



Havering
LONDON BOROUGH

AUDIT COMMITTEE

19 February 2014

Subject Heading:

Internal Audit Progress Report

Report Author and contact details:

Kate Brunning, Internal Audit & Corporate Risk Manager ext 3733

Policy context:

To inform the Committee of progress to deliver the approved audit plan in Quarter Three of 2013/14.

Financial summary:

N/a

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 1st October 2013 to 28th January 2014.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

This progress report contains an update to the Committee regarding Internal Audit activity presented in five sections.

Section 1 Background and Resources

Some information about resources is included for information.

Section 2 Audit Work 1st October 2013 to 28th January 2014

A summary of the work undertaken in quarter one is included in this section of the report.

Section 3 Changes to the Approved Audit Plan

The changes made to the audit plan since the last meeting are detailed and explained in this section of the report.

Section 4 Outstanding Audit Recommendations

The details regarding status of all outstanding recommendations are included within tables for information.

IMPLICATIONS AND RISKS

Financial implications and risks:

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work.

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None

Section 1: Background and Resources

1.1 Excluding the Internal Audit and Corporate Risk Manager the established structure contains eight comprising:

- Five internal auditors carrying out systems, schools, follow up audits. The systems audit team contains 2 Principal Auditors, 2 Senior Auditors and a Systems Auditor. One member of the team works reduced hours and the total systems audit resource is 4.8 WTE.
- Three auditors undertaking proactive and reactive fraud and special investigations. The systems audit team contains a Corporate Fraud Manager, a Principal Fraud Auditor and a Fraud Auditor. One member of the team works reduced hours and the total resource available is 2.66 WTE.

The structure of the Internal Audit team is reflected in the number of days in the approved plan for 2013/14.

1.2 The Fraud Auditor left the team in March. Following a recruitment process the Systems Auditor was seconded to work within the Internal Audit Corporate Fraud team. The Systems Auditor post has remained vacant and is likely to remain vacant for 2013/14 as the permanent Audit Fraud post will be filled in early 2014/15. A member of the Systems audit team has been on a period of extended leave during Quarter 3, also impacting on the available audit resource.

1.3 This report relates to the work of the five audit posts, the outputs from the fraud resources are reported in the fraud progress report along with the results of the investigations team.

1.4 The table below shows the budgetary information for the Internal Audit and Corporate Risk team. This budget includes both the Internal Audit and Insurance Teams.

1.5 Income is generated by audit by selling services to Schools, other income relates to Insurance.

REVENUE BUDGET FOR 2013/14		
Expenditure	Income	Non-controllable
£573,560	-£102,700	£470,840

1.6 The forecast outturn for 2013/14 is currently within the allocated budget.

Section 2: Audit Work 1st October 2014 to 28th January 2014.

2.1 The status of each audit included in the 2013/14 Internal Audit Plan as at the 28 January 2014 is shown in the updated Internal Audit Plan shown in Appendix A.

2.3 Fifteen final reports were issued during the period 1ST October 2013 to 28th January 2014. The reports and level of assurance provided comprise:

SYSTEMS AUDIT	ASSURANCE
Emergency Assistance Scheme	Limited
Temporary Agency Worker Contract	Substantial
Compliance With Corporate Policy: Sickness Absence	Limited
Traffic & Parking Control: Cancellation Of Penalty	Substantial
Charge Notices Follow Up Audit	
School Admissions Forensic Review	N/A
JCAD LACHS Application System Review	Substantial
Network Permissions Follow-Up Audit	Substantial
Axise Pension System Hosting Review	No Assurance

SCHOOL	ASSURANCE
Broadford Primary School	Substantial
Brookside Infant School	Substantial
Crownfield Infant School	Substantial
Dycorts School	Substantial
Engayne Primary School	Substantial
Harold Court Primary School	Full
Whybridge Junior School	Substantial

2.4 Summaries of the 8 systems reports and 7 school audit reports are provided in the separate Agenda Items Systems Audit Summaries and School Audit Summaries.

Section 3: Changes to the Approved 2013/14 Audit Plan

- 3.1 In April 2013 the Audit Committee approved an Annual Audit Plan for the 2013/14 financial year totalling 980 days.
- 3.2 As the Systems team post will be held vacant for 2013/14 until the Audit Fraud post is filled with a new permanent post holder the number of days in the plan has reduced by 210 days to 770. Additionally a member of staff was absent for the period October 2013 to January 2014, reducing the number of available audit days by a further 60 days to 690.
- 3.3 The table below provides a summary of the audits removed from, and added to, the 2013/14 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.

