

MEETING :	AUDIT AND GOVERNANCE COMMITTEE
DATE:	19 FEBRUARY 2013
TITLE OF REPORT:	INTERNAL AUDIT PROGRESS 2012/13
REPORT BY:	INTERNAL AUDIT - FINANCE AND COMMERCIAL SERVICES

1. Classification

1.1 Open.

2. Key Decision

2.1 This is not a key decision.

3. Wards Affected

3.1 County-wide.

4. Purpose

4.1 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.

5. Recommendation(s)

That, subject to any comments the Audit and Governance Committee wish to make, the report be noted.

6. Key Points Summary

- Audit Services has finalised a number of audits, these are, Public Health - Food Licensing, reviews of Income Collection Procedures (over three separate Council functions), Treasury Management and Council Tax/National Non-Domestic Rates (NNDR).
- There are a number of audits being completed. Draft reports have been issued in connection with Debtors, Housing Benefit, Legal Services and Data Protection. Additionally, Audit Services is on site and completing audits of Procurement, Payroll and IT Controls.
- Audit Services are continuing to provide support, guidance and information in a number of areas to Council Officers in respect of specific reviews. We have provided further

information on these areas at points 10.11, 10.12 and 10.13.

7. Alternative Options

7.1 This report is for information and therefore alternative options are not applicable.

8. Reasons for Recommendations

8.1 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.

9. Introduction and Background

9.1 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.

10. Key Considerations

Summary of progress against the audit plan

10.1 The Internal Audit plan was approved by 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.

10.2 Internal Audit Services is progressing with the Internal Audit Plan. To date, seven audit reviews have been finalised. There are currently nine reviews being completed by Audit Services, with a draft report issued in four areas. 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 Officer: Finance and Commercial, and Directors as appropriate.

10.3 Audit Services is confident that sufficient audit work will be completed so that the Head of Internal Audit can form an opinion on the Council's system of internal control. However, it is also closely monitoring its progress against completing all of the audits set out within the Internal Audit Plan and both the impact of additional reviews which have been requested and changes which have occurred within the Audit Services Team and any consequent impact on the delivery of the plan.

Audit reviews completed

10.4 Two reviews were graded as providing "Limited Assurance"; these were Income Collection - Industrial Lets and Public Health - Food Licensing.

10.5 Our review of Industrial Lets identified that the Council needed to establish a clear framework of control to ensure that rental charges for its industrial buildings are raised and are in accordance with the rental agreement. As part of our audit we identified two incorrect commercial lets which meant that the Council had not received income totalling over £8,000 in 2012/13. We understand that this has now been rectified. As part of the recommendations flowing from this review we stated that the Council should undertake a reconciliation which ensures that the rental lease being invoiced is correct. Audit's intervention means that processes will be tightened. As part of our 2013/14 audit work we will review this area to ensure that the recommendations which we have raised have been fully implemented.

10.6 Our review of Public Health - Food Licensing found that the Council has a dedicated,

experienced and knowledgeable team in this area who clearly understands their role and the need to provide a quality service to the residents of Herefordshire. However, we also noted that the Council needed to develop the function's controls in a number of areas. Firstly, the Council needed to fully document the basis by which it deviates from the requirements of the Food Law Code of Practice, specifically in terms of how the annual programme of food hygiene inspections is carried out. We also noted that reporting to the Regulatory Committee required further development, specifically how the Environmental Health (Commercial) Team is ensuring that the Council's statutory obligations in food law enforcement are being met. Other areas for improvement included fully documenting staff training to ensure that it complies with the Code of Practice and documenting the results of follow up inspection visits. As part of our 2013/14 audit work we will review this area to ensure that the recommendations which we have raised have been fully implemented.

- 10.7 Two reviews were graded as "Adequate Assurance". These were Income Collection - Car Parking and Income Collection - Bereavement Services. In both areas, we noted that processes and controls could be improved; however, there were no significant areas of concern.
- 10.8 Two areas were graded as "Substantial Assurance". These were Treasury Management and Council Tax/National Non-Domestic Rates (NNDR). We found a number of good controls operating within both of these areas and some minor areas for improvement were noted.

Audit and other reviews in progress

- 10.9 There are currently a number of reviews being completed by Audit Services. Work on these is progressing well with draft reports issued in areas, such as Debtors, Housing Benefit, Legal Services and Data Protection. There are also a number of audits where on-site work is currently being completed, these include:
- Payroll;
 - Procurement;
 - IT Access Controls;
 - Anti-Fraud and Corruption - Hot Topics and Risk Areas; and
 - Hoople - Governance (Follow Up).
- 10.10 We will report any significant issues arising from these reviews to future meetings of the Audit and Governance Committee.

Other audit input

- 10.11 Audit Services is in the process of reviewing the system by which the Council capitalises highways expenditure. This audit was requested by the Chief Officer: Finance and Commercial. This review is assessing how the Council accounts for this type of expenditure and ensures compliance with the CIPFA Code of Practice on Local Authority Accounting. Related to this review, work has been requested to consider the Council's capital planning process to identify and agree capital expenditure schemes. This work is underway.
- 10.12 Audit Services has also been requested by the Chief Officer: Finance and Commercial to review and assess internal controls within the Integrated Community Equipment Store (ICES). This function is funded through Section 75 of the National Health Service Act 2006 and provides medical equipment to aid independent living. This work is nearing completion.

- 10.13 The Council is working together with KPMG in reviewing key aspects of its Adult and Social Care function. This work involves reviewing aspects of the function's IT systems, such as the link between Frameworki and the Council's Agresso financial system, in addition to how it procures Care Services. This work is currently underway.

Feedback on audits completed

- 10.14 Audit Services recently revised its audit satisfaction questionnaire to ensure that it could be easily completed by management and the function could obtain more useful feedback on the audit process. These questionnaires have been sent through to key service managers who have been involved in the audit process so far. Their feedback to date has been very positive in all instances with some Managers commenting that the function has provided an "Excellent" service, for example in our review of the Modern Records Unit (ISO 270001). Audit Services will provide a comprehensive report against all of its performance indicators within its Annual Assurance Report.

11. Community Impact

- 11.1 This report does not impact on this area.

12. Equality and Human Rights

- 12.1 This report does not impact on this area.

13. Financial Implications

- 13.1 As a direct result of Audit Services review of the Council's Industrial Lets function, the Council has been able to ensure it has collected the required rental income.

14. Legal Implications

- 14.1 There are no legal implications.

15. Risk Management

- 15.1 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.

16. Consultees

- 16.1 The Leadership Team and the Chief Officer: Finance and Commercial were consulted in the drafting of this report.

17. Appendices

- 17.1 Appendix 1 - Status of Audit Plan 2012/13
17.2 Appendix 2 - Audit Opinions - Definition of Assurance Grading
17.3 Appendix 3 - Rating of Recommendations

18. Background Papers

- 18.1 None.