

Buckinghamshire County Council



Internal Audit Service Annual Report of the Assistant Head of Finance (Managed Services) 2008/09



Annual Report 2008/09

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APPENDIX I: Summary of Audit Opinions 2008/09



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 Transformation Agenda has set some challenging targets that will need to be well managed and therefore some project governance weaknesses identified in other areas during the year will need to be addressed.



- The Council's control framework for the Direct Payments (ASC) system will need to be improved as a higher volume of clients will be using this system in the future.
- 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. 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 is in place with action plan 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. During 2008/09 we updated the Council Anti-Fraud and Corruption Framework.

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 22 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 3 (appendix I). Development and consultancy activity has been undertaken such as assisting the development of the Transformation control framework, involvement in the Waste project and updating Financial Regulations. 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 2008/09 audit programme.
 - The results of follow-up action 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 audit.
 - Findings of work performed by other assurance providers (e.g. the Audit Commission who we have liaised 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 and partner 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 2008/09. The team have also provided services to five other public sector partners.

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 effective, 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 – Managed Services (Chief Internal Auditor). May 2009.



Appendix I

1 Summary of audit outcomes for year.

1.1 Table 1: Corporate Audits undertaken and assurance opinion.

* Reports marked by an asterisk are currently issued in draft, pending finalisation

Audit Assignment	Assurance	Recommendations			Budget (Days)	Time Taken (Days)
		High	Med	Low		
Annual Assurances						
Risk Management – Transportation, Planning & Environment (Apr-Sep'08)	Reasonable	0	3	0	10	9
Anti-Fraud & Corruption (Mar – Apr '09)*	Reasonable	5	4	2	10	8
Financial Management						
Bacs Creditors Follow-Up (Dec'08-Mar'09)	Reasonable	n/a	n/a	n/a	8	3
Bacs Payroll Follow-Up (Dec'08-Mar'09)	Reasonable	n/a	n/a	n/a	7	6
Budgetary Control (Oct'08)	Reasonable	3	5	2	15	3
Capital Asset Accounting Follow-Up (Nov'08-Jan'09)	Reasonable	n/a	n/a	n/a	15	4
Creditors (March '09)*	Reasonable	3	2	0	15	15
Debtors ASC (Mar '09)	Limited	8	2	2	18	15
General Ledger (incl SAP Interfaces) (Sep-Nov'08)	Reasonable	3	5	2	18	14
VAT (Oct-Nov'08)	Reasonable	1	0	5	10	10
Payroll (Dec '08 – Mar '09)*	Limited	6	1	0	28	32
Pensions – Governance (Jan '09)	Reasonable	0	1	0	10	9
Pensions – Contributions (Feb-Apr '09)*	Reasonable	1	4	1	10	10
Treasury Management (Nov'08-Feb'09)	Reasonable	1	4	0	10	10
Banking (Feb '09)*	Reasonable	1	1	0	15	12



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		Recommendations					
Cross Cutting Reviews							
Built Environment (Jan-Mar'09)	Positive (Gateway Review)	2	4	0	5	5	
Contract Audit: Tendering (Oct '08 – Feb '09)	Limited	6	1	0	26	25	
LPSA Grant Claim (Dec'08-Jan'09)	n/a	2	1	0	5	3	
Local Area Agreements: Statutory Audit Cert. (May-Jun'08)	Substantial	0	0	0	4	2	
Waste (Apr-May '09)*	Reasonable	3	3	0	15	10	
Project Management Follow Up(Feb '09)	Reasonable	n/a	n/a	n/a	10	7	
Partnerships (Jan'09 – Feb '09)*	Limited	5	0	0	20	10	
I.C.T.							
Business Continuity (May-Sep'08)	Reasonable	6	3	0	15	15	
EMS & ICS Systems (Oct'08-Mar'09)	Limited	11	2	1	14	18	
Internet (inc firewalls) Apr-Jun'08	Reasonable	1	4	0	17	14	
SAP Governance & Benefits Realisation*	Reasonable	2	0	1	15	16	
SAP SRM*	Reasonable	0	6	3	17	16	
People and Policy							
Recruitment Follow-Up - General - Schools (Sep'08)	Reasonable Limited	n/a n/a	n/a n/a	n/a n/a	5	13	
Resources Portfolio							
Travel & Subsistence (Jun-Sep'08)	Limited	9	0	0	18	21	
Property Maintenance (Apr '09)*	Reasonable	3	1	0	15	13	
Adult Social Care Portfolio							
Care Purchasing Adults (Sep'08-Mar'09)	Limited	3	4	1	15	15	
Home Care (Dec '08 – Feb '09)	Reasonable	5	1	0	15	19	
Every Adult Matters (Mar'09)	Reasonable	2	2	0	15	15	
Direct Payments Apr-Sep'08	Limited	8	4	0	30	29	