Audit Title	Original Days	Revised Days	Directorate	Reason
Main Accounting (Q3)	10 reduced to 5	0	Resources – Finance and Procurement	Delay in the implementation of One Oracle system

Audit Title	Original Days	Revised Days	Directorate	Reason
Accounts Receivable / Debtors (Q3)	15 reduced to 5	0		removed the need to audit key financial systems pre and post go live.
Accounts Payable / Creditors (Q3)	15 reduced to 5	0		
Payroll (Q3)	15 reduced to 5	0		
Pensions (Q3)	10 reduced to 5	0		
Project Management	15	0	Corporate	Removed at the request of CMT
Risk Management	20	0	Corporate	Removed at the request of CMT
Security Over Spreadsheets (Replaces Backups)	15	0	ITC	Removed to facilitate Data Handling audit
Data Handling	0	15	Corporate	Perceived risk requiring assurance

Section 4: Outstanding Recommendations Update

- 4.1 Internal audit follows up all recommendations with management as and when the deadlines for implementation pass. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems where limited assurance was given is verified through a follow up audit review.
- 4.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any High priority recommendations.
- 4.3 The current level of implementation is shown in table in paragraph 5.4 on the following page.
- 4.4 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:
High: Fundamental control requirement needing implementation as soon as possible

Medium: Important Control that should be implemented
Low: Pertaining to Best Practice

4.5 Outstanding Audit Recommendations

4.5 Outstanding Audit Recommendations			No. of Recommendations in the Original Report			Position as at 28/01/14			
Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress	Not Due
11/12	Oracle Financials	Internal Shared Services / Business Systems	Limited	0	24	0	22	2◆	0
11/12	Crematorium – Grave Allocations & Record Keeping	Regulatory Services	Substantial	0	6	0	4	2	0
11/12	Education Computer Centre	Business Systems	Limited	3	6	0	5	4◇	0
11/12	Pensions	Internal Shared Services	Limited	0	1	0	0	1◆	0
11/12	i-Expenses & P Cards	Internal Shared Services	Limited	5	3	1	6	3◆	0
11/12	Main Accounting	Internal Shared Services	Substantial	0	1	0	0	1◇	0
11/12	Contracts & Procurement	Finance & Procurement	Substantial	0	3	0	2	1 M	0
2011/12 Totals				8	44	1	39	14	0
12/13	Information Governance - Compliance with IG Toolkit	Legal & Democratic Services	Substantial	1	2	0	2	1	0
12/13	Oracle Financials	Business Systems / Internal Shared Services	Limited	0	11	3	12	2◆	0
12/13	Electronic Document Management System	Business Systems	Substantial	0	7	0	6	1	0
12/13	i-Expenses	Internal Shared Services	Limited	2	1	0	2	1◆	0
12/13	i-Procurement	Internal Shared Services	Limited	0	2	1	0	3◆	0
12/13	Budgetary Control including CP	Group Director – Resources & Governance Group	Substantial	0	1	0	0	0	1
12/13	Pensions	Group Director – Resources & Governance Group	Substantial	0	2	0	0	1	1

4.5 Outstanding Audit Recommendations

4.5 Outstanding Audit Recommendations			No. of Recommendations in the Original Report			Position as at 28/01/14			
Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress	Not Due
12/13	Payroll	Group Director – Resources & Governance Group	Limited	0	5	0	3	1	1
12/13	i-Recruitment	Internal Shared Services	Limited	3	2	0	0	5♦	0
12/13	Transport	Asset Management	Substantial	1	4	2	5	0	2
12/13	Modern Governance	Business Systems	Substantial	3	7	2	10	2	0
12/13	Council Tax	Exchequer Services	Substantial	0	3	2	4	0	1 L
12/13	Debt Management	Exchequer Services	Substantial	0	1	0	0	0	1
12/13	Debtors	Group Director – Resources & Governance Group	Substantial	0	2	1	0	3	0
12/13	Contracts & Procurement	Finance & Procurement	Substantial	0	1	0	0	0	1
12/13	Creditors	Group Director – Resources & Governance Group	Substantial	0	1	0	0	0	1
12/13	Traffic & Parking Control – Cancellation of Penalty Charge Notices	Streetcare	Substantial	1	5	1	5	2	0
12/13	Information Governance - Service & Provider Compliance	Legal & Democratic Services	Limited	0	1	0	0	1	0
2012/13 Totals				11	58	12	49	23	9
13/14	Mayrise	Streetcare	Limited	5	9	0	11	3	0
13/14	Tenancy Management	Housing & Public Protection	Limited	0	14	0	5	8	1

