

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>29 JANUARY 2010</b>
<b>TITLE OF REPORT:</b>	<b>INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10 NO.2</b>
<b>CHIEF INTERNAL AUDITOR</b>	<b>TONY FORD</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

The purpose of the Interim Assurance Report is to update members on the work status and bring to their attention any key internal control issues.

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT subject to any comments the Committee wish to make the report be noted report**

### **Key Points Summary**

- Ten key issues were identified in the Council's 2009 Annual Governance Statement (Appendix 1 refers).
- There are currently 17 Committee Resolutions that are open (Appendix 2 and 3 refers);
- Three audit reviews were given a marginal audit opinion, one an unsatisfactory audit opinion and one an unsound audit opinion;
- National Fraud Initiative (NFI) working is in progress and proving to be very time consuming; and
- There are improvements in the progress made by schools in relation to the Financial Management Standard.
- Progress on GEM audits will be kept under review.

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Further information on the subject of this report is available from  
Tony Ford Chief Internal Auditor on (01432) 260425

- The overall rating of internal audit from the CIPFA Audit Customer Satisfaction Survey was good.

## **Alternative Options**

- 1 This report is for information therefore alternative options are not applicable.

## **Reasons for Recommendations**

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

## **Introduction and Background**

- 3 To ensure that the Committee is informed of progress on the Audit Plan and any key internal control issues identified.

## **Key Considerations**

### **Key Issues Identified in 2008/09**

- 4 The Audit and Corporate Governance Committee considered the Annual Assurance report for the year ending 31<sup>st</sup> March 2009 on 19<sup>th</sup> June 2009 in addition the Committee reviewed and adopted the Annual Governance Statement. The key issues identified for improvement are set out in Appendix 1 along with the comments of the lead officer regarding the current position.

### **Audit and Corporate Governance Committee Resolutions**

- 5 Regarding resolutions made by the Committee from May 2007 to June 2008 (Appendix 2 refers) there were five open and ongoing following the last meeting held on 20<sup>th</sup> November 2009. Replies received from relevant officers have been included in the updated version of the appendix.
- 6 With reference to resolutions made by the Committee from July 2008 to date (Appendix 3 refers) there were 12 open and ongoing following the last meeting held on 20<sup>th</sup> November 2009. Replies received from relevant officers have been included in the updated version of the appendix.

### **Fundamental Systems**

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

### **Non Fundamental Systems**

- 8 There are seven reviews at various stages of progress, with three being finalised. Of the three finalised the report on Trade and Domestic Waste was given a Marginal Audit opinion. Although the current Waste Operations Officer has started and continues to improve procedures there was the need for improvements regarding stock control, monitoring of charges and income control. In line with the Council's Financial Procedure Rules the Leader, Chair of the Audit and Corporate Governance Committee and Cabinet Member – Environment and Strategic Housing have been sent a copy of the report.

## **Governance and Anti-fraud**

- 9 Work is progressing on the National Fraud Initiative (NFI); however the Audit Commission requirements and the increase in the number of service areas matched/reports it is proving to be very time consuming.
- 10 Following the completion of the travel and subsistence report, a marginal opinion was given due to data quality, and the need to complete the form correctly, and for authorising officers ensuring that forms are correct and complete.
- 11 A review of procurement and contract procedures has been completed in Property Services and a marginal opinion given; this was due to the need for procedures within the service area to be updated to ensure compliance with the Council's Standing Orders. The newly appointed Contracts and Commissioning Officer is carrying out a review of the practices and procedures. In line with the Council's Financial Procedure Rules the Leader, Chair of the Audit and Corporate Governance Committee and Cabinet Member – Resources have been sent a copy of the report.