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		Recommendations				
Day Centres (Sep '08-Jan '09)						
Thrift Farm	Limited	14	0	0	25	35
Hillcrest	Limited	10	0	0		
Children's Portfolio						
Children's Residential Units (Chiltern View) (Aug'08-Mar'09)	Limited	19	7	1	20	24
Home to School Transport (Feb '09)	Reasonable	1	2	0	15	5
School Leases (Jan-Mar'09)	Fact finding audit – no opinion	n/a	n/a	n/a	7	15
Connexions (Mar '09)*	Reasonable	1	4	0	10	10
Planning & Transportation Portfolio						
Highways Maintenance (Jul-Sep'08)	Reasonable	3	1	1	15	13
Section 106 Agreements (May'08-Mar'09)	Limited	4	3	2	20	21
Planings Follow Up (Mar '09)	Limited	1	0	0	2	2
Planning & Development Control (Dec '08 – Mar '09)*	Reasonable	0	3	0	10	11
Community Services Portfolio						
Information Governance (Feb '09)	Limited	5	2	1	15	11
Griffin Lane Follow Up (Jan '09)	Reasonable	n/a	n/a	n/a	3	3
Trading Standards (Apr-Aug'08)	Limited	3	8	0	18	21

1.2 Table 2: School Audits undertaken and assurance opinion.

School	Outcome		Budget (Days)	Actual (Days)
	Audit Assurance	FMSiS		
Ash Hill Primary School	Substantial	Met	5	3
Bledlow Ridge School	Substantial	Met	5	5
Brill CE Combined School	Reasonable	Met	5	5
Broughton Infant School	Substantial	Met	5	4
Brushwood Junior School	Substantial	Met	5	3
Cadmore End CE School	Reasonable	Met	5	7
Carrington Infant School	Substantial	Met	5	6
Cedar Park School	Reasonable	Met	5	5



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	Outcome		5	3
	Substantial	Met		
Chalfont St Giles Infant School & Nursery	Substantial	Met	5	3
Chalfont St Peter Infant School	Reasonable	Met	5	5
Chartridge Combined School	Reasonable	Met	5	5
Cheddington Combined School	Reasonable	Met	5	4
Chenies School	Substantial	Met	5	5
Chesham Bois CE Combined School	Reasonable	Met	5	4
Chestnut Lane School	Reasonable	Met	5	7
Curzon CE Combined School	Reasonable	Met	5	5
Dorney School	Reasonable	Met	5	5
Edlesborough School	Reasonable	Met	5	4
Farnham Common Infant School	Reasonable	Met	5	6
Farnham Common Junior School	Reasonable	Met	5	5
Foxes Piece School	Substantial	Met	5	6
Frieth CE Combined School	Reasonable	Met	5	7
Grenville Combined School	Substantial	Met	5	5
Halton Combined School	Reasonable	Met	5	5
Hawridge & Cholesbury CE School	Reasonable	Met	5	5
Holmer Green Infant School	Substantial	Met	5	4
Holtspur School	Reasonable	Met	5	9
Ickford Combined School	Substantial	Met	5	5
Iver Heath Infant School & Nursery	Reasonable	Met	5	4
Iver Village Junior School	Substantial	Met	5	4
Lane End Primary School	Substantial	Met	5	4
Little Chalfont Primary School	Substantial	Met	5	4
Long Crendon School	Substantial	Met	5	5
Longwick CE Combined School	Reasonable	Met	5	5
Manor Farm Community Infant School	Substantial	Met	5	4
Manor Farm Community Junior School	Reasonable	Met	5	6
Marlow CE Infant School	Reasonable	Met	5	6
Marsh School	Reasonable	Met	5	5
Meadows School (The)	Reasonable	Met	5	7
Newtown Infant School & Nursery	Substantial	Met	5	4
North Marston CE School	Reasonable	Met	5	6
Oakley CE Combined School	Substantial	Met	5	5
Our Lady's Catholic Primary School	Reasonable	Met	5	4
Prestwood Infant School	Reasonable	Met	5	5
Quinton CE Combed School	Reasonable	Met	5	5
St James & St John's School	Reasonable	Met	5	5
St Joseph's Catholic Infant School	Reasonable	Met	5	4
St Louis Catholic Combined School	Substantial	Met	5	4
St Mary's & All Saints CE Primary School	Substantial	Met	5	5



