

# FIRST INTERIM AUDIT ASSURANCE REPORT 2008/09

**Report By: Chief Internal Auditor**

## Wards affected

1. County-wide.

## Purpose

2. This report provides the Committee with an update on progress in making planned improvements to the internal control environment and progress with the Annual Audit Plan for 2008/09.

## Financial Implications

3. None.

## Recommendation

**THAT (a) Subject to any comments by the Audit & Corporate Governance Committee, the report is noted.**

## Reasons

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

## Considerations

### Key Issues Identified in 2007/08

5. The Audit & Corporate Governance Committee reviewed and approved the Annual Governance Statement for 2007/08 (AGS) on 20<sup>th</sup> June 2008. The AGS identified the key governance and internal control issues that needed addressing in 2008/09. These issues are set out in the table that follows with commentary provided by the responsible officer on progress to date.

Key Issue Identified for Improvement	Responsible Officer(s)	Reported Progress
Complete the review of the Constitution and implement the remaining actions from the Director of Resources special report and the Crookall review	Deputy Chief Executive  Assistant Chief Executive (Legal & Democratic)	The review is being jointly co-ordinated by Democratic Services Manager and Head of Chief Executive's Office. External, expert constitutional governance support is being secured to enable the review to report back in December 2008.

	Assistant Chief Executive (HR)	
Produce the Corporate Plan 2010 – 2013 in accordance with the agreed timetable	Deputy Chief Executive	Being actioned by the Head of Policy & Performance through the Performance Improvement Framework and in accordance with the Comprehensive Area Assessment action plan, both agreed by Cabinet. See box below.
Review and update the Medium Term Financial Management Strategy regularly in line with the agreed approach to integrating corporate, service and financial planning	Director of Resources	The Joint Management Team agreed the process by which the Corporate Plan 2008 – 2011 and Medium Term Financial Management Strategy 2008 – 2011 will be updated in an integrated way on 8 September 2008.
Review the Code of Governance in line with the approved governance framework	Assistant Chief Executive (Legal & Democratic)	The Code of Governance has been re-drafted by the Chair of Standards committee.
Continue to promote improvement in the Council's financial management arrangements in line with the Use of Resources assessment criteria, audit reviews and the newly update Constitution	Director of Resources	Training sessions for both councillors and employees have been taking place and are scheduled into the future. Employees with financial management responsibilities must attend the financial training course appropriate to their specific responsibilities in order to obtain a 'licence to practice'.
Implement the remaining elements of the improvement plan for the Council's performance management arrangements and report progress to Cabinet in September 2008	Deputy Chief Executive	Being actioned by the Joint Management Team through the Performance Improvement Framework agreed by Cabinet. Next regular report to Cabinet and Strategic Monitoring Committee scheduled for October 2008.
Implement the new assurance framework and risk management arrangements for 2008/09 and improve linkages between	Assistant Chief Executive (Legal & Democratic)	Being actioned through risk register management reviews undertaken quarterly by the Joint Management Team, based on risk register reviews.

corporate, directorate and service risk registers		
Continue to promote the Council's anti fraud, anti corruption and whistle-blowing policies, keeping them under regular review	Assistant Chief Executive (Legal & Democratic)  Director of Resources	The Council's whistle-blowing policy has been reviewed and an associated 'Do the Right Thing' leaflet has been distributed to staff. The anti fraud policy is due for review in March 2009. The intention is to develop a joint policy with the PCT. The Council's anti fraud and anti corruption policies are brought to employees' attention through notices on pay slips and posters on notice boards. The Council's remittance slips for creditor payments inform recipients of the Council's whistle-blowing policies.
Continue to promote the Council's adopted approach to managing major programmes and projects	Deputy Chief Executive and other members of Joint Management Team with Council responsibilities	Approval by Cabinet of the Herefordshire Connects procurement policy has been supported by the extension of Prince 2 project management good practice, resources and training for projects managed or supported by the Corporate Programmes and Herefordshire Connects teams.
Continue to develop the Council's community engagement arrangements including strategic consultation on corporate objectives, priorities and budget allocations	Deputy Chief Executive  Director of Resources	The Joint Management Team agreed proposals for public consultation on strategic budget options on 8 September 2008. These proposals are now being discussed with the Executive.

### **Audit & Corporate Governance Committee Resolutions**

6. The Committee requested a report from the Chief Internal Auditor on the number of ICT travel and subsistence claims reviewed by the Audit Services team last year and whether they had been approved properly. Audit Services looked at 343 claims covering a ten month period between April 2007 and March 2008 and found that 97% were properly authorised.
7. The Committee also requested a report from the Chief Internal Auditor on the procedures regarding the purchase of laptop computers in Children Services. An audit review found that the procurement of the laptops did not follow the Council's ICT procurement procedures.

8. Attached at Appendix 1 to this report is a summary of action taken in respect of resolutions and recommendations made by the Audit & Corporate Governance Committee since May 2007.

#### **Progress with the Internal Audit Plan 2008/09**

9. The Annual Audit Plan 2008/09 was approved by the Audit & Corporate Governance Committee on 4 April 2008. The current status of work is set out in Appendix 2.
10. Following the restructure of the Audit Services, appointments have now been made to all vacant posts. The Audit Services team will be at full complement by December 2008. Agency staff will be used to ensure that any vacancies do not impact adversely on the delivery of the Annual Audit Plan for 2008/09.

#### **Fundamental systems**

11. The Council's target is that all fundamental systems achieve at least a satisfactory audit opinion. Work in this area is has started and the Audit & Corporate Governance Committee will be kept informed of progress.

#### **Performance Management**

12. The audit review of nine performance indicators has been completed and it is pleasing to report that there has been an improvement in the approach taken by service managers. Five were given a **good** audit opinion and four a **satisfactory** audit opinion.

#### **Establishment Audits**

12. Work to assess financial management arrangements within primary schools in line with the Department for Children, Schools and Families (DCSF) standard is in progress. At the present time two primary schools have met the standard. The Audit & Corporate Governance Committee is asked to note that a number of schools only have a single recommendation to clear in order to met the standard.

#### **Audit Opinions**

13. The Council's Financial Procedure Rules (paragraph 4.18) requires the Chief Internal Auditor to provide the Leader, Chair of Audit & Corporate Governance Committee and relevant Cabinet Member(s) with a copy of audit reviews reports with an unsound, unsatisfactory or marginal audit opinion.
14. At the present time there are no audits with an unsound, unsatisfactory or marginal audit opinion.
15. The Council's Financial Procedure Rules (paragraph 4.19) requires the Chief Internal Auditor to provide the Leader, Chair of Audit & Corporate Governance Committee and relevant Cabinet Member(s) with written confirmation of audit review reports with a satisfactory or good audit opinion.
16. Appendix 2 shows the current status of work carried out by Audit Services, with final audits showing an audit opinion. In line with the Council's Financial

Procedure Rules, relevant members have been informed regarding the audit opinions.

### **Recommendations made**

17. Under current reporting protocols the Chief Internal Auditor has to bring to the attention of the Audit & Corporate Governance Committee 'Critical 1' recommendations. 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.
18. At the present time the Audit Services team does not have any critical 1 recommendations to report.

### **Areas of concern**

19. There are no areas of concern.

### **Risk Management**

20. There is the risk that the level of work required to give an opinion on the Council's Internal Control system is not met. To help mitigate this risk the Audit Plan is kept under constant review by the Chief Internal Auditor.

### **BACKGROUND PAPERS**

- Code of Practice for Internal Audit 2006