

INTERIM ASSURANCE REPORT 2007/08

Report By: Audit Services Manager

Wards Affected

County Wide

Purpose

To provide the Audit and Corporate Governance Committee with a first interim Assurance Report for 2007/08 that:

- provides an update on progress with the significant internal control issues identified in the Assurance Report for 2006/07; and
- identifies the significant internal control issues identified to date in 2007/08.

Financial Implications

None.

Recommendation

THAT the report be noted.

Reasons

To comply with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

To provide the Audit and Corporate Governance Committee with an update on the significant internal control issues.

Considerations

Key Issues Identified in 2006/07

1. The Audit and Corporate Governance Committee considered the Annual Assurance report for the year ending 31st March 2007 on 29th June 2007. The Audit and Corporate Governance Committee also reviewed and adopted a Statement on Internal Control for 2006/07 at that meeting, and has considered a revised Statement on Internal Control for 2006/07 earlier on this agenda.
2. The significant internal control issues identified in the revised Statement on Internal Control for 2006/07 are set out below, along with comments on progress in *italics*:

- The Commission for Social Care Inspection (CSCI) has judged to the Learning Disabilities Service as not serving people well.

CSCI has approved an action plan agreed by Cabinet in consultation with scrutiny. Robust project management arrangements are in place with progress regularly reviewed by the Director of Adult and Community Services via his management team. Formal progress reports to Cabinet and scrutiny are also planned. The Annual Review Meeting with CSCI took place in early September 2007 and formal feedback is awaited.

- Three fundamental systems were given a **marginal** audit opinion in 2006/07 (a number of areas have been identified for improvement). These were:
 - Education Transport;
 - Housing Benefit Payments; and
 - Salaries in Childrens Services.

As in previous years, work in relation to the 2007/08 audit of fundamental systems will include follow up work on recommendations made in previous years. Audit work in this area has just started. The Audit and Corporate Governance Committee will be informed of any significant internal control issues in routine reports from the Audit Services Manager.

- One fundamental system was given an **unsatisfactory** audit opinion in 2006/07 (unacceptable risks identified, changes should be made). This relates to the financial management and procurement system in ICT.

Audit Services has been completed the follow-up work in relation to this audit. Some of the actions agreed in response to the audit recommendations have been actioned. However, nine recommendations had not been actioned, two of which were ranked as critical. One of the critical recommendations related to the reconciliation of the ICT financial management and procurement system to the corporate financial management system. This was not up to date at financial year-end. The Acting Head of Service took swift action in requesting support from Financial Services and they successfully reconciled the ICT financial management and procurement system to the corporate financial management system as at 31st March 2007. The other critical recommendation related to the budget management. The Acting Head of ICT is working closely with Financial Services to establish the ongoing base budget requirement for ICT services and an appropriate charging mechanism. The ICT finance team has recently transferred to the Resources Directorate and good progress is now being made in conjunction with the Corporate & Customer Services Directorate.

Progress with the Audit Plan for 2007/08

3. The Audit and Corporate Governance Committee approved the Audit Plan for 2007/08 on 13th April 2007. The current status of work is set out in Appendix 1.

4. Work to assess financial management arrangements within secondary schools in line with Department for Children, Schools and Families (DCSF) standards is coming to an end. At the present time, 6 out of 14 reports have been finalised. Two schools met the required standard and the remaining four are on target to meet it. Follow-up work is planned to ensure these four schools meet their targets for improvement. Draft reports are with the remaining 8 secondary schools for comment and action planning. The lessons learned from carrying out the reviews in secondary schools will be used to improve the approach in primary schools.
5. Work on a sample of 12 performance indicators is in progress. Early indications are that there continues to be a need for better checking of data by managers to meet data quality standards. Corporate Management Board has been briefed and a joint report by the Head of Policy and Performance and the Audit Services Manager will be highlighting the actions necessary for improvement.
6. Following discussions with the relevant Heads of Service the timetabling of the fundamental system reviews has been completed.

Audit Opinions

7. Appendix 1 shows the current status of work carried out by Audit Services, with final audits showing an audit opinion. The unsatisfactory opinion on the Drugs Forum was given on the basis that there was a need for some form of monitoring, feedback and assurance process to demonstrate that the forums were achieving satisfactory and desirable outcomes. Not all the recommendations made will apply to all the forums as some had better systems than others.

Recommendations made

8. Under current reporting protocols, the Audit Services Manager has to bring all critical recommendations to the attention of the Audit and Corporate Governance Committee. These are recommendations where non-compliance will be a high risk to the Council and where action is required urgently or within an agreed timescale.
9. Please see paragraph 10 below for the issues identified to date.

Areas of concern

10. A special report by the Director of Resources elsewhere on this agenda includes an action plan to address issues arising from an audit review that has recently been drawn to a close that contains a number of critical recommendations.

Risk Management

There is the risk that the resources needed to carry out the work needed to give an opinion on the Council's Internal Control system is not available. The Audit Services Manager keeps progress against the Audit Plan under constant review reporting progress on a monthly basis to the Director of Resources. The Director of Resources recommends that the level of resource be increased to support the actions outlined in the special report elsewhere on this agenda.

Background Papers

Code of Practice for Internal Audit 2006