4.5 Outstanding Audit Recommendations

4.5 Outstanding Audit Recommendations			No. of Recommendations in the Original Report			Position as at 28/01/14			
Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress	Not Due
13/14	Freedom of Information Act	Legal & Democratic Services	Limited	4	1	0	0	0	5
13/14	Fees and Charges	Various	Limited	1	1	1	1	0	1 H & 1 L
13/14	Agency Worker Contract	Resources	Substantial	1	6	2	3	0	6
13/14	Compliance with Corporate Policy - Sickness Absence	Corporate	Limited	1	3	0	0	0	4
13/14	School Placement Forensic Review	Learning & Achievement	N/A	0	4	0	0	0	4
13/14	Emergency Assistance Scheme	Revenues & Benefits	Limited	0	3	1	0	0	4
2013/14 Totals				12	41	4	20	11	26
Totals				31	143	17	108	48	35

◆ Implementation of recommendations is dependent on the implementation of the One Oracle system. These are scheduled to be picked up in Quarter 1 of 2014/15.

◇ Implementation of recommendations is dependent on the outcome of Project Romulus.

APPENDIX A: Updated Internal Audit Plan as at 28th January 2014.

	Audit Title	Budget		Plan Quarter	Status End Qtr3	Report Assurance	Report to Audit Comm
		Original	Revised				
Corporate	IG - Service Area Control & Compliance	0	11	Q1	Consolidated FINAL Report Issued	Limited	Dec-13
	IG - Provider Compliance	0	5	Q1			
	Grants	15	15	Q1	Draft Report Issued		
	Compliance with Corporate Fees & Charges Policy	20	10	Q1 / 2	Draft Report Issued		
	Fees & Charges	15	5	Q1 / 2	FINAL	Limited	Dec-13
	Information Governance - FOI	20	20	Q2	FINAL	Limited	Dec-13
	PDR Assurance	0	8	Q2	FINAL	n/a	Dec-13
	Project Management	15	15	Q3	Removed		
	Use of Volunteers	15	15	Q3	Planning		
	Corporate Governance	0	15	Q3	Planning		
	Risk Management	20	20	Q3 / 4	Removed		
	Petty Cash/Pre Paid Cards	15	15	Q4	Planning		
	Use of Consultants	20	15	Q4			
	Safeguarding	10	10	Q4	Brief Issued		
	Compliance with Corporate Sickness Absence Policy	0	10	Q4	FINAL		Feb-14
Culture, Community & Economic Development	Housing Capital	20	15	Q1	Fieldwork Commenced		
	Tenancy Management	0	27	Q1	FINAL	Limited	Dec-13
	Housing Rents	0	20	Q2	Fieldwork Commenced		
	Carbon Reduction Commitment Scheme	0	3	Q3	FINAL		Sep-13
	Council Tax Support Administration	15	15	Q3	Planning		
	Housing Allocations	20	15	Q3	Fieldwork Commenced		
	Housing Benefits	15	15	Q3	Planning		
	Youth Service	15	15	Q3	Brief Issued		
	Council Tax	10	10	Q3 / 4	Planning		
	Business Rates Administration	15	15	Q4	Planning		

