

Buckinghamshire County Council



Internal Audit Service Annual Report of the Assistant Head of Finance (Corporate Financial Services) 2007/08



Annual Report 2007/08

Contents

1 Background	page 3
2 Responsibilities	page 3
3 Audit Opinion	page 3
4 Anti-Fraud	page 4
5 Basis of Audit Opinion	page 4
6 Audit Team	page 6
7 Statement of Effectiveness	page 7

APPENDIX I: Summary of Audit Opinions 2007/08



1 Background

- 1.1 The Account and Audit Regulations require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The CIPFA Code of Practice 2006 (the Code), which sets out proper practice for Internal Audit, requires the Assistant Head of Finance to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies of the internal control environment.

2 Responsibilities

- 2.1 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.
- 2.2 The role of the internal audit service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
- The Council can establish the extent to which they can rely on the whole system; and
 - Individual managers can establish how reliable the systems and controls for which they are responsible are.

3. Opinion on the Council's Internal Control Environment Summary

3.1

In my opinion Buckinghamshire County Council's system of internal control and risk management facilitates the **effective** exercise of the Council's functions. This provides **reasonable** assurance regarding the effective, efficient and economic exercise of the Council's functions.

- 3.2 Our opinion represents a positive outcome for the Council, however, during the course of our work we did identify some key weaknesses where improvements in control are required in order to mitigate risk arising. Whilst we are obliged to outline these key areas for improvement, our overall opinion outlines that we can provide assurance that management identify and manage risk well. Areas where key weaknesses arise include:
- The Council's Asset Management procedures. A management action plan is in place to improve the control environment.
 - Payroll control account data flows are being investigated to ensure that risk is adequately mitigated in the future.



- 3.3 All the control issues are subject to action plans that mitigate risk and we report to Members any areas where we consider that risks are not receiving adequate management attention. We also report where recommendations have not been implemented within an agreed timeframe. Subject to some reporting awaiting management responses and being a draft format, the agreed audit plan was substantially completed.
- 3.4 Whilst audit reports tend to focus on risk exposures, it was pleasing to report a number of control improvements over the year, particularly within core financial systems where in previous years a negative outcome had been reported. It was also a positive outcome to have the vast majority of schools meeting the FMSiS DCSF requirements.
- 3.5 During the year, members of the Regulatory and Audit Committee expressed concern over the number agreed recommendations not implemented by management. An escalation procedure and updated follow up procedure has now been established which will increase the profile of audit recommendations with implementation rates being monitored on the Council's new performance software system.
- 3.6 A summary of our assignment outcomes and work completed during the year is shown in Appendix I.

4 Anti-Fraud

- 4.1 Details of our work in this area are reported on a quarterly basis to the Chief Executive, Section 151 Officer, Monitoring Officer and Group Solicitor. We have assisted on a small number of fraud and irregularity investigations and although some have resulted in action being taken against individuals, none have presented material risk to the Council. Outcomes of these reviews have contributed to the overall annual audit opinion. We continue to undertake fraud detection activities and promote anti-fraud awareness across the organisation.

5 Basis of Audit Opinion

- 5.1 The Internal Audit Service has an approved Service Charter and Strategy which comply with the CIPFA Code. These require Internal Audit to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The Audit Commission will undertake an assessment of the Council's Internal Audit Service as part of the annual external audit and Internal Audit also undertake a Review of Effectiveness.
- 5.2 The Regulatory & Audit Committee agreed the Internal Audit Plan which was developed to focus specifically on financial management, corporate



improvement agendas and corporate processes. There were no constraints placed on the scope of audit work in the year and there were sufficient resources to provide an adequate and effective audit coverage.