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	Outcome			
St Michael's CE Combined School	Substantial	Met	5	4
St Nicholas' CE Combined School	Reasonable	Met	5	5
St Paul's CE Combined School	Substantial	Met	5	6
St Peter's Catholic Primary School	Substantial	Met	5	5
Seer Green CE Combined School	Substantial	Met	5	5
Spinfield School	Reasonable	Met	5	6
Steeple Claydon School	Reasonable	Met	5	6
Stone CE Combined School	Reasonable	Met	5	6
Thomas Harding Junior School	Substantial	Met	5	5
Tilehouse Combined School	Reasonable	Met	5	7
Turnfurlong Infant School	Substantial	Met	5	4
Tylers Green Infant School	Substantial	Met	5	2
Tylers Green Middle School	Substantial	Met	5	7
Waddesden Village Primary School	Reasonable	Met	5	6
Waterside Combined School	Substantial	Met	5	6
Weston Turville CE School	Reasonable	Met	5	5
Whitchurch Combined School	Reasonable	Met	5	5
Widmer End Combined School	Substantial	Met	5	5
Wingrave CE Combined	Limited	Met	9	13
Woodside Junior School	Substantial	Met	5	4
Westfield School	Substantial	Met	5	5
St Augustine's Catholic Primary School Follow-Up	Substantial	Met	2	4
Castlefield School Follow-Up	Reasonable	Met	2	3
St John's CE Combined School Follow-Up	Reasonable	Met	2	5
Beechview School (<i>interim</i>)	Reasonable	n/a	5	7
Broughton Junior School (<i>draft</i>)	Reasonable	Partly Met	5	4
Great Horwood CE Combined School (<i>interim</i>)	Substantial	Partly Met	5	4
Little Kingshill Combined School (<i>interim</i>)	Substantial	Partly Met	5	5
Loudwater Combined School (<i>interim</i>)	Reasonable	Partly Met	5	6
Newton Longville CE Combined School (<i>draft</i>)	Reasonable	Partly Met	5	4
West Wycombe Combined School (<i>interim</i>)	Reasonable	Partly Met	5	5
High Wycombe CE Combined School (<i>interim</i>)	Reasonable	Partly Met	5	6
St Peter's CE Combined School (<i>interim</i>)	Reasonable	Partly Met	5	4
Mandeville School Follow-Up	Not assessed	Not Met	5	7

* Reports marked by an asterisk are currently issued in draft, pending finalisation



1.3 Table 3: 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.
Comprehensive Area Assessments.	We assisted the Council in developing its approach to the new requirements of CAA.
Waste	We were part of the review team for the key milestone review and provided on going support. We also provided assurance on the Pathfinder Waste Business Case.
Built Environment Project.	We provided assistance in the governance of the project.
Strategic Resourcing Project	We provided assistance to the robustness of the tender evaluation process.
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 TVSR grant.
Imprest Account Spot Checks	We reviewed imprest procedures at specific sites, providing guidance where weaknesses existed.
Safeguarding	We undertook a review of the Safeguarding framework.
Financial Regulations	We lead the update of the Council's Financial Regulations.
Anti-Fraud & Corruption Policy	We updated the Anti-Fraud and Corruption Policy and provided assistance in the updated of the Council's Money Laundering framework.
Direct Payments	We provided advice in the development of the control framework for this key system
National Fraud Initiative	We provided our data to the Audit Commission as required by NFI and investigated data matches. £17k was saved (to date).
Anti-Fraud verification	We reviewed creditor data to identify any potentially fraudulent, duplicated or erroneous transactions.
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 evolving area.



1.4 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. An opinion on the quality of risk management in place is also provided. 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:-

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

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.

