

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2012
TITLE OF REPORT:	INTERNAL AUDIT PROGRESS 2012/13
REPORT BY:	HEAD OF AUDIT SERVICES

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.

Recommendation

THAT: The Audit and Governance Committee:

(a) notes the report, subject to any comments the Committee wishes to make.

Key Points Summary

- Audit Services has completed a number of audits including, Public Health – Food Licensing and reviews of Income Collection Procedures over three separate Council functions. Of these completed audits we have finalised our ICT 27001 review of the Council's Modern Records Unit. No significant issues were identified as part of this audit. In all of the other areas reports have been issued to management and we are in the process of finalising them.
- There are a number of audits being completed. These include reviews of Procurement, Payroll, Council Tax and NNDR and Data Protection.
- Audit Services are continuing to provide support, guidance and information in a number of areas to Council Officer's in respect of specific reviews. We have provided further information on these areas at points 13 and 14.

Alternative Options

1. This report is for information and 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. The purpose of this report is 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 6 July 2012. We have set out the number and type of audit reviews to be completed in Appendix 1.
5. Internal Audit Services is progressing with the Internal Audit Plan. To date, four audit reviews have been completed in draft and one report has been finalised. There are currently seven 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. Four audit reviews and reports have been completed in draft: Public Health – Food Licensing and reports covering income collection procedures in three areas (Car Parking, Bereavement Services and Commercial Buildings). These audit reports are currently being reviewed by management and are due to be finalised shortly. Once this process is complete we will report the findings to the next Audit and Governance Committee.
8. We have finalised our review of the Modern Records Unit (MRU) and its compliance with ISO 27001. This area was graded as providing "Adequate Assurance". We found a number of strengths within this area including the Council having good operational processes and controls in place, with experienced and appropriately skilled staff managing its archived records. We also noted that access to any records was well controlled. There were some areas for improvement including further developing service level agreements which the Council has with third parties and updating the MRU Business Plan and Risk Management Plan to reflect current practices within the function.

Audit and Other reviews in progress

9. There are currently a number of reviews being completed by Audit Services. Work on these is progressing well. These include:
 - Payroll;
 - Data Protection;
 - Procurement;
 - Council Tax;
 - NNDR;
 - Legal Services; and

- Anti-Fraud and Corruption – Hot Topics Audit.

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

Forthcoming Audit Reviews

11. 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 and the Resilience Team Manager.

12. Audit Services has also met with the Audit Commission and is in the process of developing 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

13. Audit Services has been requested by the Chief Officer, Finance and Commercial to review the process by which the Council capitalises highways expenditure. This will review how the Council accounts for this expenditure and ensures compliance with the CIPFA Code of Practice on Local Authority Accounting.

14. Audit Services has also been continuing to liaise with the Police in the preparation of a case file concerning the alleged fraud that occurred.

Community Impact

15. This report does not impact on this area.

Equality and Human Rights

16. This report does not impact on this area.

Financial Implications

17. There are no financial Implications.

Legal Implications

18. There are no Legal Implications.

Risk Management

19. 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.

Consultees

20. The HPSLT and the Chief Officer, Finance and Commercial were consulted in the drafting of this report.

Appendices

Appendix 1 – Status of Audit Plan 2012/13

Appendix 2 – Audit Opinions – Definition of Assurance Grading

Appendix 3 – Rating of Recommendations

Background Papers

21. None

Appendix 1 – Status of Audit Plan 2012/13 – November 2012

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

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
Core Support Systems					
Payroll	Currently in progress	-	-	-	-
Creditors	Planned for November 2012	-	-	-	-
Treasury Management	Planned for November 2012	-	-	-	-
Income Collection – Car Parking, Bereavement Services and Commercial Buildings	Draft reports issued	-	-	-	-
Debtors	Planned for December 2012	-	-	-	-
Budgetary Control	Planned for February 2013	-	-	-	-
NNDR	In progress	-	-	-	-
General Ledger	Planned for January 2013	-	-	-	-
Council Tax	Currently in progress	-	-	-	-
Housing Benefit	Planned for February 2013	-	-	-	-
Asset Register	Planned for November 2012	-	-	-	-
Procurement	Currently in progress	-	-	-	-
Rising to the Challenge – Project Review	Planned for January 2013	-	-	-	-
Health and Safety – Follow Up	Planned for November 2012	-	-	-	-
Sustainability – Follow Up	Planned for December 2012	-	-	-	-
Business Continuity – Follow Up	Planned for December 2012	-	-	-	-

