

READING BOROUGH COUNCIL

REPORT BY HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	21 JULY 2016	AGENDA ITEM:	7
TITLE:	INTERNAL AUDIT ANNUAL ASSURANCE REPORT		
LEAD COUNCILLOR:	COUNCILOR STEVENS	PORTFOLIO:	AUDIT & GOVERNANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	Chief Auditor	E-MAIL:	Paul.Harrington@reading.gov.uk

1. EXECUTIVE SUMMARY

1.1 The attached annual assurance report of the Chief Auditor required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards, sets out:

- the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement;
- the key themes arising from the work of the Audit Team during the 2015/2016 financial year; and
- the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

1.2 Detailed audit reports have been issued to the relevant service managers on the results of individual audits throughout the year, and to the relevant Directors and Heads of Service where unsatisfactory internal control has been identified. In addition, quarterly reports have been issued to, and discussed with, the Corporate Management Team (CMT) and the Audit & Governance Committee in order to report on standards of internal control, to provide appropriate focus on weaknesses and to progress remedial action where necessary.

Appendix 1 - Internal Audit Annual Assurance Report

2. RECOMMENDED ACTION

2.1 The Audit & Governance Committee are requested to note the assurance opinion given by the Chief Auditor and consider the issues raised in the annual report.

3. KEY ISSUES

- 3.1 The Chief Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of the Council's risk management, internal control and governance processes. The opinion is designed to assist the Council to meet its obligations, under the Accounts and Audit Regulations. In giving this opinion, it should be noted that assurance can never be absolute and, therefore the most that the Internal Audit service can provide the Council's Audit and Governance Committee with, is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.
- 3.2 In our opinion, based on the work we (Audit Services) have undertaken, for the financial year ended the 31st March 2016 the Council has adequate and effective risk management, control and governance processes to manage the achievement of the organisations objectives.
- 3.3 Based on the work the internal audit team has completed during the course of the year, which is set out in the attached report in more detail, we *have concluded that the system of internal control is satisfactory and processes to identify and manage risks are in place.*
- 3.4 However there were a small number of reports issued as part of the agreed audit plan that identified specific areas for improvement. Management action plans have been agreed to strengthen the control weaknesses identified in these reports and will be subject to continual follow up.
- 3.5 The matters raised in the attached report are only those, which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.
- 3.6 A high level summary of the main issues raised as a result of Internal Audit activity during 2015/2016 are given below:

High level Summary of Key Issues

- 3.7 Our audit programme for the year has highlighted both good practice and areas for improvement. Some of the key messages identified during our audit work are set out below:
- Adult Social Care Income - Work is required to review the end to end process to address the build-up of backlogs and improve the quality and timeliness of referrals for financial assessment.
 - Accounts Payable: need to continue to develop process improvements within Accounts Payable through system releases and greater utilisation of system functionality.

- Foster Care & Adoption Allowances: the audit highlighted the continued dependency upon high cost independent Foster Agencies. Recommendations were made to strengthen operational procedures, incorporating the governance arrangements of the Access to Resource Panel.
- Fuel - Internal Audit recommended improved information on vehicle fuel usage and apply appropriate restrictions on quantity and frequency of fuel dispensed. A further in-year follow up of recommendations noted improvements had been made.
- Fleet Management - Internal Audit recommended further development of systems and processes to ensure compliance with legislation and value for money is achieved. A further in-year follow up of those recommendations noted good and ongoing progress in their implementation.
- As part of the work completed on spending appropriately, procedures have been strengthened in a number of areas and establishment control has been improved. However more work is required to strengthen the leaver process.

3.8 All of these reviews have been reported to CMT and the Audit & Governance Committee during the year and follow up action will be reported back during 2016/2017 as part of the audit plan.

4. THE PROPOSAL

4.1 That this report forms the basis for CMT and the Audit & Governance Committee to undertake their annual review of internal control and to approve the annual governance statement for 2015/16 for signature and publication with the Council's accounts.

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 Audit Services aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular audit work is likely to contribute to the priority of remaining financially sustainable to deliver our service priorities.

6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1 N/A

7. LEGAL IMPLICATIONS

- 7.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.
- 7.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.
- 7.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

8. FINANCIAL IMPLICATIONS

- 8.1 N/A

9. BACKGROUND PAPERS

- 9.1 N/A