

INTERIM AUDIT ASSURANCE REPORT 2004/05

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

25TH NOVEMBER, 2004

Wards Affected

County-wide

Purpose

To receive the Mid-Year Assurance report which identifies the key internal control issues that the Principal Audit Manager has identified or continues to be concerned about. In addition, the report updates Members on the actions or the current position on key issues identified during 2003/04 that required attention.

Key Decision

This is not a key decision.

Recommendations

THAT the Assurance Report be considered for approval and referred to Strategic Monitoring Committee for comment.

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. The Annual Assurance Report for the year ending 31st March 2004 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**

The need to provide a secure environment to support the main servers and communications equipment at Rotherwas, on which the majority of the Council's systems operate, has been recognised. The Audit review of physical security at Rotherwas identified that suitable steps were being taken to provide a high standard of protection, based upon effective physical controls and sound disciplines.

Full protection will not be in place until the refurbishment of the server room is complete and controls relating to certain threats, such as fire detection and fighting have been fully implemented. This work is in progress.

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

The position at the end of the financial year will be reported on following the completion of planned audits such as Physical Security Remote Sites, Back Up and Recovery and Disaster Recovery.

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

On 12th October, 2004 the Chief Executive's Management Team approved the Performance Indicator action plan and PI handbook pro-forma with the expected outcomes of:

- Improved Leadership and Ownership.
- Improved understanding.
- Improved accuracy of BVPI Information.
- Improved consistency of calculation.

Recommendations for improved data capture and monitoring have been provided to staff responsible for the compilation of the BVPIs.

It is too early to comment on whether these have been met. However, the Chief Executive's Management Team will be monitoring the action plan to ensure compliance.

- **Risk Management continues to be embedded across the Council**

Directorate and Department risks have been identified and Directors and Heads of Departments are now responsible for their risk logs. They also have to ensure that all risks, both new and inherent, are regularly recorded and monitored so that they can be effectively managed.

The main cross cutting and corporate issues emanating from the current risk logs have been identified. The County Treasurer and the Head of Performance Management have presented a report to the Chief Executive's Management Team highlighting these risks and the measures in place to address them. The Chief Executive's Management Team has identified measures to further improve the report process.

Audit Services will be carrying out a review of the Council's Risk Management procedures during the 4th quarter. The Performance Leads Group will be playing a vital role here in ensuring consistent and best practice in all directorates and departments is adopted.

- **Improvements in relation to the Jarvis contract**

Many of the recommendations made in the Audit report had to be completed by the end of October 2004; the follow up review is due to commence mid-November. The scope of the review has been agreed with the Director of Environment and can be summarised as follows:

- Follow up the recommendations from the previous audit report.
- Compare current performance against expected level of performance.

- Review the timeliness, relevance, reliability and accuracy of management information.

The findings from this review will be included in the Annual Assurance Report to members.

Following discussions with the Director of Environment, it is clear that progress has been made, particularly in providing clear guidelines to staff regarding the contract. The recent decline, however, in the Jarvis Plc share price has raised concerns on the company's longer-term viability and the possible impact on service provision. The Director of Environment is currently drawing up contingency plans to manage this situation.

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

The Assistant County Treasurer (Accountancy and Exchequer Services) has drafted the key Accounting Guidelines, for circulating across the Department for review and comment. These are important in ensuring a consistent and controlled application of financial practice across the Council including schools.

It is intended that these will be finalised and issued by 31st December 2004. A further review of Standing Orders and Financial Regulations is also planned.

- **Improvements are needed to arrangements for the prevention and detection of fraud**

Audit Services has developed a specific programme of work as part of the annual operational plan for 2004/5. This programme includes audit reviews of car mileage, travel and subsistence, contracts and contract monitoring, and Renovation Grants. In addition, Audit Services will be reviewing the Council's corporate anti- fraud arrangements.

Anti-fraud and Corruption returns have been sent to all Directors and Heads of Departments for them to report any incidents of fraud identified. All returns relating to the six months to 30th September 2004 have been returned stating that none had been identified for the period. Financial Regulations require the County Treasurer to be informed of any suspected or actual fraud within the Council.

Once again it is important to emphasise minimal experience of fraud and the significant faith the Council has in its staff. The Council has a comprehensive Whistleblowing Policy which has been communicated to staff and will be the subject of regular reminders.

2. Areas of Concern in the current period

Action on issues raised relating to 2003/4 is progressing well and at the present time there are no concerns other than the urgent need for contingency plans relating to the Jarvis contract. Once all reviews have been completed, details will be included in the End of Year Assurance Report to Members.

3. Future Audit Work

At the current time there is a vacancy within the service, which is unlikely to be filled owing to the corporate requirement to make budget savings. In addition, an Audit Manager has been on sick leave since late September 2004 to date, and this is likely to continue until the end of December 2004. These issues will have an impact on the completion of the Audit Plan for 2004/5. A revised plan has been drafted to reflect these shortfalls in resources.

Risk Management

The four-year strategic plan is based upon a 'Traffic Lights' Methodology, 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.

Consultees

None.

Background Papers

None identified.