

AUDIT SERVICES INTERIM ASSURANCE REPORT

Report By: **Audit Services Manager**

Wards affected

County-wide

Purpose

The Interim Assurance Report updates Members on progress made in relation to the Audit Plan and to bring to their attention any key internal control issues. In addition the report updates Members on the actions or the current position on key issues raised for 2005/6 that required attention.

Financial Implications

None.

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

Key Issues Identified in 2005/06

1. The Audit Committee considered the Annual Assurance Report for the year ending 31st March 2006 on 30th June 2006. In addition the Audit and Corporate Governance Committee reviewed and adopted a revised Statement on Internal Control on 30th September 2006. The key issues identified for improvement were
 - The Council does not have a Code of Corporate Governance in line with good practice. *A Code of Corporate Governance has been developed in line with CIPFA/SOLACE guidance. The Audit and Corporate Governance Committee agreed it on 30th September 2006.*
 - Risk Management is embedded at Corporate and Directorate levels and the Council has well defined procedures for recording and reporting financial and non-financial risks. There is now a need to embed risk management at Key Manager level to ensure a consistent approach across the Council. *The following progress has been made:*

- *Cabinet agreed a revised risk management policy on 12th October 2006;*
 - *The Director of Resources is now the Council's lead officer for risk management;*
 - *The Cabinet Member (Resources) is now the lead member for risk management;*
 - *The new risk management policy forms has been integrated into corporate & service planning processes for 2007/08;*
 - *Guidance has been issued to Directorate Management Teams;*
 - *Key managers have been surveyed and the feedback used to design training sessions which will be rolled out in January 2007; and*
 - *An action plan has been developed to help embed risk management at key manager level as quickly as possible.*
- *The 'Staying Safe' improvements within the Children and Young People Directorate in the Joint Area Review. A Prince 2 Project Board is now in place to ensure that satisfactory progress is made on the Cabinet's approved action plan. The Audit Commission has commented in their recent Managing Performance report that 'In line with the trends at corporate level, arrangements for managing performance in the two social care service areas, which have been criticised by a number of inspectorates, are steadily improving.' In addition the findings of the 2006 Annual Performance Assessment by CSCI and Ofsted shows that the Council has now gained a level 2 grade.*
 - *There is the need to ensure that the Council's Performance Management Framework is robustly and consistently followed across the Council. A Prince 2 Project Board is now in place to ensure that satisfactory progress is made on the Cabinet's approved action plan. The Audit Commission has commented in their Managing Performance Report that 'There is clear evidence of an improving culture of performance across the Council'.*
 - *Two marginal opinions were given on Fundamental Systems. These were the Housing and Council Tax benefit administration systems. Internal controls following the introduction of the new software systems were not found to be fully effective at the time of the audit review. Management action is being taken to implement the recommendations made by Audit Services. Recommendations follow up by Audit Services forms part of the fundamental systems review for 2006/07. The housing benefit review is currently in progress.*

Progress on the Plan

2. The Audit Plan was approved by the Audit Committee on 7th April 2006 and was based upon known risks at the time.
3. Delivery of the approved Audit Plan has been effected by two elements:
 - additional time spent verifying performance indicators; and
 - introduction of the DFEs Toolkit for Secondary schools.

4. To meet new obligations in respect of the latter, the following audit reviews have been added to the Audit Plan for the year:
 - Wigmore High School – School;
 - Bishop of Hereford Bluecoat – School;
 - Minster College – School;
 - St Marys R.C – School;
 - Whitecross High – School;
 - Fairfield High – School; and
 - Lady Hawkins High - School

5. Lower risk work has been removed from this year's Audit Plan and slipped into following years:
 - Library Administration – Establishment;
 - Barrs Court – School;
 - Brookfield – School;
 - Aconbury Centre – School;
 - Bodenham St. Micheal's C.E – School;
 - Bridstow C. E. Primary – School;
 - Brillley Parochial Primary – School;
 - Brockhampton Primary – School;
 - Bromyard St. Peter's Primary – School;
 - Capital Grants – System;
 - Leominster and Wigmore Youth Service – Establishment;
 - Environmental Management Auditing – GEM;
 - Charging and Trading Arrangements – Ad hoc Report;
 - Grants and Donations – System;
 - Hereford Registers – Establishment;
 - Modern Records – Establishment;
 - Recycling Income – System;
 - Cemeteries & Crematorium – Establishment;

6. Work removed from the Plan will not impact adversely on the level of work required to give an end of year opinion on the Council's system of Internal Control.

7. The movement in days is summarised in Table 1 below:

Table 1	
	Days
Extra days spent on BVPI Verification	39
Days added to cover the New Toolkit work	150
Total additional Days	189
Audits removed from the Plan	193

8. The work on the completion of the fundamental systems is progressing well and it is anticipated that all should be completed within the deadlines set by the Audit Commission.

Audit Opinions

9. Appendix 1 shows the status of work carried out by Audit Services, with final audits showing an audit opinion. There was an unsatisfactory audit opinion in relation to the CLIX system as it did not meet the functional or security needs of Adult Services, nor did it fulfil central government requirements. This system will however be replaced in the summer of 2008 as part of the Herefordshire Connects programme.

Recommendations made

10. At the present time management have agreed to take action on 97% of recommendation currently made. However recommendation follow up work shows that only 80% of recommendations have been actioned. It is hoped that as the year progresses this will improve.
11. Under current reporting protocols the Audit Services Manager has to bring to the attention of the Audit and 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 with in an agreed timescale.
12. Four critical 1 recommendations were made. Three relate to CRB procedures and one to inventory records.

Audit Performance

13. Audit performance in relation to performance indicators is summarised in table 2 below:

Table 2 - Local Performance Indicators						
Description	2005/6		2006/7		2007/08	2008/09
	Target	Actual	Target	Actual	Target	Target
The half year Assurance report is delivered to Members	October 05	February 06	November 06	December 06	November 07	November 08
The end of year Assurance report is delivered to Members	June 05	September 05	June 06	June 06	June 07	June 08
90% of Service Managers are satisfied with the Audit Service	90%	95%	90%	93.4%	90%	90%
100% of SRDs are completed by 31 st May 2006	100%	100%	100%	100%	100%	100%
Management accepts 95% of Level 1 and Level 2 recommendations.	95%	96%	96%	97%	96%	96%
The Audit Plan is agreed by the start of the new financial year.	April 05	April 05	April 06	April 06	April 07	April 08
Ensure that the Councils Statement of Internal Control for previous Financial year is Published	July 05	July 05	June 06	June 06	June 07	June 08

Areas of Concern

15. At the present time there is some concern with regards to the functionality and security of the CLIX system within Adult Services.

Risk Management

16. 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 the Audit Plan is kept under constant review by the Audit Services Manager.

17. In addition if the Council's fundamental system audit reviews are not completed on time it would impact adversely on the work of the Audit Commission and the closure of the Council's financial accounts. This is mitigated by the action plan agreed by Audit Services and the Audit Commission and monitored by the Audit Services Manager and the Director of Resources.

BACKGROUND PAPERS

- Code of Practice for Internal Audit 2006