

AUDIT COMMITTEE

11 March 2015

Report

Subject Heading:

Internal Audit Progress Report
29th September 2014 to 4th January 2015

Report Author and contact details:

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Corporate Risk Manager ext 3733

Policy context:

To inform the Committee of progress to
deliver the approved audit plan in quarter
three of 2014/15.

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 29th September 2014 to 4th January 2015.

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 29th September 2014 to 4th January 2015

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

Section 3 Key Performance Indicators

The actual performance against target for key indicators is included.

Section 4 Changes to the Approved Audit Plan

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

Section 5 Outstanding Audit Recommendations

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

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

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. Such failures may result in financial losses for the Council.

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report, any implications or risks of the planned restructure of the service will be picked up under the change management procedures and identified within the restructure report.

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

Final Audit Reports issued in the period
2014/15 Audit Plan
Audit Recommendations Monitoring Schedule

Section 1: Background and Resources

- 1.1 Excluding the Internal Audit & Corporate Risk Manager the established structure for the team delivering this work is five full time equivalent posts. The structure of the team is used to determine the number of days in the audit plan. Currently the team has one vacancy, as an auditor has been seconded to undertake fraud work and a second member of the team is currently on maternity leave.
- 1.2 The team undertake, risk based systems audits, review grant claims, provide consultancy advice for new and developing systems, provide assurance with regards compliance with policy and procedure, undertake school probity audits and for 2014/15 they are also undertaking financial health checks on schools on behalf of the Head of Learning and Achievement. The schools work generates an income for the team.
- 1.3 Vacancies within the team are being held as the audit service is currently undergoing an oneSource service review. At the end of December a shortfall of 90 days was estimated to deliver the 2014/15 plan. Various options to reduce the shortfall were considered and deemed not to be cost effective. It has been necessary to procure some specialist computer audit for One Oracle which will reduce the shortfall. Further information about the changes in the audit plan are included in section four of this report.
- 1.4 At the end of December the service review was still underway. It is hoped that a restructure forming a shared audit service will be launched in February 2015 prior to presentation of this report. A verbal update will be provided at the meeting.
- 1.5 The table below shows the budgetary information for the systems audit resources within Internal Audit (including 1/3 of Internal Audit & Corporate Risk Manager).

REVENUE BUDGET FOR 2014/15	
Expenditure	
Salaries	£221,676
Other Costs (incl. recharges)	£44,985
Income	(£40,000)
Net cost of team	£226,661

- 1.6 The forecast outturn for 2014/15 is currently within the allocated budget due to the vacant post and the maternity leave costs being lower than if post holder was present.
- 1.7 Since the end of this period some of this salaries budget has been redirected to fund the audit of One Oracle.

Section 2: Audit Work 29th September 2014 to 4th January 2015

- 2.1 At the end of December 17 assignments had been completed and eight were in progress but had not reached final report stage.

- 2.2 At the request of the Senior HR Advisor internal audit have attended project meetings with regards to the Talent Link project. Talent Link is the Councils new electronic recruitment system which will replace i-Recruitment.
- 2.3 The table below details the final reports issued in quarter three. Details are listed in the table and management summaries for the 10 system reports are included under Appendix A: Risk Based Systems Audit Report Summaries and management summaries for the seven school reports are included under Appendix B: School Audit Management Summaries.

Report	Assurance	Recommendations				Ref
		High	Med	Low	Total	
Systems Audit						
Carbon Reduction Commitment Scheme	N/A	N/A	N/A	N/A	N/A	A (1)
Construction Industry Scheme	Substantial	0	0	0	0	A (2)
Main Accounting (Pre One Oracle Implementation)	Substantial	0	0	0	0	A (3)
Housing Capital	Substantial	0	2	0	2	A (4)
Housing Allocations	Limited	0	0	0	0	A (5)
Tenancy Management Organisations	Limited	3	4	0	7	A (6)
Payments to Contractors (Road & Pavement Defects)	Limited	3	4	3	10	A (7)
Long Term Sick	Nil	0	4	0	4	A (8)
PARIS	Limited	3	1	0	4	A (9)
Operating Systems Follow Up	Substantial	0	0	0	0	A (10)
Parklands Junior	No	7	9	0	16	B (1)
St. Edwards CE Primary	Substantial	1	6	0	7	B (2)
Brady Primary	Substantial	0	9	3	12	B (3)
St Patricks RC Primary	Substantial	0	5	3	8	B (4)
Langtons Infants Health Check	Substantial	0	1	4	5	B (5)
Mead Primary Health Check	Full	0	1	2	3	B (6)
The Mawney Foundation Health Check	Full	0	2	1	3	B (7)

- 2.5 Work nearing completion at the end of September includes:
- Risk Based Systems Audits: Environmental Protection & Housing; Council Tax; Housing Benefit & Council Tax Support; Housing Rents; Housing Contracts & Procurement; Service Charges and Service Charge Contributions to Major Work; and Responsive Maintenance.

Section 3: Key Performance Indicators

3.1 The table below details the profiled targets and the performance to date at the end of December 2014. The total planned number of audits, where there will be a standard approach to deliverables, for 2014/15 is 55.