- 5.3 A summary of the work undertaken during the year forming the basis of the audit opinion on the internal control environment is shown in the Appendices. There were also 29 other areas of consultancy work in addition to general advice where there was no formal report issued but which contribute to the overall opinion. These are summarised in table 2. Development and consultancy activity has been undertaken such as assisting the development of the Local Area Agreement control framework, involvement in the Waste project and updating Financial Instructions. Follow up assignments are undertaken throughout the year and reported to management.
- 5.4 In addition, to our annual opinion, we submit quarterly reports to the Extended Management Team and the Regulatory and Audit Committee. These reports provide a detailed summary of audit activity during the quarter and should provide an early warning system to Management and Members of key risks arising within the Authority.
- 5.5 In addition, in arriving at our opinion, we have taken into account:
- The results of all audits undertaken as part of the 2007/08 audit programme.
 - The results of follow-up action taken in respect of audits from previous years.
 - Whether or not 'high risk' recommendations have been accepted by management and the consequent risks.
 - The effects of any material changes in the Authority's objectives or activities or risk profile.
 - Whether any limitations have been placed on the scope of internal audit.
 - Findings of work performed by other assurance providers (e.g. the Audit Commission who we have liased with throughout the year in order to share information and reduce any duplication of audit activity).
 - CPA feedback.
 - The scope of internal control environment - which comprises the whole network of systems and controls established to manage BCC to ensure that its objectives are met. It includes financial and other controls, and also arrangements for ensuring that BCC is achieving value for money from its activities.
- 5.6 In giving our audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the



Accountable Officers and Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this 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.

6. The Audit Team

6.1 The Internal Audit Service works to the CIPFA Code of Practice. The team currently consists of 11.8fte plus outsourced support. The majority of staff are qualified or part-qualified with either ACCA, CIMA, IIA, QICA or AAT certificates. Private sector support has been used during the year to resource the plan. Performance indicator outcomes are reported to the Regulatory and Audit Committee on a quarterly basis and good performance has been reported in 2007/08.

7. Statement of Effectiveness

7.1 The Accounts and Audit (Amendment) (England) Regulations 2006 came into force on 1st April 2006. Whilst many of the amendments clarify or correct elements of the 2003 Regulations, one of the amended regulations in particular have an impact on the process for internal audit:

Regulation 6 requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole.

7.2 In order for internal audit to demonstrate that its system is effect, three areas of evidence are available for review. Firstly, the Audit Commission's inspection as part of the annual audit should be considered. Secondly, the Council has conducted a separate review of its systems of internal audit which similarly produced a positive outcome. Also, the Council's co-sourced audit provider has conducted a review.

7.3 The combination of the above can be used to demonstrate that the Council's system of internal audit is effective and this supports the February 2007 detailed external audit inspection of internal audit. A separate paper will be reported to the Regulatory and Audit Committee to cover this requirement.

Clive Palfreyman

*Assistant Head of Finance – Corporate Financial Services (Chief Internal Auditor)
May 2008.*



Appendix I

1 Summary of audit outcomes for year.

1.1 Table 1: Audits undertaken and assurance opinion.

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days Planned	Days Actual	Adequacy of Controls	Adequacy of Compliance	Overall Assurance
Cross Cutting Reviews					
<i>Partnerships</i>	20	22	Good	Good	Good
<i>Getting Closer to Communities</i>	10	10	Good	Good	Good
<i>Service Transformations</i>	15	10	Good	Good	Good
Procurement	15	13	Good	Good	Good
Local Area Agreements	15	13	Good	Good	Good
Annual Assurances					
Portfolio Risk Management – Resources	10	6	Good	Good	Good
Portfolio Risk Management – ASC	10	9	Good	Good	Good
<i>Risk Management Framework</i>	5	5	Good	Good	Good
Contracting and Tendering	20	30	Good	Poor	Poor
Business Planning (incl. MTP)	20	26	Good	Good	Good
Corporate Governance	10	8	Good	Good	Good
Financial Management					
<i>General Ledger</i>	12	7	Good	Good	Good
Creditors	15	13	Good	Good	Good
Pensions	20	17	Good	Good	Good
<i>Budgetary Control</i>	20	13	Good	Good	Good
<i>Debtors</i>	10	10	Good	Good	Good
Treasury Management	10	9	Good	Good	Good
<i>Capital Programme</i>	30	30	Poor	Poor	Poor
Capital Asset Accounting	15	16	Poor	Poor	Poor
VAT	10	8	Good	Good	Good
Banking	5	4	Good	Good	Good
External Funding	15	15	Poor	Poor	Poor
Cash Management	10	9	Good	Good	Good
<i>Payroll</i>	25	30	Poor	Poor	Poor
ICT					
E-Payments	10	9	Poor	Poor	Poor
BACS Creditors	5	4	Poor	Good	Poor
BACS Payroll	5	4	Poor	Good	Poor
Network Security	15	15	Good	Good	Good
<i>Electronic Data Management</i>	20	19	Poor	Poor	Poor
Data Protection	15	19	Good	Good	Good



