final	Recs		
				H	M	L
Reablement	01-Apr-13	31-May 13	26-Jul-13	0	2	3
Reading Station (Road Interfaces)	27-Mar-13	11-Dec-13	20-Dec-13	0	1	3
Culture Sport & Income Generation	29-Apr-13	15-Aug-13	15-Aug-13	0	0	0
Housing Support & Allocations	10-Jun-13	30-Sep-13	01-Nov-13	0	0	2
Electronic Social Care Record	11-Nov-13	07-Apr-13	07-Apr-13	0	0	0
Directorate Savings Plan	12-Aug-13	16-Jan-14	27-Jan-14	0	0	0
Directorate Savings Plan	17-Jun-13	27-Aug-13	05-Sep-13	0	0	0
New Civic Offices Project	19-Apr-13	22-July-13	29-Aug-13	0	0	3
Purchasing Cards	03-Jul-13	29-Nov-13	18-Dec-13	0	3	3
Redundancy & Early Retirement	09-May-13	30-Jul-13	28-Aug-13	0	1	0
Directorate Savings Plan (ENCAS)	02-Sep	10-Jan-14	13-Jan-14	0	0	0
Reading Station (Road Interfaces)	27-Mar-13	11-Dec-13	20-Dec-13	0	1	3

Table 3 - Substantial (Schools)

Title	Start	Draft	Final	Recs		
				H	M	L
Caversham Park Primary School	15-Oct-13	01-Nov-13	13-Nov-13	0	0	4
St Martins Catholic Primary School	23-Jan-14	30-Jan-14	20-Feb-14	0	3	6
Park Lane Primary School	25-Feb-14	07-Mar-14	31-Mar-14	0	1	6
St John's CoE Primary	03-Dec-13	13-Dec-13	18-Dec-13	0	1	2
Wilson Primary School	16-Apr-13	02-Dec-13	17-Jan-14	0	2	4
Southcote Primary	16-Apr-13	11-Dec-13	12-Feb-14	0	2	7

CONDITIONAL ASSURANCE (Table 4 - 5) - Generally, there is a sound system of internal control and broadly there is operational compliance with those controls. However, some weaknesses in the design of controls and/or inconsistent application of controls could put the achievement of particular system objectives at risk.

Table 4 - Conditional Assurance (Operational Audits)

Title	Start	Draft	Final	Recs		
				H	M	L
				0	4	1
Agency Managed Service & Spend	26-Aug-13	14-Nov-13	13-Jan-14	0	4	1
School Education Budgets	03-May-13	08-Aug-13	25-Sep-13	0	3	4
School Places	11-Apr-13	18-Oct-13	11-Nov-13	0	3	1
Mental Health Integration	01-Feb-14	18-Feb-14	21-Mar-14	0	2	0
Looked After Children	30-Oct-13	21-Mar-14	30-May-14	0	7	5
Personalisation / Direct Payments	07-Jan-14	05-Mar-14	28-Mar-14	0	6	3
Children & Adults Commissioning	29-Apr-13	13-Nov-13	09-Jan-14	0	13	3
Deputyship & Appointeeship	12-Apr-13	07-Jun-13	03-Jul-13	0	4	3
Learning Disabilities Commissioning	26-Jun-13	16-Sep-13	21-Oct-13	1	2	2
Prevention and early intervention	11-Sep-13	18-Dec-13	14-Feb-14	0	5	2
School Education Budgets	03-May-13	08-Aug-13	25-Sep-13	0	3	4

Table 5 - Conditional Assurance (Schools)

Title	Start	Draft	Final	Recs		
				H	M	L
				0	5	3
Alfred Sutton Primary	29-Apr-13	11-Dec-13	21-Jan-14	0	5	3
Coley Primary	08-May-13	03-Jun-13	07-Jul-13	1	3	2
New Town Primary School	25-Nov-13	11-Dec-13	28-Jan-14	0	4	7

LIMITED ASSURANCE (Table 6) - Whilst some control is evident, weakness in the design, and/or inconsistent application of controls, put the achievement of the system objectives at significant risk in a number of areas reviewed.

Table 6 - Limited Assurance

Title	Start	Draft	Final	Recs		
				H	M	L
				1	4	1
Debtor Processes (Debt Recovery)	30-Sep-13	20-Mar-14	03-Jun-14	1	4	1
LD Internal Trading Services (VFM)	14-May-13	16-Sep-13	21-Oct-13	2	3	0

ASSURANCE NOT APPLICABLE (Table 7) - Reviews undertaken during the year, to which the assurance ratings are not appropriate.

