

PATROL ADJUDICATION JOINT COMMITTEE

ITEM 10

APPENDIX 1

Internal Audit Report

**Parking and Traffic Regulations Outside London Adjudication
Joint Committee (PATROL AJC)
Assurance Statement 2010/11**

**Tom Powell
Corporate Services**

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Audit Team

Name	Contact Details
Helen Smith, Lead Auditor	814 5238
Kathryn Fyfe, Principal Audit Manager	814 5271
Tom Powell, Head of Internal Audit and Risk Management	814 5273

Report Status

Activity	Date
Fieldwork Commenced	29 May 2011
Draft Report Issued	3 June 2011
Final Report Issued	15 June 2011

1 Internal Audit Function

- 1.1 As Lead Authority, Manchester City Council has delivered the PATROL AJC's internal audit service since 2007 and provides an independent opinion on the adequacy and effectiveness of internal control systems. The Council's Head of Internal Audit and Risk Management agrees the annual audit plan with, and reports to, the Joint Committee and its Head of Service, and has access to all officers and Members.
- 1.2 The purpose of this assurance statement is to explain the work of Internal Audit in examining, evaluating and reporting on the PATROL AJC's internal controls and represents Internal Audit's opinion on their overall adequacy.
- 1.3 In assessing the level of assurance Internal Audit took into account the planned and agreed audit activity for the financial period 1 April 2010 to 31 March 2011.

2 Overview of Audit Activity

- 2.1 Internal Audit's activity for the year to 31 March 2011 comprised audits covering:
 - the effectiveness of the management arrangements surrounding budget setting, budget monitoring and processing of payroll;
 - the progress towards implementation of the External Audit recommendation relating to risk management; and
 - progress made to implement internal audit recommendations from the PATROL – Financial Management System audit completed during 2009/10.
- 2.2 In addition to the planned work we completed a short piece of consultancy and advice during June 2010 which involved reviewing the content of the draft financial regulations.
- 2.3 Internal Audit has also reviewed the adequacy and effectiveness of the financial controls, risk management arrangements and management information to inform Section 4 of the Audit Commission Small Bodies in England Annual Return for the year ended 31 March 2011.

3 Statement of Assurance

- 3.1 On the basis of the audit activity conducted Internal Audit can provide the following assurance in respect of the audits carried out.

3.2 *Core Financial Systems*

Overall we were able to provide moderate assurance over the effectiveness of controls and management arrangements in place in relation to the budget setting, monitoring and processing of payroll. Since the introduction of the new financial system in April 2010 management had been pro-active in developing a new financial framework and working practices. We were satisfied that the annual budget had been prepared, approved, monitored and reported in a timely manner. Staff were knowledgeable about their areas of financial responsibility, however at the time of the audit we noted some inconsistencies in recording supporting information. We made six recommendations one being of significant priority with the remainder considered moderate. As at year end good progress had been made towards the implementation of these.

3.3 *Risk Management Framework (Follow up of External Audit work)*

Grant Thornton's Audit of Accounts 2009/10 report dated September 2010 recommended the Joint Committee undertake a complete review of risks recorded in the risk register and that progress against these actions should be routinely reported to Joint Committee Members. We were satisfied developments had been made to address the recommendations made by External Audit however considered there was scope to further improve the existing controls. Therefore to ensure risk management was embedded and to improve its effectiveness, we recommended a strategy was established to document the framework for the identification, monitoring, reporting and escalation of risk within the organisation. In order to inform discussion and evaluation of risk we also recommended information be provided/presented to Members over the effectiveness of mitigating controls. We are satisfied work has continued into 2011/12 to develop the risk management framework.

3.4 *Follow Up Audit*

In January 2011 we reported management had taken positive action to fully address three of the six recommendations from the Financial Management System audit completed during 2009/10, and as such provided a moderate assurance opinion. Whilst it was evident progress had been made towards implementation of the remaining three, we did not consider the actions taken sufficient to fully address the recommendations or actions agreed with management. As such these were assessed as partially implemented. Implementation management will be reviewed again as part of the audit programme for 2011/12.

3.5 *Review of Draft Financial Regulations*

The Head of Service requested we complete a desk top review of the draft Financial Regulations to help ensure fitness for purpose prior to submission to PATROL AJC Members for approval. We supported the approach taken in compiling the document, which included consultation with senior officers within the Lead Authority, both financial management and legal services. We identified a number of areas within the draft financial regulations which in our opinion required amendment in order to ensure clarity and guidance for staff, with regard to the internal controls in place and these were reported to management for their consideration.

3.6 *Annual Governance Statement*

Based on the evidence provided and audit activity undertaken during the year together with the work undertaken to inform Section 4 of the Audit Commission Small Bodies in England Annual Return we agreed the disclosures and assertion made in the PATROL AJC annual governance statement.

4 Planned Audit Activity

- 4.1 A three year Internal Audit Strategy and Audit Plan was agreed between the Lead Authority, Head of Service, and PATROL AJC during 2010/11. As part of this, the initial plan for 2011/12 includes an allocation of 21 days which incorporates the review and analysis of the business planning arrangements, compliance with legislation, business continuity and performance management. Provision has also been made to complete Section 4 the Audit Commission's Small Bodies in England Annual Return. This is subject to an ongoing assessment of risks and Joint Committee comment.
- 4.2 The audit opinion will continue to be reported to the Head of Service and PATROL AJC Members by the Head of Internal Audit and Risk Management.