Annual Report of the Internal Audit Service 2007/08

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days Planned	Days Actual	Adequacy of Controls	Adequacy of Compliance	Overall Assurance
<i>SWIFT</i>	35	30	Poor	Good	Poor
<i>SAP Interfaces</i>	15	15	Good	Good	Good
<i>SAP Governance</i>	20	20	Good	Poor	Poor
Children's Portfolio					
Leaving Care Finance	15	19	Poor	Poor	Poor
Education Psychology	10	10	Good	Good	Good
Every Child Matters	20				
Adult Social Care Portfolio					
Supporting People	10	9	Good	Good	Good
Community Portfolio					
Freedom of Information	12	22	Good	Good	Good
Emergency Planning	20	17	Good	Good	Good
Resources Portfolio					
CRB Checks	15	18	Poor	Poor	Poor
Asset Management	20	20	Poor	Poor	Poor
Lettings	28	31	Poor	Poor	Poor
Recruitment	10	16	Poor	Poor	Poor
Training & Development	10	15	Good	Good	Good
Follow Up of Previous Recs					
Various	25	23	Good	Good	Good
Schools					
Alfriston School	6	4.6	V Good	Good	V Good FMSiS Std Met
Ashmead Combined School	5.5	4.3	V Good	V Good	V Good FMSiS Std Met
Aston Clinton School	3	3.1	Good	Good	Good FMSiS Std Met
Bearbrook Combined School	5.5	4.6	Good	Good	Good FMSiS Std Met
Bedgrove Infant School	4.5	3.9	V Good	V Good	V Good FMSiS Std Met
Bedgrove Junior School	4.5	9.4	Good	Good	Good FMSiS Std Met
Bell Lane Combined School	5.5	4.8	V Good	V Good	V Good FMSiS Std Met
Bierton CE Combined School	5.5	5.7	V Good	V Good	V Good FMSiS Std Met
Booker Hill School	5.5	5.4	V Good	V Good	Good FMSiS Std Met
Booker Park School	6	2.9	V Good	V Good	V Good FMSiS Std Met
Bourton Meadow School	5.5	4.6	V Good	V Good	V Good FMSiS Std Met
Brookmead School	5.5	5.7	V Good	V Good	V Good FMSiS Std Met
Buckingham Primary School	5.5	4.7	V. Good	V. Good	V Good



Annual Report of the Internal Audit Service 2007/08

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days Planned	Days Actual	Adequacy of Controls	Adequacy of Compliance	Overall Assurance
					FMSiS Std Met
Burford School	5.5	4.8	V Good	V Good	V Good FMSiS Std Met
Butlers Court School	5.5	5.9	Good	Good	Good FMSiS Std Met
Carrington Junior School	4.5	4.6	V Good	V Good	V Good FMSiS Std Met
Castlefield School	5.5	6.3	Good	Good	Good FMSiS Std Not Met
Chalfont St Giles Junior School	4.5	4.7	V Good	V Good	V Good FMSiS Std Met
Chalfont St Peter CE School	4.5	4.7	V Good	V Good	V Good FMSiS Std Met
Chepping View School	5.5	6.1	V Good	V Good	V Good FMSiS Std Met
Chiltern Gate School	3	3.7	V Good	V Good	V Good FMSiS Std Met
Clayton's Combined School	5.5	4.1	Good	Good	Good FMSiS Std Met
Danesfield School	5.5	4.4	V Good	V Good	V Good FMSiS Std Met
Downley School	5.5	5	Good	Good	Good FMSiS Std Met
Disraeli School	5.5	6.8	V Good	V Good	V Good FMSiS Std Met
Elangeni School	4.5	4.6	V Good	V Good	V Good FMSiS Std Met
Elmhurst School (Infant & Junior schools combined during the audit)	9	8.1	V Good	V Good	V Good FMSiS Std Met
Elmtree School	4.5	7.6	V Good	V Good	V Good FMSiS Std Met
Furzedown School	6	6.8	V Good	V Good	V Good FMSiS Std Met
Gerrards Cross CE School	5.5	4.8	V Good	V Good	V Good FMSiS Std Met
Great Kingshill CE Combined School	5.5	5.4	Good	Good	Good FMSiS Std Met
Great Missenden CE Combined School	5.5	6	Good	Good	Good FMSiS Std Met
Grendon Underwood Combined School	5.5	5.2	V Good	V Good	V Good FMSiS Std Met
Haddenham Community Junior School	4.5	9.6	Good	Good	Good FMSiS Std Met