## **Other Key Systems**

- 12 As part of the work on the Council's Annual Governance Statement key officer Statements of Assurance for the period to June 2009 and September 2009 and December 2009 have been requested. The Committee will be updated at the next meeting on the level of returns received for the quarters ending September 2009.
- 13 Both reports relating to members expenses were given a satisfactory audit opinion.
- 14 The revised Antifraud and Corruption Policy is in draft and out for consultation in line with Council policy, it is intended that it will be presented to the next Audit and Governance Committee meeting.
- 15 Under a separate agenda item the Chief Internal Auditor has presented a report highlighting the committees new terms of reference as set out in the Audit and Corporate Governance Code.

## **ICT Protocols and Controls (Council-Wide)**

- 16 Work on reviewing the Council's ISO27001 arrangements is ongoing; of the three areas completed there was one review with two minor non compliances.

## **Establishments**

- 17 Work to assess the financial management arrangements within primary schools in line with the Department for Children, Schools and Families (DCSF) Standard is in progress. Currently 16 have met the standard, three have a conditional pass and two have not met the standard.

## **Verification and Probity**

- 18 Good Environmental Management (GEM) audits are in progress, with a minor non conformance being issued for the completed system audit.
- 19 The GEM audit plan is supported by trained auditors across the Council, information requested from the GEM team shows that there are 58 audits due for completion, however only thirteen have been completed, four postponed or cancelled, with 41 still to be completed by the end of March 2010.

- 20 Although most auditors on the programme have indicated that they will be able to complete their allocated audits by the March 2010 deadline it likely that only 52 audits (90%) will be completed. Due to the possible impact on the Council's Annual Governance Statement the committee will be kept informed of progress.

### **Recommendation Follow up**

- 21 The Waste Management Contract follow up report is with the client; in addition all fundamental systems reviewed will have previous recommendation followed up. The out come will be report as part of future assurance reports.

### **Performance Management**

- 22 At the request of the Audit Commission two indicators relating to 2008/09 are being reviewed one has been given a satisfactory audit opinion, With the Carers Receiving Needs Assessments indicator being given an unsatisfactory opinion. The risk assessment for 2009/10 has been completed and indicators identified will form part of future audit work.

### **Critical Recommendations**

- 23 Three Critical recommendations were made in relation to the Llangrove Primary School Report, theses recommendations form part of the action plan signed of by the Head-teacher.
- 24 Two Critical recommendations were made in relation to the performance indicator report NI 135.
- 25 Follow up work is due and members will be informed on progress.

### **Joint Working**

- 26 The IT Audit has been completed and The Good Environmental Management PCT Gap Analysis is in progress.

### **CIPFA Customer Survey**

- 27 The CIPFA Customer Survey has been received and the overall rating is good, the survey covered 35 headings, which can be summarised as follows:

	<b>Excellent</b>	<b>Good</b>	<b>Adequate</b>	<b>Less than Adequate</b>	<b>Total</b>
Number of headings	1	26	7	1	35

- 28 The less than adequate issue relates to the lack of value for money review, which will be addressed in the Audit Plan for 2010/11.

### **Community Impact**

23. N/a

### **Financial Implications**

24. There are no financial Implications.

## **Legal Implications**

25. There are no Legal Implications.

## **Risk Management**

26. There is a risk that the level of work required to give an opinion on the Council's systems of Internal Control is not achieved. The Director of Resources and the Chief Internal Auditor keep delivery of the annual Internal Audit Plan under continual review in order to mitigate this risk.

## **Consultees**

27. Relevant officers have been requested to up date action taken on key issues identified in 2008/09 and past Audit and Corporate Governance Committee resolutions. Their replies have been included in the relevant appendices.

## **Appendices**

**Appendix 1 - Annual Governance Statement 2008/09 Key Issues Identified.**

**Appendix 2 – Audit and Corporate Governance Committee Resolutions May 2007 to June 2008.**

**Appendix 3 - Audit and Corporate Governance Committee Resolutions July 2008 to November 2009.**

**Appendix 4 – Status Audit Plan 2009/10**

## **Background Papers**

- None identified.