	Audit Title	Budget		Plan Quarter	Status End Qtr3	Report Assurance	Report to Audit Comm
		Original	Revised				
Resources (Finance & Commerce)	Agency Worker Contract	20	20	Q2	FINAL	Substantial	Feb-14
	Main Accounting (Pre One Oracle Implementation)	10	5	Q3	Brief Issued		
	Creditors (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Debtors (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Payroll (Pre One Oracle Implementation)	15	5	Q3	Brief Issued		
	Pensions (Pre One Oracle Implementation)	10	5	Q3	Brief Issued		
	Bankers Automated Clearing System	10	10	Q3	Brief Drafted		
	Budgetary Control incl Collaborative Planning	10	10	Q4	Fieldwork Commenced		
	Main Accounting (Post One Oracle Implementation)	0	5	Q4	Planning		
	Creditors (Post One Oracle Implementation)	0	10	Q4	Planning		
	Debtors (Post One Oracle Implementation)	0	10	Q4	Planning		
	Payroll (Post One Oracle Implementation)	0	10	Q4	Planning		
	Pensions (Post One Oracle Implementation)	0	10	Q4	Planning		
Children, Adults & Housing	Looked After Children Placements	0	15	Q1	Drafting report		
	Troubled Families Programme	15	10	Q1	FINAL	n/a	Dec-13
	Local Welfare Assistance	20	15	Q1 / 2	FINAL	Limited	Feb-14
	ASC Income Work	0	10	Q1 / 2	FINAL	n/a	Dec-13
	Public Health Grants	0	5	Q2 / 3	FINAL	n/a	Dec-13
	TMO's	0	10	Q3	Brief Issued		
	Self-Directed Support	20	15	Q4			
	Contracts and Procurement	15	15	Q4	Drafting Brief		
	School Allocations (forensic)	0	15	Q3	FINAL		Feb-14
Schools	Branfil Primary	4	4	Q1	FINAL	Substantial	Sep-13
	Gidea Park Primary	4	4	Q1	FINAL	Full	Dec-13
	Squirrels Heath Junior	4	4	Q1	FINAL	Substantial	Sep-13
	St.Albans Catholic Primary	4	4	Q1	FINAL	Substantial	Sep-13

	Audit Title	Budget		Plan Quarter	Status End Qtr3	Report Assurance	Report to Audit Comm
		Original	Revised				
Schools	Wykeham Primary	4	4	Q1	FINAL	Substantial	Dec-13
	Crownfield Junior	4	4	Q2	FINAL	Substantial	Dec-13
	Mead Primary	4	4	Q2	FINAL	Full	Dec-13
	St.Marys Catholic Primary	4	4	Q2	FINAL	Substantial	Dec-13
	Benhurst Primary	4	4	Q3			
	Brookside Infant	4	4	Q3	FINAL	Substantial	Feb-14
	Engayne Primary	4	4	Q3	FINAL	Substantial	Feb-14
	Harold Court Primary	4	4	Q3	FINAL	Full	Feb-14
	Towers Junior	4	4	Q3			
	Whybridge Junior	4	4	Q3	FINAL	Substantial	Feb-14
	Broadford Primary	4	4	Q4	FINAL	Substantial	Feb-14
	Crownfield Infant	4	4	Q4	FINAL	Substantial	Feb-14
	Scargill Infant	4	4	Q4			
	Squirrels Heath Infant	4	4	Q4			
	St.Edwards CE Primary	4	4	Q4			
Dycorts School	4	4	Q4	FINAL	Substantial	Feb-14	
Computer Audit	Mayrise	0	15	Q1	FINAL	Limited	Sep-13
	AXISe Pension System	110	15	Q1	FINAL	None	
	JCAD LACHS		15	Q1	FINAL	Substantial	
	Follow Ups - Network Permissions Follow-Up		5	Q1 / 4	FINAL	Substantial	Feb-14
	Service / Support Desk		15	Q2	Draft		
	Security Over Spreadsheets (Replaces Backups)		15	Q2 / 3	Deleted		
	ICT Inventory Controls		8	Q3 / 4	Brief Issued		
	Tranman		15	Q4	Brief Issued		
	Data Handling		15	Q4	Planning		

	Audit Title	Budget		Plan Quarter	Status End Qtr3	Report Assurance	Report to Audit Comm
		Original	Revised				
Follow Ups	Traded Services	0	1.5	Q1	FINAL	Substantial	Sep-13
	Education Computer Centre	0	1.5	Q1	FINAL	Limited	Sep-13
	Audit Recommendations	0	15	Q1-4	On-going		
	Traffic & Parking Control - Cancellation of PCN's	0	3	Q2 / 3	FINAL	Substantial	Feb-14
	One Oracle Contingency	0	16	Q2 / 4			
	i-Expenses	3	3	Q3	Complete		
	CRC Scheme Follow Up & Sign Off	0	1		FINAL		Dec-13
Other Work	Contingency	25	0	-	On-going		
	Advice to Directorates	10	10	Q1 / Q4	On-going		
	Sign off of Grant Claims	10	10	Q1 / Q4	On-going		
	Governance	25	24	Q1 / Q4	On-going		
	Risk Management	50	28	Q1 / Q4	On-going		
	Schools Management /Administration	20	20	Q1 / 4	On-going		