

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>29 SEPTEMBER 2011</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT PROGRESS 2011/12</b>
<b>PORTFOLIO AREA:</b>	<b>CORPORATE SERVICES AND EDUCATION</b>

**CLASSIFICATION:** Open

## **Wards Affected**

County-wide

## **Purpose**

The purpose of this Internal Audit Report is to update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed.

## **Key Decision**

This is not a Key Decision.

## **Recommendation**

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

## **Key Points Summary**

- Audit Services has completed three reviews in draft (Anti-Money Laundering, Gifts and Hospitality and Director Assurance Statements). No significant issues were raised as part of these audits.
- There are currently 14 audits being completed. These include Housing Benefit, Council Tax, Planning and Member and Officer Allowances. The remainder of the reviews in the Internal Audit Plan for 2011/12 are being arranged with Council officers.
- Audit Services have also provided support, guidance and information in a number of areas to Council Officer's in respect of The Shared Services Partnership, the Rising to the Challenge Project, and ad hoc activity.

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Further information on the subject of this report is available from  
Saverio DellaRocca – Interim Chief Internal Auditor on (01432) 260425

## **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 the status of internal audit work and any key internal control issues identified from work completed in the last quarter.

## **Key Considerations**

### **Summary of progress against the audit plan**

- 4 The Internal Audit plan was approved by the Audit and Governance Committee on 23 August 2011.
- 5 Internal Audit Services is progressing with the Internal Audit Plan. To date, three audit reviews have been completed in draft. There were no significant issues arising from these reviews and all were rated as Satisfactory. There are currently 14 reviews being completed by Audit Services. The remainder of the reviews in the audit plan are being scoped and agreed with members of the Council's Leadership Team, the Council's Chief Finance Officer and Directors as appropriate.
- 6 Audit Services is confident that sufficient audit work will be completed by the year end so that the Head of Internal Audit can form an opinion on the Council's system of internal control.

### **Audit Reviews completed**

- 7 Three audit reviews and reports have been completed in draft: Anti-Money Laundering, Gifts and Hospitality and Director Assurance Statements. While in each area control processes could be strengthened, no significant issues were raised and all of the areas were graded as 'Satisfactory'. The audit reports are currently being reviewed by management and are due to be finalised shortly.

### **Audit and Other Reviews in Progress**

- 8 Audit reviews are currently progressing in a number of audits. These include:
  - Housing Benefit;
  - Council Tax and NNDR;
  - Member Allowances;
  - Officer Allowances;
  - Grant Review;
  - Agresso – Transfer of Balances;

- Children and Young People – Procurement Audit; and
- Shared Services – Governance.

9 These reviews will be completed and draft reports issued in due course. We will report any significant issues arising from these reviews to the next Audit and Governance Committee.

### **Forthcoming Audit Reviews**

- 10 In the Internal Audit Plan we provisionally set out a number of key focus areas, but agreed with HPSLT that further discussions would be held with Directors to determine the exact status of audit input. As part of this process meetings are being arranged with the Director of Places and Communities, Assistant Director People, Policy and Partnerships, the Business Change Manager, the Committee Manager (Scrutiny) and the Resilience Team Manager.
- 11 Audit Services has also met with the Audit Commission and have developed a joint understanding of the work on the key financial systems which will be required to be undertaken by Internal Audit to support the work of the Council's external auditors.

