

## Audit Committee

22<sup>nd</sup> November Sept 2012

## Internal Audit Progress Report Quarter Ended 30<sup>th</sup> September 2012



---

### Report of Manager of Internal Audit & Risk

---

#### PURPOSE OF THE REPORT

- 1 The purpose of this report is to inform Members of work carried out by Internal Audit during the period June to September 2012.
- 2 The report aims to:
  - Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit
  - Advise you of significant issues where controls need to improve to effectively manage risks
  - Advise you of any other types of audit work carried out such as grant certification or consultancy reviews where an assurance on the control environment may not be applicable
  - Advise you of amendments to planned work
  - Advise you of unplanned work carried out or to be carried out
  - Track progress on the response to audit reports and the implementation of agreed audit recommendations
  - Advise you of any changes to the audit process
  - Provide an update on our performance indicators comparing actual performance against planned
- 3 Appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3.)
  - Appendix 1 Report Implications
  - Appendix 2 Background to the preparation and approval of the 2012/13 plan
  - Appendix 3 Audit methodology
  - Appendix 4 Progress on plan
  - Appendix 5 Final reports issued this quarter

- Appendix 6 High and medium priority actions raised and implemented
- Appendix 7 \*Overdue actions
- Appendix 8 Performance Indicators

## **BACKGROUND**

- 4 Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
- 5 The background to the preparation and approval of the 2012/13 annual audit plan and the approved risks based audit strategy to be applied to deliver it is attached at Appendix 2.
- 6 The audit methodology used to determine the risk priority for addressing audit findings and how we arrive at our assurance opinions is given in Appendix 3.

## **PROGRESS AGAINST PLANNED WORK**

- 7 A summary of the approved annual plan for your service grouping, updated to reflect work in progress and /or brought forward from last year's plan, is attached at Appendix 4. The status of each audit as at 30<sup>th</sup> September 2012 is indicated.
- 8 The status of each type of planned audit, as shown in Appendix 4, is summarised below:

<b>Status</b>	<b>Assurance</b>	<b>Advice &amp; Consultancy</b>	<b>Counter Fraud</b>
Not Yet Started	47	6	8
Planning & Preparation	21	10	1
TOR agreed	17	1	4
Fieldwork in progress	13	12	2
Complete (draft or final report stage)	17	4	0
<b>Total</b>	<b>115</b>	<b>33</b>	<b>15</b>

- 9 Where work is finalised the resultant assurance opinion, if applicable, is also shown in Appendix 4.
- 10 A summary of final audit reports issued this quarter is given in Appendix 5.

## **SIGNIFICANT ISSUES ARISING THIS QUARTER**

### **Amendments to the approved 2012/13 Audit Plan**

- 11 The following amendments to planned work have been agreed with Corporate Directors with quarter:

<b>Service Grouping</b>	<b>Audit</b>	<b>Type of Amendment</b>	<b>Reason</b>
CAS	Durham Schools Continuing Professional Development Partnership	Deletion	Identified risks covered in Education Development audit

			2011/12
CAS	Surplus school balances	Addition	Added at the request of head of Education in lieu of above deletion

- 12 16 unplanned reviews have been added to the plan. Of these 14 relate to investigations. Details of investigations will be provided in the 6 monthly fraud and irregularity update report.
- 13 The 2 unplanned reviews added to address new or emerging risks from the contingency provision within the plan are:

Service Grouping	Audit
NS	School Crossing Patrols
NS	Quality Management System

### Outstanding Management Responses to Draft Reports

- 14 It is pleasing to report that there are no outstanding management responses to draft reports this quarter.

### Response to audit findings and recommendations

- 15 Details of the numbers of High and Medium priority ranking recommendations raised and overdue, by Service Grouping and Audit Year, are given in Appendix 6. A summary of progress on actions due by the 30 September is given below:

Service	Actions Due by 30/9/12	Overdue Actions by Original Target Dates		Overdue Actions where revised date agreed		Revised overdue actions	
		No	%	No	%	No	%
ACE	5	1	20	1	100	0	0
CAS	116	8	7	3	38	7	6
NS	364	17	5	14	82	9	2
RED	292	12	4	9	75	5	2
RES	410	44	11	44	100	0	0
<b>TOTAL</b>	<b>1187</b>	<b>82</b>	<b>7</b>	<b>71</b>	<b>87</b>	<b>21</b>	<b>2</b>

- 16 Your attention is drawn to the 21 actions highlighted which are still overdue despite a revised target date having been agreed. These are detailed in Appendix 7.

## **Limited/ No Assurance Opinion Audits**

- 17 Details of audits finalised in this quarter which resulted in an inadequate assurance opinion (limited or no assurance opinion) are given below:

### **GL: Key controls and reconciliations (Limited Assurance)**

This audit covered the key issues highlighted in the Audit Commission's Interim Governance and Annual Governance Reports for 2010/11. The key issues identified were that;

- There is no action plan detailing exactly what work will be carried out to implement the recommendations made by the Audit Commission;
- Although each recommendation made by the Audit Commission has been assigned to a designated officer not all of these officers were aware of the requirement to take appropriate action. Furthermore, in a number of cases the agreed action has not been taken.
- Progress on the implementation of each recommendation is reported to the Audit Committee though in many cases there is no evidence to support the progress that has been reported.

It should be noted that all outstanding items from 2010/11 are included within the Audit Commission's 2011/12 interim governance report, and a significant amount of work has already been carried out to address these. The Strategic Finance Manager is to present an action plan in relation to this to the Audit Committee in November.

## **PERFORMANCE INDICATORS**

- 18 A summary of our actual performance at the end of September compared to agreed target performance indicators is given in Appendix 8.
- 19 This is the first quarter of the 2012/13 audit plan (July 2012-June 2013). 17 out of 115 reviews are complete. Work has commenced on another 51. In addition to planned assurance reviews, time has also been incurred this quarter on grant certification work and a number of unplanned investigations and ad hoc advice and consultancy requests. There has also been a high proportion of Police Authority Work delivered this quarter, at the client's request, to provide better assurance for the Police Authority prior to its demise in November. Audit days available this quarter were at their lowest due to summer annual leave.

## **RECOMMENDATIONS**

- 20 Members are asked to note,:
- The amendments made to the 2012/13 Annual Audit Plan
  - Work undertaken by Internal Audit during the quarter ended September 2012 and
  - Note the progress made by service managers in responding to the work of internal audit



---

## **Appendix 1: Implications**

---

### **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

### **Risk**

This report requires no decision and so a risk assessment has not been carried out

### **Equality and Diversity**

None

### **Accommodation**

None

### **Crime and disorder**

None

### **Human rights**

None

### **Consultation**

None

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

None