Performance Indicator	Quarter 3 Target	Quarter 3 Actual
Percentage of Audit Plan Delivered	70	70
Number of Briefs Issued	48	44
Number of Draft Reports Issued	37	33
Number of Final Reports Issued	37	33

3.2 Although the number of reports is currently below target, there are several reviews at the last stage of fieldwork, and the fieldwork on several of the quarter 4 reviews has already commenced.

Section 4: Changes to the Approved 2014/15 Audit Plan

3.1 In June 2014 the Audit Committee approved a revised Annual Audit Plan for the 2014/15 financial year totalling 844 days.

3.2 The table below provides a summary of the audits removed from and added to the 2014/15 approved audit plan and the reason for the change. For some audits the budget is not required or is exceeded, this is closely monitored for performance monitoring purposes.

3.3 The impact on the total days in the plan has been managed by adjusting other budgets for the year. The totalled planned days remain at 844.

Audit Title	Orig. Days	Rev. Days	Directorate	Reason
Use of Volunteers	15	3.5	Corporate	Topic now to be included on Risk Management Group Agenda.
Talent Link	0	2	Corporate	Added to 2014/2015 Audit Plan.
Carbon Reduction Commitment	0	3	Corporate	Added to 2014/2015 Audit Plan.
Car Pool Scheme	20	2	Corporate	Audit to be scoped this year but to carry forward into 2015/2016 plan due to other work being added to plan.
Payroll (Pre One Oracle Implementation)	5	4	Resources	Completed under budget.
Main Accounting System (Pre One	5	3	Resources	Completed under budget.

Audit Title	Orig. Days	Rev. Days	Directorate	Reason
Oracle Implementation)				
One Oracle Review	20	30	Resources	Audit scope changed / increased. Detailed computer audit to be undertaken by PWC. Fixed price assignment.
Children & Families Act	5	1.5	Children, Adults & Housing	Scope of Audit reduced.
Pupil Referral Units	0	15	Children, Adults & Housing	Added to 2014/2015 Audit Plan.
Adult Safeguarding	20	4	Children, Adults & Housing	Audit to be scoped this year but to carry forward into 2015/2016 plan due to other work being added to plan.
Adult Commissioning	20	3	Children, Adults & Housing	Deleted from Plan, will be considered in planning for 2015/16.
Special Educational Needs	15	2	Children, Adults & Housing	Deleted from Plan, will be considered in planning for 2015/16.
Pupil Place Planning	15	2	Children, Adults & Housing	Audit to be scoped this year but to carry forward into 2015/2016 plan due to other work being added to plan.

Section 4: Outstanding Recommendations Update

- 4.1 Internal audit follows up all recommendations with management 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 4.5 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 30/09/14	
			Assurance Level	H	M	L	Complete	In Progress
11/12	Crematorium - Grave Allocations & Record Keeping	Regulatory Services	Substantial	0	6	0	5	1
11/12	i-Expenses & P Cards	Internal Shared Services	Limited	5	3	1	7	2♦
11/12	Contracts & Procurement	Finance & Procurement	Substantial	0	3	0	2	1♦
2011/12 Totals				5	12	1	14	4
12/13	Information Governance - Compliance with IG Toolkit	Legal & Democratic Services	Substantial	1	2	0	2	1
12/13	Electronic Document Management System	Business Systems	Substantial	0	7	0	6	1
12/13	i-Procurement	Internal Shared Services	Limited	0	2	1	0	3♦
12/13	i-Expenses	Internal Shared Services	Limited	2	1	0	2	1♦
12/13	Transport	Asset Management	Substantial	1	4	2	5	2
12/13	Debt Management	Exchequer Services	Substantial	0	1	0	0	1
12/13	Accounts Payable	Group Director – Resources & Governance Group	Substantial	0	1	0	0	1♦
12/13	Contracts & Procurement	Finance & Procurement	Substantial	0	1	0	0	1♦
12/13	Accounts Receivable	Group Director – Resources & Governance Group	Substantial	0	2	1	2	1♦
2012/13 Totals				7	34	7	33	15
13/14	Tenancy Management	Homes & Housing	Limited	0	14	0	12	2
13/14	Fees and Charges	Various	Limited	1	1	1	2	1
13/14	JCAD LACHS	Finance & Procurement	Substantial	10	12	0	-	22

4.5 Outstanding Audit Recommendations

4.5 Outstanding Audit Recommendations			No. of Recommendations in the Original Report			Position as at 30/09/14		
Audit Year	Area Reviewed	HoS Responsible	Assurance Level	H	M	L	Complete	In Progress
13/14	Compliance with Corporate Policy: Fees and Charges	Corporate	N/A	0	2	0	0	2
13/14	LAC Placements	Children's Services	Limited	0	7	0	6	1
2013/14 Totals				11	36	1	20	28
14/15	Gas Safety (Building Services)	Homes & Housing	Substantial	0	2	0	0	2
14/15	TMO's	Homes & Housing	Limited	1	0	0	0	1
2014/2015 Totals				1	2	0	0	3
Totals				24	84	9	67	50

◆ Implementation of these recommendations is dependent on the implementation of the One Oracle system. The One Oracle system went live in August 2014/2015. To allow the One Oracle system to bed in these are therefore scheduled to be picked up at the end of Quarter 4 of 2014/2015.