



**Havering**  
LONDON BOROUGH

# AUDIT COMMITTEE

25 September 2012

**Subject Heading:**

Internal Audit Progress Report

**Report Author and contact details:**

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**Policy context:**

To inform the Committee of progress to  
deliver the approved audit plan in quarter  
one of 2012/13.

**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 1<sup>st</sup> April 2012 to 29<sup>th</sup> June 2012.

## 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 seven sections.

**Section 1 Background and Resources**

Some information about resources is included for information.

**Section 2 Audit Work 1<sup>st</sup> April to 29<sup>th</sup> June**

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

**Section 3 Management Summaries**

Summaries of all final reports issued in the period.

**Section 4 Schools Audit Work**

A summary of schools final reports issued in the period.

**Section 5 Key Performance Indicators**

The actual performance against target for key indicators is included.

**Section 6 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.

**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**

*Data Quality and Performance Management Final Audit Report 2011/12*  
*Information Governance Final Audit Report 2011/12.*  
*Langtons Infant School Final Audit Report 2011/12*  
*Parsonage Farm Primary School Final Audit Report 2011/12*  
*Internal Audit Plan 2012/13*

**Section 1 Background and Resources**

- 1.1 The restructure was implemented on 1<sup>st</sup> February 2012 and since the last meeting all vacancies have been filled. Excluding the Internal Audit & Corporate Risk Manager the established structure consists of eight full time equivalent (FTE) posts. Three dedicated to proactive and reactive fraud and special investigations and five to systems (including Homes in Havering), schools, follow up etc. Since the restructure one member of staff has requested a reduction to their working hours to 0.8 full time equivalent and this has been agreed. It is not anticipated that this will result in a reduction in the approved planned days for 2012/13.
- 1.2 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.
- 1.3 The table below includes budget information. This budget is for both the Internal Audit and Insurance Teams. The Insurance Team has 3.2 FTE.
- 1.4 Income is generated by selling services to Schools and Homes in Havering.

<b>REVENUE BUDGET FOR 2012/13</b>				
<b>Controllable costs</b>	<b>Non-controllable recharges in</b>	<b>Controllable income</b>	<b>Non-controllable recharges out</b>	<b>Net cost (or income)</b>
579,670	37,050	-80,690	-536,030	0

- 1.5 The forecast outturn for 2012/13 is currently within the allocated budget.

**Section 2 Audit Work 1<sup>st</sup> April 2012 to 29<sup>th</sup> June 2012.**

- 2.1 At the end of June 16% of the audit plan had been delivered. This was against a target for the period of 20%.
- 2.2 At the end of June three assignments had been completed and fifteen were in progress but had not reached the final report stage. One assignment related to a follow up of the Oracle Financials and the results were reported to the Committee in April. Monthly targets are in place for the team and monitored closely.
- 2.3 Schedule 1 details the work completed in quarter one. Details are listed in the table below and management summaries under Section 3 starting on the next page.

**SCHEDULE 1: 2011/2012 – Systems Audits Completed**

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Data Quality / Performance Management	Full	0	0	0	0	3 (1)
Information Governance	Substantial	1	2	0	3	3 (2)

- 2.4 Work in progress includes:
- Risk Based Systems Audits – Contracts & Procurement, Agency Worker Contract, Debt Management, Ingrebourne Children’s Centre, Elm Park Children’s Centre, South Hornchurch Children’s Centre, Traded Services, Telecoms, Network Permissions and i-Expenses follow up.
  - School Audit – Parklands Infants, Newtons Primary, The Mawney Primary and Frances Bardsley School for Girls.

### Section 3 Management Summaries

Data Quality / Performance Management
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ref 3 (1)
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#### 3.1 Background

3.1.1 A total of 86 performance indicators were reported to CMT with an annual position at the end of quarter four. A total of 55 performance indicators have been measured and presented quarterly to CMT during 2011/12.

3.1.2 The effective and accurate reporting of performance indicators is important to inform management decisions and correctly reflect the performance of the Council.

#### 3.1.3 Summary of Audit Findings

3.1.4 The Corporate Policy and Partnership Team have implemented a number of controls surrounding performance indicators including:

- A data quality checklist to ensure the indicators are calculated correctly; and
- The development of a new Data Quality strategy to reflect the indicators included as part of the new Performance Management Framework.

3.1.5 No issues around the control of and reporting of the performance indicators tested as part of this audit were found.

