

# MID-YEAR ASSURANCE REPORT

## PROGRAMME AREA RESPONSIBILITY: AUDIT AND PERFORMANCE MANAGEMENT

CABINET

18TH DECEMBER, 2003

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### Wards Affected

County-wide.

### Purpose

The purpose of the Mid-Year Assurance Report is to highlight the key internal control issues identified during the course of audit.

In addition to the above, the report will update Members on the actions or the current position on key issues identified during 2002/03 that required attention.

### Key Decision

This is not a key decision.

### Recommendation

That the report be noted.

### Reasons

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

### Considerations

#### 1. Key issues identified requiring attention

The Annual Assurance Report for the year ending 31 March 2003 was considered by Cabinet in September. Six key issues were identified and the current position can be summarised as follows:

- **Improvement in IT security arrangements to comply with BS 7799**

A follow-up audit has been completed in this area and it is pleasing to report that improvements have been made. The number of objectives partially implemented has increased from 23 to 63, with a reduction in the number of objectives with no or limited controls from 93 to 43. Indications are that at the next Gap analysis review further improvements will ensue.

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Further information on the subject of this report is available from Tony Ford  
on 01432 260425

- **Improved data collection procedures for performance indicators**

Audit Services has been working with Directorates and Departments to help them improve their data collection procedures. In addition, officers are currently putting together an action plan, which will build on the work done by Directorates and Departments. Detailed audit review work on 2003/4 performance indicators starts in the latter half of the year.

**The Cashiers improve documentation in relation to the Cash and Deposit Book**

Following the issues raised last year, new procedures have been put in place and all bank accounts reconciliations are up to date. Audit reviews will take place in quarter 4.

- **Risk Management to be developed and embedded across the Council**

Since the Annual Assurance report there has been limited progress. Risk management has been linked to the performance management framework and training for Directorate and Department Leads is being arranged. An audit review will take place in quarter 3.

- **The publication of up to date Accounting Guidelines**

First drafts of Accounting Guidelines have been produced. The next stage will involve a review of these drafts with a view to their publication by 31 March 2004.

- **Regular reconciliation of local management systems to Cedar**

Reconciliation with regard to housing repair is no longer an issue for the Council with the transfer of the housing stock to Herefordshire Housing. The follow-up review with regard to Highways expenditure has been completed and given a satisfactory audit opinion.

## **2. Issues identified in the current period**

These were as follows:

- An audit review of payroll system access controls identified that there was a need for a more formal procedure for the setting up of new users and a full review of authority access, in addition to a detailed review of menu access. A new payroll system, which should overcome these problems, is being pilot tested and will be operational by April 2004.
- Although good progress is being made with regards to BS7799, the Code of Practice for Information Security Management, there is still some way to go. Bearing in mind the Council's e-government commitments, compliance should be given priority.
- Progress on the completion of GEM audits has improved with the increase in trained Environmental Auditors. However, the closing down of audits and the follow-up of non-conformances needs to improve. This has been raised at the last Environmental Auditors training session. Improvements should now be seen.

### **3. National Fraud Initiative (NFI)**

The current position on the 25 cases being investigated by the Benefit Fraud team is:

- One successful prosecution.
- Two further cases being referred to Legal Services for prosecution.
- One case being reviewed by the Department of Works and Pensions.

With regard to the nine being reviewed by Audit Services, eight related to other authorities/organisations from which the employee transferred and have been eliminated from our enquiries. Information from the matched authority is still outstanding for the one case to be concluded.

### **4. Future Audit work**

At the current time there are two vacancies within the service. In addition, an Audit Manager has been seconded to job evaluation duties with effect from the end of October. To help manage these shortages, the County Treasurer has brought in temporary resources to reduce the impact on the Audit Plan.

## **Risk Management**

The approach to preparing the Annual and Strategic Plan is fundamentally based upon a risk assessment methodology utilising 'Traffic Lights' signposting, with Red being high risk, Amber being medium risk and Green being low risk. Within each risk area consideration is also given to residual risk for specific functions or establishments based upon their last Audit opinion and current knowledge.

A key part of the risk methodology is that fundamental systems are always red no matter what their previous audit opinion is, as these are systems whose failure could cause major disruption or loss of financial control to the Council. In addition, bank account systems are always red because of their level of independence from the Council's control systems.

## **Consultees**

Chief Executive's Management Team.

## **Background Papers**

None identified.