Table 7 - Assurance not applicable

Title	Start	Draft	Final	Recs		
				H	M	L
Local Transport Capital Settlement 13/14*	28-Sep-13	30-Sep-13	02-Oct-13	0	0	0
Local Sustainable Transport Fund (LSTF)*	14-Jan-14	29-Jan-14	04-Feb-14	0	0	0
Carbon Reduction Commitment*	13-Mar-13	13-Aug-13	13-Aug-13	0	0	6

* Certification of grant claims.




3.2 Recommendation Follow up

3.2.1 Whether or not an audit review is scheduled for a follow up is reliant on the assurance opinion given at the time of the audit. Where "limited" assurance is given then the audit will be subject to a follow up. The timing of the follow up is very much dependent on available resources and agreed recommendation target dates, but our aim is to complete the follow up within six to twelve months of completion of the audit. Table 8 below gives a status of progress made with respect to recommendation follow-ups. We followed up a total of 20 recommendations covering the five audit areas detailed in table 10 and have highlighted the RAG status of implementation. (Red - implemented, Orange - partially implemented, Green implemented). We are confident that where recommendations have been implemented, this has improved the overall control environment operating within the organisation.

Table 8 - follow up reviews

Title	Start	Draft	Final	Status
Housing Repairs (external work)	02-Mar-13	01-June-13	01-June-13	
Bus Shelter Contract	08-Jul-13	22-Nov-13	17-Dec-13	
Information (Data) Security Management	27-Feb-14	07-Apr-14	07-Apr-14	
Collaborative Commissioning Agreement	24-Oct-13	12-Nov-13	12-Nov-13	
Use of Consultants & Tax	17-Feb-14	28-Mar-14	28-Mar-14	

KEY

-  Audit recommendations remain outstanding
-  Majority of recommendation have been implemented, however there is still some work in progress.
-  Recommendations have been implemented.

3.3 Work undertaken by other assurance bodies

3.3.1 In particular KPMG's 2012/13 Opinion stated that the financial statements give a true and fair view of the financial position of the Authority and the Group and of its expenditure and income for the year. In relation to value for money, KPMG also concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

3.4 Corporate Governance

3.4.1 In my opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- Assurance provided by the external auditors in their Annual Audit and Inspection Letter with regard to the Council's accounts and governance,
- The work of the Internal Audit Team to support the Council's Annual Governance Statement
- Directorate self assessments of governance and internal control
- Work completed by the internal audit team throughout 2013/2014

3.4.2 Internal Audit has assisted in reviewing evidence to support the Annual Governance Statement (AGS). The task has been to research and formally recognise things currently done across the Authority and to record them. We have undertaken an assessment against the CIPFA Finance Advisory Network key objectives.

3.4.3 An action plan which owned by the Corporate Management Team has been put in place to address where the Council is not meeting the requirements in full, and where material, are reported in the AGS. Our assessment is that the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE, although there some areas which require improvement.

3.5 Risk Management

3.5.1 Risk is managed through an established corporate framework, backed up by guidance, training and the use of the Council's performance management system. The Council Management Team (CMT) manages and reviews the Council's strategic risks and regular reports are provided through the year providing status updates on corporate risks to the Council's Audit & Governance Committee.

3.5.2 Internal Audit have used the Council's strategic and directorate risk registers to inform the audit planning process and at the same time can provide assurance that appropriate measures are being taken to manage the Council's key business risks.

3.6 Counter Fraud and Corruption Arrangements

- 3.6.1 Internal Audit and the Corporate Investigations Team along with other specialist units within the Council, delivered significant elements of the Councils Anti Fraud & Corruption strategy. Investigations undertaken by Internal Audit in the main are financial irregularities and/or failure to follow Council policies/procedures etc. Involvement of Internal Audit in such investigations will depend on the type and complexity of the referral.
- 3.6.2 The Corporate Investigations Team deals with fraud committed against the Council which is predominately benefit, housing tenancy and blue badge fraud and corporate fraud/irregularities committed by employees of the Council. The performance of the Corporate Investigations Team and Internal Audit with respect to investigations is reported quarterly to the Council's Corporate Management Team and Audit and Governance Committee and in detail in the Councils Annual Fraud Report.

