

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>17 JANUARY 2011</b>
<b>TITLE OF REPORT:</b>	<b>INTERIM AUDIT SERVICES ASSURANCE REPORT 2010/11 NO.3</b>
<b>PORTFOLIO AREA:</b>	<b>RESOURCES</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

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

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT the report be noted.**

### **Key Points Summary**

- Seven key issues were identified in the Council's Annual Governance Statement. Four have been closed. (Appendix 1 refers).
- Subject to Committee agreement there are currently four Committee Resolutions that are open (Appendix 2 refers);
- Of the audits completed two were given an unsatisfactory audit opinion and one a marginal opinion ( Appendix 3 refers)

### **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.

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

## **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 2009/10**

- 4 The Audit and Governance Committee considered the Annual Assurance report for the year ending 31<sup>st</sup> March 2010 on 29<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. Four key issues have been closed.

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

- 5 Regarding resolutions made by the Committee to November 2010 (Appendix 2 refers) subject to committee approval there are five open and ongoing following the last meeting held on 12<sup>th</sup> November 2010. Replies received from relevant officers have been included in the updated version of the appendix.

### **Fundamental Systems**

- 6 The Council's target is for all fundamental systems to achieve at least a satisfactory audit opinion. Work in this area is well advanced with a final report issued for Education Transport, which was given a marginal audit opinion due to the need for improved risk management, income control and procedures, management checks and guidance to staff. As required under the Audit and Governance Code a copy of the report has been sent to the Chairman of the Audit and Governance Committee

### **Non Fundamental Systems**

- 7 The report on Car Park Income has been finalised and an unsatisfactory audit opinion issued. This was due to the need for improved procedures and controls, managers have taken speedy action in relation to the recommendations made. The Service Manager has confirmed that all recommendations have been implemented. A follow up audit visit will be made to ensure that actions are embedded. As required under the Audit and Governance Code a copy of the report has been sent to the Chairman of the Audit and Governance Committee. Other work is at various stages of progress.

### **Governance and Anti-fraud**

- 8 Preliminary work in relation to the National Fraud Initiative (NFI) 2010 is complete, relevant offices have been requested to submit relevant data to the Audit Commission. All relevant data has been submitted. The NFI Data Protection Compliance Return has been completed and submitted.
- 9 The Annual Governance Statement for 2009/10 was presented to the Audit and Governance Committee on 29<sup>th</sup> June and now forms part of the Council's Statement of Accounts.

### **Other Key Systems**

- 10 Member's allowances and expenses were reviewed and given a satisfactory audit opinion.

- 11 CRB consultancy work to provide advice and guidance regarding the robustness of the new CRB system has now been completed.

### **ICT Protocols and Control (Council –Wide)**

- 12 Work within this area includes a joint report on physical security covering both the Council and Primary Care Trust.

### **Establishments**

- 13 Work continues to assess the financial management arrangements for schools in line with the Department for Children, Schools, and Families (DCSF) Standard. Currently 18 schools have met the standard, with seven reviews out in draft, and one is work in progress.

### **Verification and Probity**

- 14 The review of Good Environmental Management (GEM) has been completed and some minor non-compliances were found.

### **Recommendations**

- 15 To date Audit Services has made 296 recommendation of which 294 (99%) have been accepted by officers.

- 16 Overall follow up work on past recommendations made can be summarised as follows

Status	Number	%
No longer relevant	3	4.5
Completed	32	47.8
Mostly Complete	5	7.5
Partly Complete	18	26.9
Not addressed	9	13.3
Total	67	100.0

- 17 As requested by the committee the unannounced follow up visit in relation to the Procurement and Contract Procedures – Resources (Asset Management and Property Services) was carried out in May 2010. The outcome was that of the 16 recommendations six were partly complete and five not addressed

- 18 It should be noted that at the time of the follow up visit Asset Management and Property Services, under the direction of the Head of Service was working to implement the remaining recommendations, it is pleasing to note that I have received confirmation from the Head of Service that all partly and all not completed recommendations have now been implemented. The Director of Resources has directed that a further audit visit is planned to ensure actions are embedded.

## **Outsourcing update**

- 19 The Official Journal Contract Notice for the provision of internal audit and counter fraud services to Herefordshire Council, Herefordshire Primary Care Trust and Herefordshire Hospitals NHS Trust has been published. It is also intended that the framework contract may be utilised by other public sector organisations in Herefordshire including education establishments

## **Financial Implications**

21. There are no financial Implications.

## **Legal Implications**

- 22 There are no Legal Implications.

## **Risk Management**

23. 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 Audit Services Management Team monitor the plan on a weekly basis in order to mitigate this risk, the Director of Resources will receive monthly reports on progress.

## **Appendices**

**Appendix 1- Annual Governance Statement 2009/10 Key Issues Identified.**

**Appendix 2 – Open and Ongoing Resolutions as at 12<sup>th</sup> November 2010**

**Appendix 3 – Status Audit Plan 2010/11**

## **Background Papers**

- Audit Plan 20010/11 previously approved by the Audit and Governance Committee on 29 June 2010.