

Audit Committee

26 February 2015

Internal Audit Progress Report Period Ended 31 December 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 October 2014 to 31 December 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 Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).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 31 December 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

4. As an independent, consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
5. 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

6. 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 31 December 2014 and where applicable also gives the resultant assurance opinion.
7. 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)	1	0	4	1	9
Children and Adult Services (CAS) including Schools	24	10	16	18	21
Neighbourhood Services (NS)	2	6	11	5	17
Regeneration and Economic Development (RED)	4	3	10	0	6
Resources (RES)	7	15	18	2	24
TOTAL	38	34	59	26	77

8. A summary of the final audit reports issued in this quarter is presented in Appendix 2.
9. The total number of Productive Internal Audit days required to deliver the plan was 3,222. As at 31 December the service has delivered 1,993 productive days representing 62% of the total plan. The target at the end of the quarter was for 60% to be delivered therefore current performance is exceeding target.
10. 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
Assistant Chief Executive (ACE)	AAPs: Performance Management Framework	Deferred to 2015/2016	The service requested that the revised framework be given time to become embedded prior to carrying out an assurance review.
Children and Adult Services (CAS)	Adult Learning	Deferred to 2015/2016	Defer in light of recent Ofsted inspection.
Children and Adult Services (CAS)	Continuing Health Care and Free Nursing Care	Deferred to 2015/2016	Revised procedures recently put in place. Service request that these are embedded before audit review.
Children and Adult Services (CAS)	Personal Budgets	Deferred to 2015/2016	Mutually convenient start time for the audit will be April 2015.
Children and Adult Services (CAS)	Use of Petty Cash and Imprest Accounts	Deferred to 2015/2016	Revised procedures now in place following review. Time for them to be embedded before audit review.
Children and Adult Services (CAS)	Education and Business Link	Deferred to 2015/2016	Mutually convenient start time for the audit will be April 2015.
Children and Adult Services (CAS)	Careers Service	Deferred to 2015/2016	Mutually convenient start time for the audit will be April 2015.
Neighbourhood Services (NS)	Markets	Deferred to 2015/2016	Agreed with Head of Service to defer until 2015/16
Neighbourhood Services (NS)	Leisure Service Review	Cancelled	In light of a structural review this audit would not add value at this time.
Neighbourhood Services (NS)	Strategic Transport	Change of Service Grouping	Review to be reallocated to RED (see additional audits in paragraph 13).
Neighbourhood Services (NS)	Environment Partnerships	Cancelled	Following discussions and in recognition of developments within the service it was agreed this review would not be progressed.
Resources (RES)	Design and Print	Deferred to 2015/2016	Audit deferred to allow revised processes to become embedded following a service restructure.
Resources (RES)	ICT Business Continuity Planning	Deferred to 2015/2016	Review deferred to allow for the implementation of the outstanding actions from the previous audit.
Resources (RES)	Counter Fraud Arrangements	Deferred to 2015/2016	Corporate Fraud Team to assume responsibility for fraud arrangements 1 June 2015. Defer until post SFIS transfer.

12. 10 unplanned reviews have been added to the Internal Audit Plan in this quarter. Of these, seven are potential fraud or irregularity investigations.
13. The three 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
Regeneration and Economic Development (RED)	Gypsy, Roma, Traveller Service	Advice and Consultancy	Service Request
Regeneration and Economic Development (RED)	Strategic Transport – Integrated Transport Block	Assurance	Moved from Neighbourhood Services to Regeneration and Economic Development.
Resources	Digital Durham	Advice and Consultancy	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 31 December 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)	21	21	0	0	0
Children and Adult Services (CAS)	61	57	4	4	0
Neighbourhood Services (NS)	151	142	9	9	0
Regeneration and Economic Development (RED)	60	44	16	16	0
Resources (RES)	343	319	24	24	0
TOTAL	636	583	53	53	0

17. It is encouraging to note, of the 636 actions due to be implemented, that 583 (92%) 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 four audits finalised in this quarter that have been issued with a 'limited assurance' opinion. These are:

Service Grouping	Service Area	Audit
Corporate Review	Various	Data Quality of 3 Specific Performance Indicators
Children and Adult Services (CAS)	Adult Services	Hawthorn House
Resources (RES)	Pension Fund	Teachers' Pension Fund
Resources (RES)	Pension Fund	Debt Recovery

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 December 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 31 December 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.