4. ISSUES RELEVANT TO THE HEAD OF AUDIT ASSURANCE OPINION

4.1 The Head of Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. I have done this by detailing those audit reviews assigned limited assurance during the year 2013/2014, outcomes of investigations conducted and reviews which although did not warrant limited assurance have taken into consideration when giving my overall annual assurance opinion and will be subject to a follow up review as part of the 2013/14 audit plan. Such reviews are briefly detailed as follows:

- a) *LD Internal Trading Services (VFM)* - The audit review concluded that the unit costs for LD Supported Living were not competitive or sustainable. Benchmarking on spend on LD services also showed that RBC costs were higher than other authorities. Shortly after completion of the audit, a management review concluded that the internal service would not be provided - service users are now being supported through commissioned services.
- b) *Debtor Processes (Debt Recovery)* - shortcomings were identified in the effective monitoring and management of aged debts, namely that a significant number (and value) of invoices are outstanding as unpaid and appear not to have been effectively managed by some service areas.
- c) *Children & Adults Commissioning* - Commissioning strategies within Social Care are contained within service plans, but were found to lack detail in some areas and need development to give a clearer structure and approach to planning services. Progress has begun to support the development of commissioning strategies and enable a more focussed approach to commissioning and procurement. Progress will be followed up by internal audit.
- d) *Learning Disabilities Commissioning* - At the time of the audit Learning Disabilities Commissioning had achieved savings of £250k by carrying out a 'staggered' review of 22 supported living packages using the resource allocation system (RAS). This work was to be extended during the year to include all the supported living cases. Although RAS has been useful in identifying savings within Learning Disabilities, we identified during our audit that 25% of LD clients had remained on an interim budget, with just over half of these in excess of a year, with no end or revision date in place. The service was to undertake a review of RAS and the use of interim budgets to ensure interim budgets are kept to the shortest time possible. This will be followed up by internal audit in 2014/15.
- e) *Agency Managed Service & Spend* - At the time of the audit key IT process controls over the requisition and approval of workers through the Adecco Beeline system were found to be missing. A solution to rectify the control weaknesses was at the time being devised has subsequently been implemented. Internal audit will test the implementation of the new control framework early in the 2014/15 financial year.

- f) *Deputyship & Appointeeship* - The Council offers specific assistance to help certain individuals who are unable to manage their own financial affairs. There are some challenges facing the team, principally regarding the continued growth of new clients and the need to balance this with maintaining existing levels of service and record keeping. Our audit identified some risks associated with cash handling that have prompted the Managing Director & Head of Finance to review, with a view to reducing further the amount of cash that needs to be handled by Council officers.
 - g) *Information (Data) Security Management* - the council has made significant progress in respect of raising staff awareness of good practice and in ensuring that the relevant procedures have been incorporated into specific guidance to staff. Encrypted USB devices and document marking for all Council documents, however there remained areas of risk that require further action in order to meet best practice guidelines. Internal audit will keep a watching brief over information security management over the next 12 months.
 - h) *Corporate Investigations* - an investigation into fuel theft and the movement of council vehicles revealed control weakness in the allocation and control of fuel and GPS tracking and monitoring of RBC vehicles. A follow up review will be undertaken in 2014/15.
- 4.2 All of these reviews have been reported to the Audit & Governance Committee during the year and follow up action will be reported back during 2014/2015 as part of the audit plan.
- 4.3 Whilst the overall opinion should inform the Annual Governance Statement, the Managing Director and the Corporate Management Team need to take into account those audit reviews assigned a limited assurance opinion and/or concerns flagged up following an investigation, together with other issues they have become aware of during the year. This should enable the Annual Governance Statement for 2013/14 to have considered all assurances, risks and other governance issues that have arisen. An issue which did come to during the financial year was regarding over-optimistic income targets for service areas within Arts & Leisure and the recording of income incorrectly between accounting periods at the end of the 2012/13 financial year. Budgets have been rebased and work is underway on how this can be prevented from happening in the future.

5. INTERNAL AUDIT PERFORMANCE, TARGETS AND QUALITY ASSURANCE

5.1 Performance of the Internal Audit Service

5.1.1 The Public Sector Internal Audit Standards document the expected professional standards for internal audit in Local Government and are the applicable standards against which the quality of internal audit in local government is assessed. The Head of Audit monitors compliance against the code, by either self assessment and/or peer review.

