

Audit Committee

27 November 2014

Internal Audit Progress Report Period Ended 30 September 2014



Report of the Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1. To inform Members of the work that has been carried out by Internal Audit during the period 1 July 2014 to 30 September 2014 as part of the 2014/2015 Internal Audit Plan.
2. The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operating across the Council that have been subject to an Internal Audit.
 - Advise of issues where controls need to be improved in order to effectively manage risks.
 - Advise of other types of audit work carried out such as grant certification or consultancy reviews where an assurance opinion on the control environment may not be applicable.
 - Advise of amendments to the Internal Audit Plan.
 - Track the progress of responses to Internal Audit reports and the implementation of agreed audit recommendations.
 - Advise of any changes to the audit process.
 - Provide an update on the performance indicators comparing actual performance against planned.
3. The 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 Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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	Progress against the Internal Audit Plan
Appendix 2	Final Reports issued in the quarter ending 30 September 2014
Appendix 3	The number of high and medium priority actions raised and implemented
Appendix 4	Internal Audit Performance Indicators
Appendix 5*	Overdue Actions
Appendix 6*	Limited Assurance Audit Opinions

Background

- Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve the organisation's operations.
- The Internal Audit Strategy and Annual Internal Audit Plan covering the period 1 July 2014 to 31 March 2015 was approved by the Audit Committee on 26 June 2014.

Progress against the Internal Audit Plan

- A summary of the approved Internal Audit Plan for each Service Grouping, updated to include work in progress and any audits brought forward from last year's plan, is attached at Appendix 1. The appendix illustrates the current status of each audit as at 30 September 2014 and where applicable also gives the resultant assurance opinion.
- A summary of the status of audits in 2014/15 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report
Assistant Chief Executive (ACE)	2	4	2	4	4
Children and Adult Services (CAS) including Schools	52	19	11	3	11
Neighbourhood Services (NS)	9	12	14	1	9
Regeneration and Economic Development (RED)	8	8	3	0	2
Resources (RES)	21	18	13	5	11
TOTAL	92	61	43	13	37

- A summary of the final audit reports issued in this quarter is presented in Appendix 2.
- The total number of Productive Internal Audit days required to deliver the plan was 3,222. As at 30 September the service has delivered 1,016 productive days representing 32% of the total plan. The target at the end of the quarter was for 30% to be delivered therefore current performance is exceeding target.
- This is against a current backdrop of higher than average levels of sickness within the section which is being actively managed.

Audit Activity in the Quarter

Amendments to the Approved 2014/2015 Internal Audit Plan

11. The following amendments to the approved Internal Audit Plan have been agreed between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager in this quarter:

Service Grouping	Audit	Amendment Type	Reason
Children and Adult Services (CAS)	SEN Placement and Provision	Deferred to 2015/2016	Discussions with management confirmed as a result of reorganisation of the service it is appropriate for this review to be deferred.
Children and Adult Services (CAS)	Nicotine Replacement Vouchers	Cancelled	This will be captured as part of advice and consultancy work to introduce suitable controls when introducing PharmOutcomes as the system for receiving the vouchers for payments.
Children and Adult Services (CAS)	MTFP Saving – Provision of Supervised Contact	Deferred to 2016/2017	Discussions with Management confirmed that the intended saving will not be delivered until 2016/2017 so appropriate to defer.
Neighbourhood Services (NS)	Design Services	Cancelled	Discussions with management have identified a limited scope of review. Controls in this area will be picked up in other audits.

12. 16 unplanned reviews have been added to the Internal Audit Plan in this quarter. Of these, eight are potential fraud or irregularity investigations. Details of the progress on all investigations are included in the fraud and irregularity update report which will be considered by the Committee later in the agenda.

13. The eight other reviews, which are to be sourced from the service contingency provision within the Internal Audit Plan, are detailed below:

Service Grouping	Audit	Audit Type	Reason
Children and Adult Services (CAS)	Direct Payments – Introduction of pre-paid cards.	Advice and Consultancy	Service Request
Children and Adult Services (CAS)	Public Health – Data Quality (Performance Indicators) Mapping Exercise	Advice and Consultancy	Service Request
Children and Adult Services (CAS)	Supported Housing	Advice and Consultancy	Service Request
Children and Adult Services (CAS)	School Review	Assurance	School Request
Neighbourhood Services (NS)	Fleet Management Working Group	Advice and Consultancy	Service Request
Regeneration and Economic Development (RED)	Community Association Financial Review	Advice and Consultancy	Service Request
Resources (RES)	Password Management	Assurance	Service Request

Outstanding Management Responses to Draft Internal Audit Reports

14. There are no draft reports that are overdue at the time of writing.

Responses to Audit Findings and Recommendations

15. Details of the numbers of High and Medium priority ranked recommendations that have been raised and those that are overdue, by Service Grouping are presented in Appendix 3

16. A summary of progress on the actions due, implemented and overdue as at 30 September 2014 is given in the table below:

Service Grouping	Number of Actions Due to be Implemented	Number of Actions Actually Implemented	Actions Overdue by Agreed Original Target Date	Actions with an Agreed Revised Target Date	Actions Overdue by Revised Target Date
Assistant Chief Executive (ACE)	11	10	1	1	0
Children and Adult Services (CAS)	75	70	5	5	0
Neighbourhood Services (NS)	182	172	9	9	0
Regeneration and Economic Development (RED)	39	27	12	12	0
Resources (RES)	308	297	11	11	0
TOTAL	615	576	38	38	0

17. It is encouraging to note, of the 615 actions due to be implemented, that 576 (94%) have been implemented. The Chartered Institute of Public Finance and Accountancy (CIPFA), benchmarking exercise indicates that average performance in this area to be between 70% to 80%. At present the Council is delivering in excess of this target.
18. Details of the actions that are overdue following their agreed original target dates are included at Appendix 5.

Limited Assurance Audit Opinions

19. There have been two audits finalised in this quarter that have been issued with a 'limited assurance' opinion. These are:

Service Grouping	Service Area	Audit
Neighbourhood Services (NS)	Direct Services	Fleet Management
Resources (RES)	Financial Services	Sundry Debtors

20. Further details of the findings from these audit reviews are included within Appendix 6.

Performance Indicators

21. A summary of our actual performance at the end of September 2014 compared with our agreed targets is illustrated in Appendix 4.

Recommendations

22. Members are asked to note:

- The amendments made to the 2014/2015 Annual Audit Plan.
- Work undertaken by Internal Audit during the period ending 30 September 2014 and the assurance on the control environment provided.
- The performance of the Internal Audit Service during the period.
- Progress made by service managers in responding to the work of Internal Audit.