### **Other Audit Input**

- 12 Audit Services has provided information and input into the Collation of a Creditors' & Debtors' report on "The Chestnuts" (Ross on Wye Housing Association Limited) including attendance at a creditors meeting in August 2011.
- 13 Audit Services has also been providing input into a consultancy review, led by Corporate Transformation Services (CTS) on behalf of the Rising To The Challenge (RTTC) Board. This review is looking at the implementation of key systems (Agresso, EDRMS, Frameworki and Civica). The review focuses on areas of highest potential gain to the Council to exploit the capital investment that has already made. The findings and recommendations will provide CTS, the RTTC Board and sponsors of the Programme with sufficient information to be able to make informed decisions as to where and where further activities should be focused. A draft action plan has been produced for the Board's consideration.
- 14 The establishment of The Shared Services Partnership (TSSP) from 1 April 2011 is a key area of audit focus. On the direction of the Chief Finance Officer we have met with officers from the TSSP to discuss progress in establishing the governance and control environment that will enable it to successfully deliver a first class service to all partners and grow through winning external work. To date, we have advised, shared information and documents from our experience in relation to the:
- appointment of external auditors;
  - establishment of Service Level Agreements;
  - potential opportunity in respect of financial and accounting support for Academies; and
  - core business processes that the Board will need to establish.
- 15 We will continue to provide ad hoc support as and when required but have tentatively agreed with external audit that we will undertake a review examining the overall arrangements in place in due course. This proposal will be discussed with the new Managing Director of the TSSP. At the request of officers at the TSSP we have also continued to review how the Council's key financial systems are being operated under the new arrangements. We are pleased to note thus far that financial systems, which have been traditionally rated as strong by internal audit, continue to operate as expected as evidenced by our findings to date on council tax, business rates and housing benefits.

## **Financial Implications**

16 There are no financial Implications.

## **Legal Implications**

17 There are no Legal Implications.

## **Risk Management**

18 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 – Status Audit Plan 2011/12**

## **Background Papers**

19 None

## Appendix 1

### Herefordshire Council - Internal Audit Plan 2011/12

#### Progress Update – September 2011

Note – The scope and timing of audits is subject to confirmation and the agreement of the Project Sponsor.

<b>Audit Review</b>	<b>Status / Provisional Timescale for completion</b>	<b>Audit Opinion</b>
Payroll	November 2011	
Member Allowances	In progress	
Creditors inc Procurement	In progress	
Treasury Management	October 2011	
Debtors and other Income Streams	October 2011	
General Ledger	October 2011	
NNDR	In progress	
Council Tax	In progress	
Housing Benefit	In progress	
ISIS - Framework I	Meeting currently being arranged with the Director for People Services (Interim) to discuss the scope of audit.	
Cash and Deposits	October / November 2011	
FMS – Bank reconciliations	In Progress	
Education Transport	October 2011	
Children Services – Early Years	Meeting currently being arranged with the Director for People Services (Interim) to discuss the scope of audit.	
AMEY Contract	Meeting arranged with the Director of Places and Communities to discuss scope of audit.	

ISO 27001	November 2011	
Application Testing (inc IDOX and Academy)	Currently discussing scope of audit with management	
ICT Disaster Recovery	January 2012	
IT Strategy	January 2012	
Anti-Fraud and Corruption Awareness Training	Currently discussing the scope of the audit with the Monitoring Officer.	
Anti-Fraud and Corruption – Hot Topics – Officer Expenses	In progress	
Director Annual Assurance Statements	Draft Report issued	Draft opinion - Satisfactory
Risk Management	Meeting currently being arranged with the Resilience Team Manager to discuss the scope of audit.	
Performance Management	Meeting currently being arranged with the Assistant Director People, Policy and Partnerships to discuss the scope of audit.	
Benefits Realisation	In progress	
Project Management	In progress	
Annual Governance Statement	March 2012	
Shared Services - Governance (on-going)	In progress	
Rising to the Challenge – Project Monitoring	Currently discussing scope of audit with management	
PFI Project Management	Meeting arranged with the Director of Places and Communities to discuss scope of audit.	
Integrated Commissioning	Meeting currently being arranged with the Director for People Services (Interim) to discuss the scope of audit.	

Public Health	Meeting currently being arranged with the Director for People Services (Interim) to discuss the scope of audit.	
Sustainability	Meeting arranged with the Director of Places and Communities to discuss scope of audit.	
Business Continuity/ Emergency Planning	Meeting currently being arranged with the Resilience Team Manager to discuss the scope of audit.	
Planning	November 2011	
Fees and Charges	Meeting currently being arranged with the Committee Manager (Scrutiny) to discuss the scope of audit.	
HALO Leisure Management	Meeting arranged with the Director of Places and Communities to discuss scope of audit.	
Licensing - Taxi's	In progress	
Schools	December 2011	
CYPD Proc Audit	In Progress	
Gifts and Hospitality	Draft Report issued	Draft opinion - Satisfactory
Anti-Money Laundering	Draft Report issued	Draft opinion - Satisfactory
Aggress - Trf of balances	In Progress	