5.1.2 Our performance during the year in relation to the performance indicators agreed for the internal audit service are shown in table 9 below: -

Table 9 - Local Performance Indicators for Internal Audit

	Performance indicator	10/11	11/12	12/13	13/14
1	Number of audit projects completed relative to those in the Plan	77%	71%	87%	83%
2	Number of Final audit reports issued within agreed elapse time (20 work days) relative to total number of projects undertaken	59%	31%	53%	50%
3	Number of projects completed within agreed "chargeable" or budgeted days.	51%	29%	78%	56%
4	Number of "key" systems reviewed in accordance with external audit guidelines.	100%	100%	100%	100%
5	Recharge for auditor day	£305	£293	£311	£311
6	Actual spending of controllable budget	99%	102%	88%	100%
7	% Of urgent investigations undertaken within agreed days	100%	100%	75%	100%
8	% Of working days lost to sickness	0.80%	0.17%	0.39%	2.5%
9	% Of training days given to staff	1.72%	1.13%	1.22%	1.01%
10	% Number of staff receiving annual appraisals and career evaluations	100%	100%	100%	100%

5.2 Delivering the agreed number of audit days

5.2.1 For 2013/2014, the planned and actual resource availability is summarised in table 10 below. This set out the requirement of 1163 chargeable days, including a contingency of 120 days and 121 days to be charged to external clients. An indicative 770 days was allocated to planned audit reviews, with a subsequent 126 days to be used for areas such as; audit planning and reporting, annual governance statement, providing project assurance and attending corporate meetings. The actual resource availability for the year was 1163 and time allocated to planned reviews was nigh on what was planned.

Table 10 - Planned Time and Actual time.

	Planned Totals	Actual Totals
Available Days	1778	1778
Non-Chargeable Days		
Annual leave	219	207
Sickness provision	32	39
Special Leave	4	9
Training provision (1)	56	54
Staffing (2)	62	87
I.T. (3)	20	24
Audit Man. (4)	31	34
Administration (5)	60	98
Audit Meetings (6)	38	19
	522	571
Non Audit Related Work		
Risk Management (7)	16	9
Emergency Planning & Business Continuity (8)	30	11
Corporate Investigations Team (9)	38	24
	84	44
Total	606	615
Resources available for audit work	1172	1163
Total Planned Audits (Days)	770	762
Other (project assurance, corporate meetings etc)	35	27
Contingency	120	118
Proactive Fraud Work	35	31
Governance	44	42
Audit Planning & Reporting	47	58
External Clients	121	125
	402	401
Total allocated resources	1172	1163

Notes:

- 1) Professional training support, external courses & seminars, internal courses/training.
- 2) One to ones, appraisals etc
- 3) Maintaining/updating audit management software & IT downtime.
- 4) Budgetary control, plan reconciliation, health & safety, quality control etc
- 5) Review of internal audit, updating office procedures, IA web and intranet page etc
- 6) Various IA meetings, Berkshire, London audit group, Home Counties, audit team meetings etc.
- 7) Facilitation of risk registers, training etc
- 8) Assisting in emergencies, attending EP team meetings etc
- 9) Management of the Corporate Investigations Team

5.3 Meeting the Internal Audit Plan Targets

5.3.1 In respect of individual audits, these were monitored on an ongoing basis. The Head of Audit in liaison with the Managing Director and the Head of Finance keep progress against the audit plan, and the content of the plan itself, under review. We achieved 83% completion of planned assignments. Those audits that were not completed by year-end have either been rolled over into the 2014/2015 audit plan or cancelled following a revised risk assessment (see table 11 & 12 below). The reason for the 83% completion and not 100% was due to a number of factors. These being, extra unplanned work, time spent on investigations which exceeded the contingency allowance, the need to balance new and emerging risks requiring audit attention against resources and audit time on individual projects exceeded the planned budgeted allowance.

Table 11 - audits that were not completed in 2012/13

Audit Title	Priority	Timing	Start Date	Draft Report	Final Report
No Recourse to Public Funds*	High			Cancelled	
Telecare**	High			Cancelled	
Network Controls***	Medium			Cancelled	
Software Asset Management (Licensing)***	Medium			Cancelled	
ICT in Schools****	Medium			Cancelled	

* Reduction in client base, perceived as low risk.