Annual Report of the Internal Audit Service 2007/08

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days Planned	Days Actual	Adequacy of Controls	Adequacy of Compliance	Overall Assurance
Hamilton Primary School	5.5	4.5	Good	Good	Good FMSiS Std Met
Haydon Abbey School	5.5	4	V Good	V Good	V Good FMSiS Std Met
Hazlemere CE Combined School	5.5	5.8	Good	Good	Good FMSiS Std Met
Heritage House School	6	9	Good	Good	Good FMSiS Std Met
Holmer Green Junior School	4.5	5.2	V Good	V Good	V Good FMSiS Std Met
Holy Trinity CE School	4.5	4.8	Good	Good	Good FMSiS Std Met
High Ash CE Combined School	5.5	4.7	V Good	V Good	V Good FMSiS Std Met
Highworth Combined School & Nursery	5.5	4.9	V Good	V Good	V Good FMSiS Std Met
Iver Heath Junior School	4.5	5	V Good	V Good	V Good FMSiS Std Met
John Hampden School	4.5	4.1	Good	Good	Good FMSiS Std Met
Juniper Hill School	4.5	8.6	V Good	V Good	Good FMSiS Std Met
King's Wood School	5.5	6.5	Good	Good	Good FMSiS Std Met
Lent Rise Combined School	5.5	5.2	V Good	V Good	V Good FMSiS Std Met
Ley Hill School	5.5	8.1	V Good	V Good	V Good FMSiS Std Met
Little Spring School	5.5	4.6	V Good	Good	Good FMSiS Std Met
Maplewood School	6	4.4	V Good	V Good	V Good FMSiS Std Met
Millbrook Combined School	5.5	6.5	Good	Good	Good FMSiS Std Met
Monks Risborough CE Primary School	5.5	5.7	V Good	V Good	V Good FMSiS Std Met
Naphill & Walters Ash School	5.5	6.3	Good	Good	Good FMSiS Std Met
Oak Green School	5.5	3.6	Good	Good	Good FMSiS Std Met
Oakridge School	5.5	5.9	Good	Good	Good FMSiS Std Met
Overstone Combined School	5.5	5.3	Good	Good	Good FMSiS Std Met
Pebble Brook School	6	7.8	V Good	V Good	V Good FMSiS Std Met



Annual Report of the Internal Audit Service 2007/08

Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days Planned	Days Actual	Adequacy of Controls	Adequacy of Compliance	Overall Assurance
Prestwood Junior School	4.5	5.7	Good	Good	Good FMSiS Std Met
Prestwood Lodge School	6	8.2	V Good	Good	V Good FMSiS Std Met
Princes Risborough Primary School	5.5	4.6	V Good	V Good	V Good FMSiS Std Met
Robertswood School	5.5	5.3	Good	Good	Good FMSiS Std Met
St Augustine's Catholic Primary School	5.5	8.2	Good	Good	Good FMSiS Std Not Met
St Edwards Catholic Junior School	4.5	3.5	Good	Good	Good FMSiS Std Met
St John's CE Combined School	5.5	4.4	V Good	Good	Good FMSiS Std Not Met
St Joseph's Catholic Primary School	5.5	7.1	Good	Good	Good FMSiS Std Met
St Mary's CE Primary School (Amersham)	5.5	4.7	V Good	Good	Good FMSiS Std Met
St Mary's CE School (Aylesbury)	5.5	5.1	Good	Good	Good FMSiS Std Met
St Mary's Farnham Royal CE Primary School	5.5	5.5	V Good	V Good	V Good FMSiS Std Met
Stocklake Park School	5	4.1	V Good	V Good	V Good FMSiS Std Met
Stoke Mandeville Combined School	5.5	4.9	Good	Good	Good FMSiS Std Met
Stoke Poges School	5.5	6.9	V Good	V Good	V Good FMSiS Std Met
Stokenchurch Primary School	5.5	7.1	Good	Good	Good FMSiS Std Met
Stony Dean School	6	5.4	Good	Good	Good FMSiS Std Met
Thomas Hickman School	5.5	4.8	Good	Good	Good FMSiS Std Met
Turnfurlong Junior School	4.5	9.3	Good	Good	Good FMSiS Std Met
Wendover CE Junior School	4.5	4.8	V Good	V Good	V Good FMSiS Std Met
Wendover House School	6	4.4	V Good	Good	V Good FMSiS Std Met
William Harding Combined School	5.5	4.9	V Good	V Good	V Good FMSiS Std Met
Winslow CE Combined School	5.5	5.2	V Good	V Good	V Good FMSiS Std Met



