

Audit Committee

05 December 2008



Internal Audit interim progress report

Report of the Head of Internal Audit and Risk Management

Purpose of the report

1. The purpose of this report is to advise Members on the work undertaken by Internal Audit between 01 April 2008 and 30 September 2008 and provide detail on the progress made against the annual audit plan for the financial year 2008/09. This is the second of a series of quarterly progress reports prepared for Members during the year as part of the Authority's overall governance arrangements and is in accordance with best practice.
2. The report also provides an update on the progress made in implementing recommendations agreed with managers relating to 2007/08.

Progress made against the annual audit plan

3. 96 of the 259 Internal Audit assignments scheduled for the year have been progressed with managers to reporting stage during the six month period under review, work in a further 39 areas has started. A summary of the work undertaken is included for Members in Appendix 2.
4. Internal Audit, working with responsible managers, has also confirmed as indicated in Appendix 3, that 763 of the 1,187 recommendations accepted by managers within 2007/08 have been updated, with a total of 724 recommendations implemented and 39 revised and re-issued.

Governance

5. We reported at the Audit Committee's last meeting an intention to undertake, as part of our established annual process, a review, in the current financial year, of the Authority's governance arrangements to confirm the degree to which they accord with developing best practice.
6. A separate, detailed report proposing revisions to the structure and membership of the Council's governance assurance group, was considered by the Treasurer and is now to be presented to the Corporate Management Team for further discussion as our proposed group composition requires corporate representation. Details of these proposals will be progressed in the form of a report for the consideration of Members at a future meeting of the Audit Committee.

Reporting of key observations

7. Our work has identified 2 new issues of critical priority and a further 58 issues of high priority. Details of these issues split across the Council's Service areas are summarised below:

Core Systems (1 critical and 31 high priority issues)

- extensive systems reviews of payroll processing procedures as operated within the Treasurers and other Services identified weaknesses in the level of checking and evidencing of payroll payments; the definition of roles and responsibilities between Treasurers and Service payroll officers; and uncertainty with points of contact. The suitability and quality of supporting information provided, number of salary overpayments made, adherence to submission deadlines within Services, use of obsolete forms, volume / workload and new staffs' understanding of the ResourceLink payroll system were also raised.

In order to resolve these issues, a payroll project group led by the Human Resources Manager for Children and Young People's Services has been established. A detailed Project Initiation Document (PID) has also been developed to inform the County Treasurer and Head of Internal Audit as project sponsors of the activities to be undertaken. A Project Steering Board and Project workstreams have been established with representation from Schools and actions are progressing in accordance with agreed timescales.

- the set up of approval structures within Oracle in a minority of Services is not in accordance with the business process approved in the original design of the system.

IT Systems (3 high priority issues)

- compliance with the information security standard by the agreed target date of November 2008 will require significant co-ordination/management,
- there are issues regarding access to and expiry of passwords for high privilege accounts within the DIP system.

Pension Fund (3 high priority issues)

- where additional calculations are required to support gratuity payment information detailed on the application form, these should be officially documented, shown in ink, signed and independently authorised,
- notification letters should be issued showing the payment breakdown for all gratuity payments,

Other Corporate Activities (1 critical and 8 high priority issues)

- implementation of the recommendations from 4ps Gateway Review of Waste Management should form a regular, key part of reporting to the Project Board,

- recording, calculation, monitoring, revision and reporting of LAA stretch target data requires strengthening in a minority of areas,

FMSiS – Schools (13 high priority issues)

- weaknesses in the operation of financial procedures covering areas of budgeting, invoicing, petty cash and income security;
 - demonstrating compliance with contract procedure rules when procuring goods/services;
 - ensuring strict adherence to appointment procedures and
 - operation of Private School Funds and Friends accounts.
8. Internal Audit is continuing to work with the managers responsible for these issues in seeking to ensure that envisaged improvements in systems of internal control are realised.

Performance against targets

9. In the period under review Internal Audit delivered 769 productive audit days, equivalent to 45% of the total days planned. 85 out of the 96 reports issued were delivered within fifteen working days, which almost meets our 90% target. In reporting on performance against our effectiveness targets, 100% of recommendations made have been accepted and with 42 customer satisfaction returns received thus far, the rating of Internal Audit stands at 1.29 (very good = 1, good = 2, satisfactory =3, poor =4).

Recommendation

10. Members are recommended to:
- i. note the progress made in relation to the Audit Plan to date,
 - ii. note the progress made in relation to the number of recommendations due that have been implemented and
 - iii. note the emerging issues of critical and high priority.

Background Papers - **Audit Files & Working Papers**

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Appendix 1: Implications

Local Government Reorganisation

(Does the decision impact upon a future Unitary Council?)

No

Finance

There are no direct financial implications arising for the Council as a result of this report, although we aim through our audit planning arrangements to review core systems in operation and ensure through our broad programme of work that the Council has made safe and efficient arrangements for the proper administration of its financial affairs.

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Sustainability

None

Human rights

None

Localities and Rurality

None

Young people

None

Consultation

None

Health

None

Appendix 2 : Summary of work undertaken 2008/09

Key Indicators of Performance

Service	No. of Reviews	Planned Days	Actual days	Critical	High	Recommendations						
						Medium	Low	Total	Accepted	Awaited	Rejected	Implemented
Core Systems	18	227	49.6	1	31	13	0	45	27	18	0	0
FMSiS - Schools	212	500	418.4	0	39	1,040	525	1,604	1,336	268	0	699
Customer Services	5	35	7.5	0	3	3	0	6	5	1	0	0
Pension Fund	3	30	11.3	0	3	0	1	4	3	1	0	0
External Bodies	1	40	17.5	0	0	0	0	0	0	0	0	0
Other Corporate Activities	21	892	264.5	1	22	7	1	31	0	31	0	0
	259	1,724	768.8	2	98	1,063	527	1,690	1,371	319	0	699

Other Indicators of Performance

% of reports issued within 15 working days
Customer Satisfaction

89% (85 out of 96)
1.29 (42 out of 71 questionnaires returned - 59%)

Appendix 3 : Summary of 2007/08 recommendations implemented

Key Indicators of Performance

Service	Recommendations					Accepted	Awaited	Rejected	Implemented	Reissued
	Critical	High	Medium	Low	Total					
Core Systems	0	13	34	13	60	43	16	1	20	
Adult and Community Services	0	54	110	40	204	195	8	1	110	
Chief Executive's Office	1	3	2	2	8	0	8	0	0	
Children and Young People's Services	0	47	125	32	204	159	45	0	124	
FMSiS - Schools	0	100	448	33	581	565	16	0	372	20
Corporate Services	0	1	15	2	18	18	0	0	12	
Customer Services	0	34	43	17	94	93	0	1	22	
Environment	2	17	22	12	53	51	0	2	34	
Pension Fund	0	9	3	0	12	7	5	0	4	
Service Direct	0	1	2	0	3	3	0	0	3	
External Bodies	0	5	12	2	19	19	0	0	19	
Other Corporate Activities	5	22	13	4	44	34	10	0	4	19
	8	306	829	157	1,300	1,187	108	5	724	39