

**AUDIT SERVICES INTERIM ASSURANCE REPORT
2005/6****REPORT BY: PRINCIPAL AUDIT MANAGER****Wards affected**

County-wide

Purpose

To update Members on the progress made in relation to the Audit Plan and to bring to their attention any key internal control issues. In addition the report updates Members on the actions or the current position on key issues raised for 2004/5 that required attention.

Financial Implications

None

Reasons

Compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Background

The Audit Commission in their Annual Audit and Inspection Letter identified that the Council needed to develop the role of the Audit Committee in providing leadership on audit and governance issues, including documenting the overall assurance framework.

Consideration of the Interim Assurance Report aids the development of the Audit Committee's role.

Considerations**Key Issues Identified in 2005/6**

1. The Audit Committee considered the Annual Assurance Report for the year ending 31st March 2005 on 30th September 2005. Two key issues were identified as being relevant to the Council's Statement of Internal Control. The first related to the overspend in Social Care and the second to the need for improvements in the Council's overall disaster recovery arrangements.
2. In relation to the overspend in Adult and Children Social Care, It has been identified and reported to Cabinet that there is a significant risk that the overspend for 2005/6 will reach approximately £1,500,000. The Assistant County Treasurer (Policy and Audit) has been seconded to assist the Director of Audit and Community Services in the day-to-day financial management of the Adult Social Care budget.

3. With regards to the Children Social Care Service the projected overspends has been reduced to approximately £195,000. An action plan has been developed to increase family support and recruit and retain skilled foster carers. The Audit Services view is that positive action is being taken to solve the issue previously identified.
4. The Audit review of the Council's Disaster recovery arrangements is planned for quarter 4. The Audit Committee will be updated in the Annual Assurance Report.

Progress On The Plan

5. Two key elements have effect the overall completion of the Audit Plan for 2005/6. Firstly the level of time spent verifying performance indicators and the flowcharting and procedure documentation of all the fundamental systems. To help align the Audit Plan to available resources in consultation with the Directors priorities were identified and the following work has been deferred to 2006/7:
 - Social Care Contract letting;
 - Supply Cover Administration;
 - Older People Payment to independent Providers;
 - Physical Disabilities-Direct Payments to Service Users;
 - Private Finance Initiative;
 - CHRIS;
 - Government Grants;
 - Waste Management Contract;
 - Info in Hereford- Garrick House;
 - Agency Payments;
 - P&C Grants and Donations; and
 - Early Years Development- Site visits
6. The deferral of the above work will not impact adversely on the level of work required to give an end of year opinion on the Council's system of internal control.
7. The work on the completion of fundamental systems is progressing well and it is anticipated that all should be completed in time for the Audit Commission to review.
8. The ICT Computer Audit work programme had to be reviewed due to the ICT Computer Auditor requesting to stick to the minimum days in his contract. Action is being taken to bring additional resources in to cover the gap. Arrangements are also being made to bring a higher level of ICT work in house which will also prove to be cheaper in the future.

Recommendations

9. As previously reported an improvement to recommendation reporting was introduced for 2005/6 and entailed the introduction of a new category of audit recommendation called 'Critical1'. These are recommendations where non-compliance will be a high risk to the Council and where action is required urgently or with in an agreed timescale.
10. Only two 'Critical 1' recommendations were made to date. The first related to the need for improved controls in relation to the use of the school mini bus at a secondary school. It is pleasing to report that the school has taken action and most of the required actions have been completed. The second related to the need to ensure that the details of legislation and acts listed on the various types of Council warrant cards were correct, complete and current, good progress is being made and it is anticipated that this recommendation will be fully actioned by the end of March.
11. Recommendation follow up work has shown that 60% were fully completed with 20% partly completed and 20% not completed at the time of the audit visit, however it should be borne in mind that this should improve by the end of the financial year.

Audit Opinions

12. It is normal practice for all audits except for recommendation follow-ups to be given an audit opinion as detailed in **Appendix 1**. All audits rated as unsatisfactory or worse and any fundamental or major systems found to be marginal or worse must be brought to the attention of the Audit Committee. Only two audits met the criteria these are outlined below.

Audit	Opinion	Action being taken
Social Care Financial Management and Budgetary Control	Marginal	Audit Services has produced an action plan for the Director to consider.
Anti-Money Laundering Procedures	Unsatisfactory	Procedures are in place and a training programme has been developed and will be presented to relevant staff. Target date for completion 31st March 2006.

13. It should be noted that the above represents the exception with a number of audits getting satisfactory audit opinions such as Performance Management and Network Planning in ICT.

Audit Benchmark Survey

14. The Audit Service took part in the CIPFA Benchmarking Club Audit Customer Satisfaction Survey with the overall audit performance being good. The survey covered:

- Audit Services Work;
- Audit Staff;
- Conduct of Audits;
- Audit reporting; and
- Customer Service.

15. Three areas were identified for improvement. The first was Value for Money Reviews, which was of high importance to customers with audit performance being adequate. The second related to timing of audits again given high importance by customers with audit performance being adequate. And the third related to recommendations being constructive, practical and cost effective this was given high importance by customers with audit performance being adequate. These areas of customer concerns have been addressed with the signing of audit protocols with each directorate.

Areas of Concern

16. At the present time there are no areas of concern to report.

Risk Management

17. If the reviews of the Councils key fundamental systems are not completed on time it will impact adversely on the work of the Audit Commission and the closure of the Council's financial accounts.

RECOMMENDATION

THAT The Audit Committee considers the Interim Assurance Report.

BACKGROUND PAPERS

- None Identified