Audit assignments	Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled.				
	Days Planned	Days Actual	Adequacy of Controls	Adequacy of Compliance	Overall Assurance
School Follow Ups					
Sir Henry Floyd	1	1	V Good	Good	V Good FMSiS Std Met
Buckingham School FMSiS	1	1	N/a	N/a	FMSiS Std Met
Chesham High School FMSiS	1	1	N/a	N/a	FMSiS Std Met
Aylesbury Grammar FMSiS	1	1	N/a	N/a	FMSiS Std Met
Quarrendon FMSiS	1	1	N/a	N/a	FMSiS Std Met

* Reports written in italics are currently issued in draft, pending finalisation

1.2 Table 2: Advice and Consultancy Projects

Note: This table shows the major assignments we have undertaken in this area and is not an exhaustive list.

Area	Nature of Activity
Local Area Agreements – statutory certificate	We have undertaken verification work in order for the LAA audit certificate to be signed.
Finance Working Papers Review	We reviewed working paper evidence to support the final accounts.
Waste	We were part of the review team for the key milestone review and provided on going support.
Risk Management	We have worked with the Risk and Insurance Manager in developing the Council's risk framework.
Annual Governance Statement	We coordinated the AGS self assessment returns for: <ul style="list-style-type: none"> o Heads of Service o Corporate Process Owners o Corporate Project Owners. Outcomes were verified and reported to Strategic Directors.
Grant Work	We have undertaken verification work in order for the SEG audit certificate to be signed and for the AIDS/HIV grant.
Imprest Account Spot Checks	We reviewed imprest procedures at specific sites, providing guidance where weaknesses existed.
Telecare	We undertook a review of the telecare project
Duke of Edinburgh Award	We undertook a review of the imprest account at the DofE Award.
Property Service Controls Assurance	A detailed review of management controls within Property Services which produced a positive outcome.
National Fraud Initiative	We provided our data to the Audit Commission as required by NFI and investigated data matches. £17k was saved.
Anti-Fraud verification	We reviewed payroll and creditor data to identify any potentially fraudulent or erroneous transactions. Some missing National Insurance numbers were identified on the payroll.
Investigations	We led a number of investigations with varying outcomes.
CIPFA SOLACE Governance Framework	We have assisted the development of the Governance framework in accordance with new CIPFA SOLACE guidance.
DCSF Financial Management in Schools	We provided training to schools and key forums in this new and evolving area. We will be a pilot site on 2008/09.



1.3 **Audit Methodology**

For each audit an opinion was determined firstly on the framework of controls that exist for that operational area and secondly on compliance with the controls. From this an overall audit opinion is given for each audit. Work has been planned and performed so as to obtain all the information and explanations which were considered necessary to provide sufficient evidence in forming an audit opinion. The range of audit opinions is:-

- Very good - All controls are in place to give assurance that the system's objectives will be met.
- Good - Most controls are in place to give assurance that the system's objectives will be met but there are some minor weaknesses.
- Poor - There are not the necessary controls in place to give assurance that the system's objectives will be met.

An updated opinion methodology has been approved for 2008/09. For Schools, we also undertake a Financial Management Standard in Schools assessment (FMSiS) as part of our audit. FMSiS is a framework prescribed by DCSF against which all schools should comply.