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
Legal Services	Currently in progress	-	-	-	-
IT Systems					
ISO 27001 Modern Records Unit	Completed	Adequate	-	4	2
Access Controls review - Agresso, Academy, ISIS and Abacus	Planned for February 2013	-	-	-	-
Data Protection	Currently in progress	-	-	-	-
IT Strategy	Planned for February 2013	-	-	-	-
Anti-Fraud Systems					
Anti-Fraud and Corruption Arrangements	Planned for March 2013	-	-	-	-
Anti-Fraud and Corruption – Procedures Audit	Planned for February 2013	-	-	-	-
Anti-Fraud and Corruption – Hot Topics and Risk Areas	Currently in progress	-	-	-	-
Audit Commission - Anti-Fraud Survey	Planned for March 2013	-	-	-	-
Governance Systems					
Performance Management – Follow Up	Planned for January 2013	-	-	-	-

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
Operational Systems - Directorates					
Hoople – Client Side Management	Planned for February 2013	-	-		
Hoople – Governance (Follow Up)	Planned for December 2012	-	-		
Adult and Social Care – Financial Management and Follow Up	Planned for January 2013	-	-		
Adult and Social Care – Procurement (Follow Up)	Planned for January 2013	-	-		
Places and Communities - Public Health – Food Licensing	Draft report issued	-	-		
Places and Communities - AMEY	Planned for January 2013	-	-		
Schools					
Financial Management	Planned for November 2012	-	-		

Appendix 2 – Audit Opinions – Definition of Assurance Grading

Conclusion	Definition
No assurance	One or more priority one recommendations and fundamental design or operational weaknesses in more than one part of the area under review (i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
Limited assurance	One or more priority one recommendations, or a high number of medium priority recommendations that taken cumulatively suggest a weak control environment (i.e. the weakness or weaknesses identified have a significant impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
Adequate assurance	One or more priority two recommendations (i.e. that there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring).
Substantial assurance	No or priority three only recommendations (i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process).

Appendix 3 – Rating of Recommendations

At the last Audit and Governance Committee members requested further clarification on how audit recommendations are graded. We detail below how we assess the importance of recommendations which we make. Within the table we also set out how we can apply these priorities to recommendations we could make in a particular audit. This example is a review of Health and Safety.

Priority	Definition	Health and Safety Example Audit
Red <i>(Priority 1)</i>	A significant weakness in the system or process which is putting the Council at serious risk of not achieving its strategic aims and objectives. In particular: significant adverse impact on reputation ; non-compliance with key statutory requirements; or substantially raising the likelihood that any of the Council's strategic risks will occur. Any recommendations in this category would require immediate attention .	Issues that result in non-compliance with Health and Safety Legislation, i.e. No Health and Safety Policy in place.
Amber <i>(Priority 2)</i>	A potentially significant or medium level weakness in the system or process which could put the Council at risk of not achieving its strategic aims and objectives. In particular, having the potential for adverse impact on the Council's reputation or for raising the likelihood of the Council's strategic risks occurring, if not addressed .	Issues that may result in non-compliance with Health and Safety legislation if not corrected or improved, ie Health and Safety Policy in place, however, incomplete in one or two sections.
Green <i>(Priority 3)</i>	Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the Council's strategic aims and objectives. These are generally issues of good practice that we consider would achieve better outcomes.	Issues that are best practice, ie Health and Safety Policy in place, however, could be subject to minor improvement, such as listing new job titles for staff.