

CYNGOR SIR POWYS COUNTY COUNCIL.

AUDIT COMMITTEE

11th July 2013

REPORT AUTHOR: Internal Audit Manager

SUBJECT: Opinion on Internal Control 2012/13

REPORT FOR: Information

1.0 Introduction

1.1 A change of emphasis in the Accounts & Audit Regulations (Wales) 2005 now places an explicit requirement on the Authority to be responsible for ensuring sound systems of internal control for all of the Council's functions and services.

The CIPFA Code of Practice for Internal Audit in Local Government requires that the Head of Internal Audit presents a report to the Audit Committee that:-

- includes an opinion on the overall adequacy and effectiveness of the Council's internal control environment
- gives a summary of the audit work undertaken to formulate the opinion

Therefore, the objective of this report is to fulfil the above requirements.

2.0 Internal Control Opinion

2.1 Management is responsible for setting in place policies and procedures to help ensure that there are robust and sound systems of internal control in operation.

2.2 On behalf of the Authority's Section 151 Officer, Internal Audit appraises and reports on the efficiency, effectiveness and economy of financial and other management controls. This is done by undertaking a number of risk-based assignments and offering an audit opinion that outlines the corrective actions to be taken by management.

2.3 Over the course of the year, each Service has many different and conflicting opinions on its individual service areas, which do not easily lend themselves to forming an overall judgement. Consequently, a report has been developed that groups the individual assignments for each service under its respective risk category using a traffic light system i.e. ranging from green (low risk) to red (high risk).

2.4 This collective information has been used to calculate, using a weighted formula, an overall opinion for both the overall Council and Individual Strategic Directorates. The possible opinions are:

- **High Assurance** - Key controls exist that are consistently and effectively applied; key service objectives are being achieved.
- **Satisfactory Assurance** – Majority of key controls exist, but some areas of inconsistent application. These should not significantly affect the key service objectives.
- **Limited Assurance** – Significant evidence that some key controls and application do not exist. Some risk that service objectives will not be achieved.
- **Inadequate Assurance** - Fundamental failure of key controls that represent a significant risk of failing to meet service objectives.

2.5 Appendix A contains the finalised report for the financial Year 2012-13, which shows the assurance levels in the Strategic Directorates.

2.6 Whilst the control report identifies many differing weaknesses across the Council's Services for 2012-2013, there are a number areas in particular where the Council needs to make significant improvements in Governance.

The key areas of material weakness identified are:

- Failure to demonstrate effective and transparent arrangements for the procurement of assets (vehicles and plant)
- Failure to identify and monitor potential conflicts of interests in procurement activities and other positions of influence.
- Concern exists over business continuity arrangements for Schools
- Concern over control and support for school activities on the periphery of the normal operations such as After School Clubs and Unofficial Funds.
- Failure to clearly define roles/ responsibilities in project teams and an absence of proper engagement has hindered the effectiveness of some significant projects.
- An increase in the number of cases of suspected fraud in the year. Managers should be more aware of the potential risks and monitoring indicators. In many cases, a proactive approach would have resulted in a much earlier intervention.

Internal Audit are will promote improvement in these specific areas and will ensure that they are included as part of the internal audit work programme.

3.0 Conclusion

- 3.1 No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance; this statement is intended to provide reasonable assurance.
- 3.2 Therefore, based on the Internal Audit work undertaken in the year and the positive findings of the fundamental systems reviews, it is the opinion of the Internal Audit Manager that Powys County Council has demonstrated for the financial year 2011-2012:

Satisfactory Levels of Internal Control
i.e. the control environment is generally effective in achieving the Council's objectives.

4.0 Corporate Improvement Plan

N/A

5.0 Other Consultations Undertaken

N/A

6.0 Comments of Local Members

N/A

Recommendation:	Reason for Recommendation:
The report and appendix on the annual internal control opinion be noted.	To comply with the CIPFA Code of Practice and to contribute to the Annual Governance Statement.

Relevant Policy (ies):			
Within Policy:	Y / N	Within Budget:	Y / N

Relevant Local Member(s):	N/A
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Person(s) To Implement Decision:	
Date By When Decision To Be Implemented:	

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