** reassessed

*** following reassessment audits will now be undertaken following office move to new Civic Offices

**** Issues to be picked up under individual school audits.

Table 12 - audits deferred for Q1 of 2014/15:

Audit Title	Priority	Timing	Start Date	Draft Report	Final Report
Access to Records	High	Q1	27-May-14		
Asset Planning	High	Q1	27-Feb-14	03-Jun-14	
Debtors (Accounts Receivable)	High	Q1	30-Sep-13	20-Mar-14	
Social Fund Reform (Financial Crises Support Scheme)	High	Q1	30-Sept-13	25-Apr-14	
Procurement Follow Up review	High	Q3			
Caversham Primary	High	Q3			
Section 106 Agreements	Medium	Q4			

5.3.4 Table 13 Audits added to the plan, following a specific mid-year request:

Audit Title	Priority	Timing	Start Date	Draft Report	Final Report
Troubled Families	High	Q1	24-Jun-13	24-Jul-13	24-Jul-13
Reablement	High	Q1	17-Apr-13	29-May-13	31-Jul-13
Agency Managed Service & Corporate Spend	High	Q3	26-Aug-13	14-Nov-13	13-Jan-14
Leisure income targets	High	Q4	01-Feb-14	30-Apr-14	

5.4 Quality

5.4.1 Quality control is achieved through:

- Preparation of a detailed audit plan according to an agreed risk assessment methodology and widely consulted upon throughout the Council.
- A documented audit methodology supported by standard working papers, and the review of each draft audit report by the Principal Auditor/Head of Audit prior to issue.
- Working hard to ensure audits meet the requirements of our customers by giving them the opportunity to comment on terms of reference and timing of work, and by working with managers to identify solutions in areas where there is scope for improvement.
- Seeking feedback from our customers after each audit and fostering a culture of continuous improvement within the audit service.
- Undertaking an annual quality review with Directors/Heads of Service and managers on the Internal Audit service over the past year (results are summarised in section 4.6).

5.5 Customer Satisfaction Analysis

5.5.1 On completion of each audit review the client is asked to complete an online questionnaire to provide feedback on the conduct of the auditor and quality of the audit review. The summary of this analysis is detailed below.

5.5.2 Clients are asked to score our services on a scale of 1 to 4, 1 = unsatisfactory, 2 = Potential for Improvement, 3 = Good, 4 = Very Good. The performance figures below represent the customer satisfaction as a percentage.

Pre Audit Arrangements

- 5.5.3 Our aim is that you are clear about the purpose and process of the audit. How would you rate our performance on:

No.	Statement	Performance
1	Explaining the audit process	100%
2	Consultation & scoping the audit	86%

Audit Visit

- 5.5.4 Our aim is to perform the audit in an unobtrusive and professional manner. How would you rate our performance:

No.	Statement	Performance
3	Conduct & professionalism of the Auditor	100%
4	The Auditor obtaining an understanding of your business needs	100%
5	Opportunity to discuss the findings during the audit	100%

Post Audit

- 5.5.5 Our aim is to provide information that is beneficial to you. How would you rate our performance on:

No.	Statement	Performance
6	Usefulness of recommendations	90%
7	Clarity and fairness of the report	95%
8	Were your comments taken into account	100%

Adding Value

- 5.5.6 Our aim is to provide assurance on existing controls and to add value. Please indicate where the audit has added value: (performance graded as a percentage of total respondents)

No.	Statement	Performance
9.a	Provide assurance on existing controls	90%
9.b	identified areas of improvement	76%
9.c	Improved procedures and processes	57%
9.d	highlighted areas of good practice	52%
9.e	Escalated issues to senior management	24%

5.6 Annual quality review

5.6.1 We undertook an annual survey in May 2014 asking Directors, Heads of Service and senior managers to assess the importance and quality of the service provided.

5.6.2 A total of 69 managers, including head teachers, were requested to complete an on-line questionnaire. 14 responses were received equating this to a 20.3% response rate.

5.6.3 Questions were rated and scored on the following basis:

Importance		Performance	
Rating	Scoring	Rating	Scoring
High	3	Excellent	4
Medium	2	Good	3
Low	1	Adequate	2
No opinion	0	Poor	1
		No opinion	0

5.6.4 Managers were asked to rate a total of 41 questions against 6 service areas, the summaries of the findings are detailed below.

Importance		Performance
Average Importance Rate	Service Area	Average Satisfaction Rate
92%	Audit Service	91%
87%	Audit Staff	87%
84%	Conduct of Audits	80%
92%	Audit Reporting	84%
88%	Customer Service	85%
90%	Improving the Authority's Culture	83%
88%	Average	85%

5.6.5 In addition to the set questions, three free text fields were made available for individuals to provide further comments. These will be analysed over the next few weeks and used, with the above results, to further improve the focus and performance of the Audit Service.