#### 3.1.6 Audit Opinion

3.1.7 As a result of this audit no recommendations have been raised.

3.1.8 A **Full Assurance** has been given as the audit has found that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

<b>Information Governance</b>	<b>ref 3 (2)</b>
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## **3.2 Background**

3.2.1 Organisations have a legal obligation to protect the personal data that they hold. Non compliance with requirements can led to significant monetary penalties being incurred.

3.2.2 IG is a risk on the Council's Corporate Risk Register and has been an issue on the Annual Governance Statement for the last three years.

3.2.3 Although responsibility sits with service areas for IG there is a corporate framework that exists to guide Managers and Staff and assist in the management of this risk. An Information Governance Group (IGG) exists and report to the Corporate Governance Group.

3.2.4 The secure health connection is currently a priority for Social Care and Learning due to the changes around Public Health.

### **3.2.5 Summary of Audit Findings**

3.2.6 Key services instrumental in achieving compliance with IG requirements are not attending the IGG.

3.2.7 Documentation is available to meet the needs of the IG toolkit. A clear understanding of which documents underpin the organisations IG framework has not been established and approved.

3.2.8 Intranet information available to staff around IG is difficult to locate. Although there is significant information and guidance available, the signposting for staff and managers is not effective.

3.2.9 The evidence gathered as part of this audit that is relevant to the completion of the toolkit will be feed directly into the team compiling the return.

3.2.10 As a result of this work a further three audits are planned around IG. These are:

- Document Imaging Systems;
- Service Awareness and Compliance; and
- Provider Compliance.

### **3.2.11 Audit Opinion**

3.2.12 As a result of this audit we have raised two Medium and one High priority recommendation relating to the need for:

- The structure of the Information Governance Group to be reviewed (Medium);
- Key documents that make up the Council's IG Framework to be agreed (Medium); and
- All IG information to be collated into one dedicated intranet page (High).

3.1.13 **Substantial Assurance** has been given as the audit has found that while there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.



## Audit Committee 25 September 2012

### **Section 4 Schools Audit Work**

Two Schools audits were finalised by the end of December. Results of the audits are included in Schedule 2 below.

Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance.

### **Schedule 2: 2011/12 – School Audits Completed**

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Langtons Infant School	Substantial	1	2	2	5	N/A
Parsonage Farm Primary School	Substantial	0	6	1	7	N/A

**Section 5 – Key Performance Indicators**

The tables below detail the profiled targets for the year and the performance to date at the end of June and the targets for the rest of the financial year.

<b>Audit Plan Delivered (%)</b>										
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	16									
Cumulative Target	20	30	37	45	53	63	70	80	90	99

At the end of June 2012 the team is just behind being on target.

<b>KPI 01 - Briefs issued</b>										
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Actual	16									
Cumulative Target	12	19	25	32	40	48	53	55	60	60

At the end of June the team were four briefs ahead of target.

<b>KPI 02 – Draft Reports</b>											
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual	7										
Cumulative Target	8	15	21	26	32	39	44	50	57	60	

At the end of June the team were 2 draft reports behind target.

<b>KPI 03 – Final Reports</b>											
	<b>Q1</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>
Actual	3										
Cumulative Target	5	10	15	21	26	32	39	44	50	57	60

At the end of June the team were three final reports behind target. There are no concerns regarding completion of the plan at this time.

**Section 6 – Changes to the Approved 2011/12 Audit Plan**

In April 2012 the Audit Committee approved an Annual Audit Plan for the 2012/13 financial year totalling 1576 days.

The table below provides a summary of the audits removed from, and added to, the 2012/13 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.

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 1576.

<b>Audit Title</b>	<b>Days</b>	<b>Revised Days</b>	<b>Directorate</b>	<b>Reason</b>
Contracts & Procurement	40	23	Corporate	Budget reduced when scope of audit work defined.
Information Governance	25	15	Corporate	Original allocation for Information Governance reduced when scope set however additional separate audits have been identified.
Information Governance - Electronic Docs & Records Management	0	15	Corporate	Added to 2012/13 plan.
Information Governance – Service Area Control & Compliance	0	15	Corporate	Added to 2012/13 plan.
Information Governance – Provider Compliance	0	15	Corporate	Added to 2012/13 plan.
Troubled Families Funding Return	10	0	Social Care & Learning	Audit cancelled as funding return will not be completed this financial year.
Customer Services	15	0	Computer	Audit cancelled as no benefit of audit to Senior Management as risks and issues being monitored closely.